

Open-End Net Fund Flows (\$)	1/17	12/16	YTD (Jan)
Equity	-8.59B	-33.61B	-8.59B
Taxable Bond	17.43B	7.46B	17.43B
Municipal Bond	4.13B	-17.64B	4.13B
Hybrid	-2.75B	-12.27B	-2.75B
Taxable Money Market	-48.25B	5.63B	-48.25B

Key Interest Rates	2/28/17	12/30/16	2/29/16
Federal Funds Target Rate	0.75%	0.75%	0.50%
LIBOR (3-Month)	1.06%	1.00%	0.63%
2-Year T-Note	1.26%	1.19%	0.77%
10-Year T-Note	2.39%	2.45%	1.74%
Bond Buyer 40	4.23%	4.25%	4.06%

Commodities/U.S. Dollar	2/17	YTD (Feb)	12 Mo.
U.S. Dollar Index (DXY)	1.62%	-1.07%	2.96%
TR/CC CRB Commodity Index	-0.74%	-0.98%	16.79%
Crude Oil (Barrel)	2.27%	0.54%	60.03%
Natural Gas (per million BTUs)	-11.22%	-25.54%	61.99%
Gold Bullion (Ounce)	3.75%	8.87%	1.60%

Total Return Performance

U.S. Stock Indices	2/17	YTD	12 Mo.
S&P 500	3.97%	5.94%	24.97%
DJIA	5.17%	5.82%	29.33%
NASDAQ 100	4.37%	9.84%	28.47%
S&P 400	2.62%	4.34%	31.72%
Russell 2000	1.93%	2.33%	36.08%
Russell 3000	3.72%	5.67%	26.28%

U.S. Styles/Market Caps	2/17	YTD	12 Mo.
S&P 500 Growth	4.07%	7.19%	21.62%
S&P 500 Value	3.85%	4.54%	28.31%
S&P MidCap 400 Growth	3.18%	5.19%	27.44%
S&P MidCap 400 Value	1.99%	3.39%	35.45%
Russell 2000 Growth	2.45%	4.11%	30.88%
Russell 2000 Value	1.45%	0.72%	41.26%

Foreign Stock Indices (USD)	2/17	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.15%	4.16%	16.57%
MSCI Emerging Markets NET	3.06%	8.70%	29.46%
MSCI Europe NET	1.19%	3.30%	12.15%
MSCI BRIC NET	3.20%	9.73%	39.51%
MSCI EM Latin America NET	3.57%	11.45%	47.53%
Nikkei 225	1.42%	4.29%	22.69%

Barclays Bond Indices	2/17	YTD	12 Mo.
U.S. Treasury: Intermediate	0.30%	0.49%	-0.59%
GNMA 30 Year	0.43%	0.32%	0.39%
Municipal Bond (22+)	0.78%	1.40%	0.92%
U.S. Aggregate	0.67%	0.87%	1.42%
Intermediate Corporate	0.77%	1.16%	4.22%
U.S. Corporate High Yield	1.46%	2.93%	21.83%
Global Aggregate	0.47%	1.61%	0.59%
EM Hard Currency Aggregate	1.40%	2.84%	10.73%

Sources: Bloomberg, Barclays, Investment Company Institute

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Climate

Consumer confidence currently sits above its highest level reached in 2007, just prior to the 2008-2009 financial crisis. The Conference Board's Consumer Confidence Index stood at 114.80 in February 2017, up from its 2007 high of 111.94, set in July, according to Bloomberg. The Consumer Price Index jumped from 2.1%, on a year-over-year basis, in December 2016 to 2.5% in January 2017. The rate of inflation has not been this high since 2012, according to data from Bloomberg. The recent rise in U.S. manufacturing activity and the ongoing recoveries in housing, banking and energy (crude oil) suggest that the current economic expansion, though already a bit long in the tooth, has legs, in our opinion. Keep in mind that President Trump's pro-growth, pro-U.S. policies have yet to be implemented.

Stock Market

The S&P 500 Index closed at 2,363.64 on 2/28/17, 0.26% below its all-time high of 2,369.75 set a day earlier (2/27/17), according to Bloomberg. The S&P 500 Index posted a total return of 3.97% in February. Nine of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Health Care, up 6.43%, while the worst showing came from Energy, down 2.19%. Year-to-date through 2/28/17, the S&P 500 Index posted a total return of 5.94%. Again, nine of the 11 major sectors were up. The top-performer was Information Technology, up 9.77%, while the worst showing came from Energy, down 5.71%. From 11/8/16 (date Donald Trump was elected 45th President of the United States) through 2/28/17, the S&P 500 Index posted a total return of 11.22%, according to Bloomberg. We often get questions on what percentage of stocks are driving the S&P 500 Index higher. Most often, investors wonder if performance is being driven primarily by the largest companies in the index. Market breadth over the first two months of 2017 has been relatively broad. On a price-only basis, the S&P 500 Index was up 5.57%, compared to a gain of 5.75% for the top 10 constituents in the index by market capitalization, according to S&P Dow Jones Indices. In 2016 (full year), the S&P 500 Index was up 9.54%, compared to a gain of 15.00% for the top 10 constituents. In 2015 (full year), the S&P 500 Index was down 0.73%, compared to a gain of 16.52% for the top 10 constituents. In 2015 and 2016, the biggest companies clearly shined.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) declined by six basis points in February, from 2.45% to 2.39%, according to Bloomberg. It was 65 basis points higher than a year ago (1.74% on 2/29/16). Its three-year average yield was 2.15%. With interest rates still artificially low by historical standards, March's Federal Open Market Committee (FOMC) meeting (14th-15th) looms fairly large for bond investors, in our opinion. Janet Yellen has made it known that the Federal Reserve is set to raise interest rates at that meeting if employment and other economic data hold up, according to Reuters. Raising interest rates in March could portend additional hikes in 2017. The Fed has raised the federal funds target rate two times over the past 15 months. Both of the rate hikes occurred at the FOMC's December meeting and both were 25 basis point increases. If the Fed raises rates another 25 basis points in March it would lift the federal funds target rate to 1.00% (upper bound). For comparative purposes, the last tightening cycle executed by the Fed ran from June 2004 through June 2006. It raised rates 17 times for a total of 425 basis points (1.00% to 5.25%) over that period.

