

Open-End Net Fund Flows (\$)	9/17	8/17	YTD (Sep)
Equity	-22.07B	-16.51B	-88.98B
Taxable Bond	22.46B	16.50B	177.81B
Municipal Bond	2.71B	3.84B	24.14B
Hybrid	-2.72B	-4.36B	-23.43B
Taxable Money Market	29.47B	72.47B	14.81B

Key Interest Rates	10/31/17	12/30/16	10/31/16
Federal Funds Target Rate	1.25%	0.75%	0.50%
LIBOR (3-Month)	1.38%	1.00%	0.88%
2-Year T-Note	1.60%	1.19%	0.84%
10-Year T-Note	2.38%	2.45%	1.83%
Bond Buyer 40	4.02%	4.25%	3.95%

Commodities/U.S. Dollar	10/17	YTD	12 Mo.
U.S. Dollar Index (DXY)	1.58%	-7.49%	-3.96%
TR/CC CRB Commodity Index	2.44%	-2.57%	0.69%
Crude Oil (Barrel)	5.24%	1.23%	16.05%
Natural Gas (per million BTUs)	-3.65%	-22.04%	-4.29%
Gold Bullion (Ounce)	-0.86%	10.32%	-0.20%

Total Return Performance

U.S. Stock Indices	10/17	YTD	12 Mo.
S&P 500	2.33%	16.91%	23.62%
DJIA	4.44%	20.58%	32.07%
NASDAQ 100	4.55%	29.63%	31.68%
S&P 400	2.26%	11.87%	23.46%
Russell 2000	0.85%	11.88%	27.82%
Russell 3000	2.18%	16.40%	23.97%

U.S. Styles/Market Caps	10/17	YTD	12 Mo.
S&P 500 Growth	3.28%	23.24%	26.50%
S&P 500 Value	1.15%	9.74%	19.61%
S&P MidCap 400 Growth	3.45%	15.85%	25.49%
S&P MidCap 400 Value	1.00%	7.67%	20.73%
Russell 2000 Growth	1.55%	18.61%	30.96%
Russell 2000 Value	0.13%	5.80%	24.78%

Foreign Stock Indices (USD)	10/17	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.37%	20.79%	22.74%
MSCI Emerging Markets NET	3.51%	32.26%	26.45%
MSCI Europe NET	0.47%	23.37%	27.01%
MSCI BRIC NET	3.02%	36.97%	30.42%
MSCI EM Latin America NET	-3.60%	22.15%	10.14%
Nikkei 225	7.12%	20.15%	18.81%

Barclays Bond Indices	10/17	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.13%	1.42%	-0.36%
GNMA 30 Year	-0.05%	1.80%	0.20%
Municipal Bond (22+)	0.47%	6.33%	2.66%
U.S. Aggregate	0.06%	3.20%	0.90%
Intermediate Corporate	0.22%	3.98%	2.35%
U.S. Corporate High Yield	0.42%	7.45%	8.92%
Global Aggregate	-0.38%	5.85%	1.18%
EM Hard Currency Aggregate	0.23%	8.89%	6.35%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

Job creation bounced back in October. U.S. nonfarm payrolls rose 261,000 and September's total, which was negatively impacted by two hurricanes (Harvey & Irma), was revised up to a net increase of 18,000 jobs, according to the Bureau of Labor Statistics. That makes 85 consecutive months of positive job growth. Job creation has been a silver lining in this economic recovery, in our opinion. The rebound in the crude oil market since Q1'16 is also a welcome sight. The price of WTI crude oil rose from a multi-year low of \$26.21 per barrel on 2/11/16 to \$54.38 on 10/31/17, or an increase of 107.5%, according to Bloomberg. The break even price for WTI shale oil producers in the U.S. is currently \$50 per barrel, according to Reuters.

Stock Market

The S&P 500 Index closed at 2,575.26 on 10/31/17, 0.23% below its all-time high of 2,581.07 set on 10/27/17, according to Bloomberg. The index posted a total return of 2.33% in October. Seven of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Information Technology, up 7.76%, while the worst showing came from Telecommunication Services, down 7.62%. Year-to-date through 10/31/17, the S&P 500 Index posted a total return of 16.91%. Nine of the 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 37.24%, while the worst showing came from Telecommunication Services, down 11.95%. From 11/8/16 (date Donald Trump was elected 45th President) through 10/31/17, the S&P 500 Index posted a total return of 22.72%, according to Bloomberg. Ten of the 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 38.92%, while the worst showing came from Telecommunication Services, down 0.59%. The S&P 500 Index was up 15.03% on a price-only basis (not including dividends) through the first 10 months of 2017. Todd Sohn, technical analyst at Strategas Research Partners, notes that the index has been up at least that much at this point in the year 17 times since 1950, according to CNBC. In those years, the index rallied another 4.9% on average over the last two months of the year. Equities are performing well throughout the globe. If it ain't broke, don't fix it.

Bond Market

The yield on the benchmark 10-year Treasury note stood at 2.38% on 10/31/17, up five basis points (bps) from 2.33% on 9/29/17, but 23 bps lower than the 10-year average yield of 2.61%, according to Bloomberg. The combination of low interest rates and low inflation continues to serve bond investors well (see Barclays Bond Indices table). Strong demand for bonds has been met by a record supply of new issuance, at least with respect to high-grade corporate debt. Bank of America Merrill Lynch (BofA ML) estimates that new issuance of investment-grade bonds will total a record \$1.34 trillion in 2017, according to *Barron's*. It is, however, calling for a 15.7% decline in new issuance to \$1.13 trillion in 2018. BofA ML believes that some of the issuance in 2017 could stem from companies bringing their bond offerings earlier than planned in an effort to raise capital before the Federal Reserve (the "Fed") hikes interest rates again. The Fed has increased the federal funds target rate a total of four times since 12/16/15. Each one of the rate hikes was for 0.25%. The target rate (upper bound) currently stands at 1.25%. As of 10/31/17, the federal funds futures market put the probability of another quarter-point rate hike at its December 13th meeting at 85.1%, according to Bloomberg. In addition, companies that have cash sitting overseas may get the opportunity to repatriate some or all of it back to the U.S. at a reduced tax rate in 2018 if the Republican's corporate tax reform plan gets passed by Congress, which could lessen the need to raise capital via bond sales.

