

Open-End Net Fund Flows (\$)	9/18	8/18	YTD (Sep)
Equity	-28.06B	-24.45B	-126.49B
Taxable Bond	11.50B	11.20B	109.22B
Municipal Bond	-0.24B	1.86B	15.42B
Hybrid	-6.42B	-6.47B	-41.91B
Taxable Money Market	-6.90B	29.31B	-4.41B

Key Interest Rates	10/31/18	12/29/17	10/31/17
Federal Funds Target Rate	2.25%	1.50%	1.25%
ICE LIBOR (3-Month)	2.56%	1.69%	1.38%
2-Year T-Note	2.87%	1.89%	1.60%
10-Year T-Note	3.14%	2.41%	2.38%
Bond Buyer 40	4.28%	3.87%	4.02%

Commodities/U.S. Dollar	10/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	2.10%	5.44%	2.73%
TR/CC CRB Commodity Index	-2.15%	-1.50%	1.82%
Crude Oil (Barrel)	-10.84%	8.09%	20.10%
Natural Gas (per million BTUs)	8.31%	10.51%	12.41%
Gold Bullion (Ounce)	1.97%	-7.20%	-4.37%

## Total Return Performance

U.S. Stock Indices	10/18	YTD	12 Mo.
S&P 500	-6.84%	3.00%	7.44%
DJIA	-4.98%	3.41%	10.00%
NASDAQ 100	-8.62%	9.82%	13.05%
S&P MidCap 400	-9.55%	-2.78%	1.55%
Russell 2000	-10.86%	-0.60%	2.66%
Russell 3000	-7.36%	2.43%	6.79%

U.S. Styles/Market Caps	10/18	YTD	12 Mo.
S&P 500 Growth	-8.08%	7.77%	11.54%
S&P 500 Value	-5.33%	-2.01%	3.11%
S&P MidCap 400 Growth	-10.17%	-2.23%	1.85%
S&P MidCap 400 Value	-8.88%	-3.38%	1.19%
Russell 2000 Growth	-12.65%	1.08%	5.14%
Russell 2000 Value	-8.95%	-2.42%	0.02%

Foreign Stock Indices (USD)	10/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-7.95%	-9.33%	-6.67%
MSCI Emerging Markets NET	-8.71%	-15.72%	-12.23%
MSCI Europe NET	-7.63%	-9.90%	-7.87%
MSCI BRIC NET	-6.51%	-14.51%	-11.40%
MSCI EM Latin America NET	3.46%	-3.69%	-3.11%
Nikkei 225	-8.76%	-2.43%	1.57%

Barclays Bond Indices	10/18	YTD	12 Mo.
U.S. Treasury: Intermediate	0.04%	-0.78%	-1.06%
GNMA 30 Year	-0.76%	-1.66%	-1.59%
Municipal Bond (22+)	-1.12%	-2.25%	-0.53%
U.S. Aggregate	-0.79%	-2.38%	-2.05%
Intermediate Corporate	-0.45%	-1.25%	-1.30%
U.S. Corporate High Yield	-1.60%	0.93%	0.97%
Global Aggregate	-1.12%	-3.46%	-2.05%
EM Hard Currency Aggregate	-1.57%	-4.07%	-3.43%

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

An argument can be made that the stock market had become a bit extended and was in need of a pullback. That is what we experienced in October 2018. We often note that the average annual total return on the S&P 500 Index from 1926 through 2017 was 10.16%, according to Ibbotson Associates/Morningstar. In 2017, the S&P 500 Index posted a total return of 21.83%, according to Bloomberg. That is more than double the historical average of 10.16%. Year-to-date through 9/28/18, the index was up 10.56% on a total return basis, already more than the 10.16% average at the nine month mark. Market sell-offs are a normal part of bull markets.

## Stock Market

The S&P 500 Index ("index") closed at 2,711.74 on 10/31/18, 7.47% below its all-time high of 2,930.75 set on 9/20/18, according to Bloomberg. The index posted a total return of -6.84% in October. Two of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Consumer Staples, up 2.31%, while the worst showing came from Consumer Discretionary, down 11.27%. Year-to-date (YTD) through 10/31/18, the index posted a total return of 3.00%. Four of the 11 sectors were up on a total return basis. The top-performer was Information Technology, up 11.02%, while the worst showing came from Materials, down 11.95%. October's sell-off in equities resulted in a \$3.11 trillion decline in total U.S. equity market capitalization (cap) and a \$7.56 trillion decline in total world equity market cap, according to data from Bloomberg. Bob Carey, Chief Market Strategist at First Trust Advisors L.P., views the sell-off as a normal pullback and not the beginning of a bear market. Carey notes that cyclical stocks and small-caps were hit particularly hard in October. He believes that this may have been a reflection of the market repricing these economically sensitive areas as if a recession were on the near-term horizon, which we do not see. While we acknowledge that there has been a lot of discussion in the financial media surrounding the potential fallout from the Federal Reserve raising rates too aggressively in 2019, trade tariffs escalating into a full-blown trade war with China and the possibility of gridlock now that the Democrats have won back control of the House of Representatives, we do not see these events derailing the bull market in stocks. We favor fundamentals over fear. The combination of 3%+ real U.S. GDP growth, which we are currently forecasting for 2018 and 2019, low-to-modest interest rates and inflation, a robust labor market and strong corporate earnings can drive equity prices higher moving forward, in our opinion. We believe October's pullback represents a buying opportunity.

## Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 10/31/18 at 3.14%, up eight basis points (bps) from the close on 9/28/18, according to Bloomberg. The yield stood 63 bps higher than its 2.51% average for the 10-year period ended 10/31/18. With the Federal Reserve on pace to hike rates another four times by the end of 2019, the bias for bond yields is likely higher as well, in our opinion. As of 10/31/18, the yield on the 10-year T-note had closed trading above the 3.00% mark for 32 consecutive days. This occurred despite the decline in the Consumer Price Index from its trailing 12-month rate of 2.9% in July 2018 to 2.3% in September 2018 (latest release), according to the Bureau of Labor Statistics. Inflation, for now, remains in check. That said, it has already become more difficult to generate a positive total return in the bond market (see "Barclays Bond Indices").

## Takeaway

Investors have a couple of reasons to feel upbeat about the stock market coming out of a dismal October: the holiday shopping season and the S&P 500 Index's track record following midterm elections. The National Retail Federation (NRF) announced on 10/3/18 that it expects 2018 holiday sales (November and December), excluding autos, gasoline and restaurant sales, to increase between 4.3% and 4.8% year-over-year for a total of \$717.45 billion to \$720.89 billion, according to its own release. In 2017, holiday sales rose 5.3% year-over-year to \$687.87 billion. The NRF noted that the average rate of increase over the past five years was 3.9%. With respect to U.S. midterm elections, there have been 18 since 1945 (post World War II). The S&P 500 Index posted a positive total return in each of the calendar years following those 18 elections, according to data from Ibbotson Associates/Morningstar.

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	2930.75	9/20/2018	676.53	3/9/2009	2711.74	-7.47%	3.00%	1.95%
S&P 500 Growth	1785.51	10/1/2018	363.99	3/9/2009	1634.69	-8.45%	7.77%	1.35%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1081.73	-9.52%	-2.01%	2.66%
S&P MidCap 400	2050.23	8/29/2018	404.62	3/9/2009	1825.10	-10.98%	-2.78%	1.72%
S&P MidCap 400 Growth	962.51	9/14/2018	174.44	11/20/2008	848.70	-11.82%	-2.23%	1.31%
S&P MidCap 400 Value	680.56	8/29/2018	144.98	3/9/2009	609.31	-10.47%	-3.38%	2.15%
S&P 100	1302.80	10/3/2018	322.13	3/9/2009	1208.84	-7.21%	3.91%	2.05%
DJIA	26828.39	10/3/2018	6547.05	3/9/2009	25115.76	-6.38%	3.41%	2.21%
NASDAQ 100	7660.18	8/29/2018	1036.51	11/20/2008	6967.10	-9.05%	9.82%	1.06%
Russell 2000	1740.75	8/31/2018	343.26	3/9/2009	1511.41	-13.17%	-0.60%	1.51%
Russell 2000 Growth	1117.18	8/31/2018	190.73	3/9/2009	952.21	-14.77%	1.08%	0.72%
Russell 2000 Value	2049.42	8/22/2018	469.32	3/9/2009	1810.10	-11.68%	-2.42%	2.33%
Russell 3000	1737.97	9/20/2018	389.61	3/9/2009	1597.71	-8.07%	2.43%	1.95%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	5536.11	-14.67%	-9.33%	3.45%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	168.25	11/20/2008	439.50	-23.33%	-15.72%	3.05%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	23517.39	-46.09%	1.81%	3.25%
RTS/Russia (USD)	2123.56	4/8/2011	498.20	1/23/2009	1126.21	-46.97%	2.86%	5.93%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	187.44	-23.53%	-19.30%	1.29%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	373.12	-55.16%	-24.81%	2.63%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	1.78	-26.67%	-22.41%	2.32%
Hang Seng (USD)	4241.01	1/26/2018	1462.65	3/9/2009	3185.49	-24.89%	-13.98%	4.01%
MSCI Euro (USD)	1544.35	1/26/2018	682.47	3/9/2009	1230.80	-20.30%	-11.36%	3.69%
S&P 500 Consumer Discretionary	939.41	9/27/2018	125.72	3/9/2009	831.97	-11.44%	7.02%	1.33%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	566.68	-6.37%	-1.12%	2.92%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	497.37	-32.52%	-4.64%	3.10%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	272.38	-5.37%	4.72%	3.43%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	435.85	-13.05%	-4.65%	1.97%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	320.54	-13.85%	-4.28%	2.36%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	657.87	-9.34%	-0.56%	4.19%
S&P 500 Health Care	1107.28	10/1/2018	252.84	3/5/2009	1026.70	-7.28%	8.83%	1.63%
S&P 500 Pharmaceuticals	713.98	10/9/2018	214.50	3/3/2009	682.56	-4.40%	10.00%	2.49%
NYSE Arca Biotechnology	5400.34	9/27/2018	541.77	3/9/2009	4543.19	-15.87%	7.82%	0.31%
S&P 500 Information Technology	1332.87	10/3/2018	198.51	11/20/2008	1215.67	-8.79%	11.02%	1.49%
Philadelphia Semiconductor	1445.90	3/12/2018	171.32	11/20/2008	1202.30	-16.85%	-2.66%	1.97%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	150.88	-17.94%	-5.04%	1.49%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	587.50	-13.44%	-6.50%	2.09%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	328.69	-18.15%	-11.95%	2.20%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	64.28	-71.92%	-24.13%	0.92%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	190.97	-48.47%	-1.50%	N/A
ICE BofAML Perpetual Preferred	259.60	8/30/2018	51.79	3/9/2009	253.51	-2.34%	-1.22%	5.86%
ICE BofAML U.S. High Yield Constrained	429.18	10/2/2018	130.37	12/12/2008	421.17	-1.87%	0.85%	7.01%

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