Takeaway

As noted above, on a total return basis, the S&P 500 Index is up 11.22% since Donald Trump won the election (11/8/16-2/28/17). Historically speaking, that is more than a year's worth of gains generated in less than a four month span. From 1926 through 2016, the S&P 500 Index posted an average annual total return of 10.04%, according to Ibbotson Associates/Morningstar. Having pointed that out, we do believe that equity investors have cause to feel optimistic moving forward. As of 2/28/17, Bloomberg's 2017 and 2018 consensus earnings growth rate estimates for the S&P 500 Index were 19.46% and 11.94%, respectively. We believe that corporate earnings determine the direction of stock prices over time.

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	2369.75	2/27/2017	676.53	3/9/2009	2363.64	-0.26%	5.94%	1.99%
S&P 500 Growth	1310.94	2/27/2017	363.99	3/9/2009	1307.26	-0.28%	7.19%	1.69%
S&P 500 Value	1044.59	2/27/2017	307.16	3/9/2009	1042.17	-0.23%	4.54%	2.34%
S&P MidCap 400	1749.20	2/21/2017	404.62	3/9/2009	1729.34	-1.14%	4.34%	1.63%
S&P MidCap 400 Growth	785.84	2/27/2017	174.44	11/20/2008	777.22	-1.10%	5.19%	1.25%
S&P MidCap 400 Value	607.28	2/21/2017	144.98	3/9/2009	599.26	-1.32%	3.39%	2.06%
S&P 100	1048.34	2/27/2017	322.13	3/9/2009	1046.55	-0.17%	6.01%	2.12%
DJIA	20837.44	2/27/2017	6547.05	3/9/2009	20812.24	-0.12%	5.82%	2.32%
NASDAQ 100	5352.13	2/22/2017	1036.51	11/20/2008	5330.31	-0.41%	9.84%	1.16%
Russell 2000	1410.34	2/21/2017	343.26	3/9/2009	1386.68	-1.68%	2.33%	1.41%
Russell 2000 Growth	824.72	2/27/2017	190.73	3/9/2009	812.09	-1.53%	4.11%	0.90%
Russell 2000 Value	1822.99	2/21/2017	469.32	3/9/2009	1789.07	-1.86%	0.72%	1.87%
Russell 3000	1408.57	2/27/2017	389.61	3/9/2009	1402.83	-0.41%	5.67%	1.91%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	5120.28	-6.84%	4.16%	3.08%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	412.89	-12.77%	8.70%	2.44%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	21510.84	-51.81%	17.91%	2.70%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1099.46	-55.81%	-4.55%	4.32%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	182.58	-19.23%	12.63%	1.29%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	472.53	-43.21%	5.66%	1.69%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.85	-19.00%	10.28%	1.38%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	3058.39	-25.08%	8.19%	3.52%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1175.63	-40.79%	2.02%	3.29%
S&P 500 Consumer Discretionary	693.37	2/22/2017	125.72	3/9/2009	687.21	-0.89%	6.27%	1.45%
S&P 500 Consumer Staples	571.69	7/14/2016	199.80	3/9/2009	565.79	-1.03%	6.68%	2.58%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	519.74	-29.49%	-5.71%	2.70%
S&P 500 Utilities	269.14	7/6/2016	113.81	3/9/2009	261.60	-2.80%	6.60%	3.38%
S&P 500 Financials	508.86	6/1/2007	81.74	3/6/2009	406.38	-20.14%	5.45%	1.61%
S&P 500 Banks	408.00	5/18/2007	49.02	3/5/2009	300.85	-26.26%	6.22%	1.78%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	678.54	-6.49%	4.19%	4.21%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	864.61	-3.10%	8.82%	1.64%
S&P 500 Pharmaceuticals	647.69	8/1/2016	214.50	3/3/2009	617.79	-4.62%	7.44%	2.50%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3530.66	-20.33%	14.86%	0.38%
S&P 500 Information Technology	888.27	2/24/2017	198.51	11/20/2008	884.05	-0.48%	9.77%	1.46%
Philadelphia Semiconductor	990.44	2/21/2017	171.32	11/20/2008	969.38	-2.13%	7.26%	1.56%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	169.77	-7.66%	-2.86%	4.64%
S&P 500 Industrials	568.44	2/21/2017	132.83	3/9/2009	563.99	-0.78%	5.28%	2.13%
S&P 500 Materials	332.99	1/26/2017	108.33	3/2/2009	328.13	-1.46%	5.35%	2.03%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	84.58	-63.06%	7.31%	0.44%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	190.62	-59.74%	-0.98%	N/A
BofA ML Perpetual Preferred	242.43	9/6/2016	51.79	3/9/2009	242.38	-0.02%	4.35%	5.31%
BofA ML U.S. High Yield Constrained	399.94	2/28/2017	130.37	12/12/2008	399.94	0.00%	2.92%	6.04%

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