Takeaway

When the Fed lowers interest rates it is essentially incentivizing consumers and businesses to borrow capital, while simultaneously disincentivizing those looking to preserve capital in a savings vehicle. In other words, the Fed is forging a climate that encourages both borrowers and savers to assume some additional risk to achieve their respective goals. Even though the Fed is now close to two years into a tightening cycle, interest rates still remain low by historical standards. The federal funds target rate (upper bound) is currently 1.25%, well below its 30-year average (thru 10/31/17) of 3.40%, according to Bloomberg.

Data as of 10/31/17

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2581.07	10/27/2017	676.53	3/9/2009	2575.26	-0.23%	16.91%	1.93%
S&P 500 Growth	1488.54	10/27/2017	363.99	3/9/2009	1487.34	-0.08%	23.24%	1.54%
S&P 500 Value	1086.44	10/24/2017	307.16	3/9/2009	1077.14	-0.86%	9.74%	2.43%
S&P MidCap 400	1839.12	10/27/2017	404.62	3/9/2009	1835.10	-0.22%	11.87%	1.55%
S&P MidCap 400 Growth	850.02	10/27/2017	174.44	11/20/2008	848.76	-0.15%	15.85%	1.28%
S&P MidCap 400 Value	619.63	10/20/2017	144.98	3/9/2009	616.38	-0.53%	7.67%	1.84%
S&P 100	1140.09	10/27/2017	322.13	3/9/2009	1136.83	-0.29%	16.75%	2.07%
DJIA	23441.76	10/24/2017	6547.05	3/9/2009	23377.24	-0.28%	20.58%	2.20%
NASDAQ 100	6248.56	10/31/2017	1036.51	11/20/2008	6248.56	0.00%	29.63%	1.06%
Russell 2000	1512.09	10/5/2017	343.26	3/9/2009	1502.77	-0.62%	11.88%	1.33%
Russell 2000 Growth	922.00	10/6/2017	190.73	3/9/2009	920.66	-0.15%	18.61%	0.77%
Russell 2000 Value	1879.20	10/3/2017	469.32	3/9/2009	1855.60	-1.26%	5.80%	1.92%
Russell 3000	1529.82	10/27/2017	389.61	3/9/2009	1526.49	-0.22%	16.40%	1.85%
MSCI World Net (ex U.S.) (USD)	5955.74	10/19/2017	2131.84	3/9/2009	5937.67	-0.30%	20.79%	3.01%
MSCI Emerging Markets Net (USD)	507.98	10/16/2017	164.51	10/27/2008	502.38	-1.10%	32.26%	2.30%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	22678.54	-49.19%	22.70%	2.51%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1113.41	-55.25%	1.40%	4.95%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	224.03	-0.89%	39.59%	1.16%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	511.92	-38.48%	16.82%	1.86%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	2.26	-1.29%	34.82%	1.38%
Hang Seng (USD)	4059.88	11/1/2007	1420.72	10/27/2008	3620.48	-10.82%	32.41%	3.58%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1436.52	-27.65%	27.91%	3.02%
S&P 500 Consumer Discretionary	735.17	10/27/2017	125.72	3/9/2009	731.97	-0.43%	14.30%	1.40%
S&P 500 Consumer Staples	588.35	6/5/2017	199.80	3/9/2009	546.55	-7.10%	5.08%	2.96%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	503.07	-31.75%	-7.25%	3.39%
S&P 500 Utilities	281.62	9/11/2017	113.81	3/9/2009	279.35	-0.81%	16.24%	3.29%
S&P 500 Financials	452.30	10/31/2007	81.74	3/6/2009	441.16	-2.46%	15.78%	1.62%
S&P 500 Banks	335.66	10/31/2007	49.02	3/5/2009	322.86	-3.81%	15.55%	1.87%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	672.93	-7.26%	6.14%	3.97%
S&P 500 Health Care	970.40	10/20/2017	252.84	3/5/2009	938.35	-3.30%	19.39%	1.60%
S&P 500 Pharmaceuticals	657.95	10/23/2017	214.50	3/3/2009	623.63	-5.22%	10.13%	2.61%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	4103.24	-7.42%	33.70%	0.37%
S&P 500 Information Technology	1096.28	10/31/2017	198.51	11/20/2008	1096.28	0.00%	37.24%	1.20%
Philadelphia Semiconductor	1275.61	10/31/2017	171.32	11/20/2008	1275.61	0.00%	42.62%	1.49%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	148.26	-19.36%	-11.95%	5.62%
S&P 500 Industrials	619.96	10/20/2017	132.83	3/9/2009	605.29	-2.37%	14.36%	2.06%
S&P 500 Materials	372.52	10/26/2017	108.33	3/2/2009	369.69	-0.76%	20.30%	1.96%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	81.20	-64.53%	3.47%	0.74%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	187.56	-60.39%	-2.57%	N/A
ICE BofA ML Perpetual Preferred	255.96	10/23/2017	51.79	3/9/2009	255.79	-0.07%	10.12%	5.26%
ICE BofA ML U.S. High Yield Constrained	418.23	10/24/2017	130.37	12/12/2008	417.56	-0.16%	7.46%	6.02%

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