

Open-End Net Fund Flows (\$)	9/19	8/19	YTD (Sep)
Equity	-41.94B	-22.27B	-221.09B
Taxable Bond	19.51B	1.18B	143.90B
Municipal Bond	4.87B	7.78B	68.56B
Hybrid	-5.47B	-7.65B	-39.49B
Taxable Money Market	71.77B	84.41B	383.07B

Key Interest Rates	10/31/19	12/31/18	10/31/18
Federal Funds Target Rate	1.75%	2.50%	2.25%
ICE LIBOR (3-Month)	1.90%	2.81%	2.56%
2-Year T-Note	1.53%	2.49%	2.87%
10-Year T-Note	1.69%	2.69%	3.14%
Bond Buyer 40	3.61%	4.09%	4.28%

Commodities/U.S. Dollar	10/19	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.04%	1.23%	0.23%
TR/CC CRB Commodity Index	1.70%	4.18%	-7.37%
Crude Oil/WTI (per Barrel)	0.20%	19.31%	-17.04%
Natural Gas (per million BTUs)	12.88%	-10.54%	-19.33%
Gold Bullion (Ounce)	3.35%	18.22%	24.67%

Total Return Performance

U.S. Stock Indices	10/19	YTD	12 Mo.
S&P 500	2.17%	23.16%	14.32%
DJIA	0.59%	18.19%	10.32%
NASDAQ 100	4.37%	28.82%	17.34%
S&P MidCap 400	1.13%	19.19%	8.99%
Russell 2000	2.63%	17.16%	4.87%
Russell 3000	2.15%	22.68%	13.48%

U.S. Styles/Market Caps	10/19	YTD	12 Mo.
S&P 500 Growth	1.74%	23.17%	14.28%
S&P 500 Value	2.65%	23.19%	14.44%
S&P MidCap 400 Growth	0.93%	19.42%	9.51%
S&P MidCap 400 Value	1.33%	18.92%	8.44%
Russell 2000 Growth	2.85%	18.59%	6.36%
Russell 2000 Value	2.42%	15.54%	3.19%

Foreign Stock Indices (USD)	10/19	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	3.23%	17.24%	11.08%
MSCI Emerging Markets NET	4.22%	10.35%	11.86%
MSCI Europe NET	3.21%	17.37%	10.90%
MSCI BRIC NET	4.76%	13.72%	15.19%
MSCI EM Latin America NET	4.45%	11.05%	7.73%
Nikkei 225	5.55%	19.45%	11.90%

Barclays Bond Indices	10/19	YTD	12 Mo.
U.S. Treasury: Intermediate	0.29%	5.52%	7.85%
GNMA 30 Year	0.42%	5.74%	8.63%
Municipal Bond (22+)	-0.02%	9.65%	12.55%
U.S. Aggregate	0.30%	8.85%	11.51%
Intermediate Corporate	0.63%	9.62%	10.75%
U.S. Corporate High Yield	0.28%	11.71%	8.38%
Global Aggregate	0.67%	7.03%	9.54%
EM Hard Currency Aggregate	0.76%	10.45%	11.66%

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 continues to be a big contributor to the underpinnings of the current U.S. economic expansion. October's nonfarm payroll release came in at 128,000, topping the 85,000 consensus estimate from the economists surveyed by Bloomberg. Counting the upward revisions from August and September, payrolls were up 223,000, according to the Bureau of Labor Statistics (BLS). As of August 2019, there were 7.05 million job openings in the U.S., according to the BLS. With those kind of numbers it seems like it would be difficult to argue that the current climate is bad, in our opinion. In addition to a strong labor market, U.S. consumers have worked diligently to get their fiscal houses in order since the 2008-2009 financial crisis. The S&P/Experian Consumer Credit Default Index stood at a reading of 0.93% on 9/30/19, well below its all-time high of 5.51% on 5/31/09 and below its 1.85% average since the inception of the index on 7/31/04, according to Bloomberg.

Stock Market

The S&P 500 Index ("index") closed at 3,037.56 on 10/31/19, 0.30% below its all-time high of 3,046.77 on 10/30/19, according to Bloomberg. The index posted a total return of 2.17% in October. Seven of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Health Care, up 5.12%, while the worst showing came from Energy, down 2.29%. Year-to-date through October, the index posted a total return of 23.16%. All 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 36.48%, while the worst showing came from Energy, up 3.57%. The major U.S. equity indices have outperformed their foreign counterparts through the first 10 months of 2019 (see Total Return Performance tables). The S&P 500 Index has outperformed both mid- and small-cap stocks over that same period. Within the S&P 500 Index, value stocks have narrowly outperformed growth stocks (see U.S. Styles/Market Caps). On 10/30/19, the Federal Reserve cut its benchmark lending rate for the third time in three months. The federal funds target rate (upper bound) now stands at 1.75%. Historically, stocks have performed well following three successive interest rate cuts (1975, 1996 and 1998). Data from LPL Financial indicates that the S&P 500 Index has risen an average of 10% six months after said rate cuts and 20% a year out, according to MarketWatch. Next year is a presidential election year. Over the past 10 presidential election years (1980-2016), the S&P 500 Index has posted an average total return of 7.90%, according to data from Morningstar/Ibbotson Associates. The index was up in eight of those 10 years. The two down years were 2000 (-9.10%) and 2008 (-37.00%).

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 10/31/19 at 1.69%, up 2 basis points (bps) from its 1.67% close on 9/30/19, according to Bloomberg. The yield stood 73 bps below its 2.42% average for the 10-year period ended 10/31/19. For those investors worried about an inverted yield curve, the spread between the 2- and 10-year T-notes stood at 16 bps on 10/31/19 (see Key Interest Rates). The 1.69% closing yield on the 10-year T-note essentially matched the trailing 12-month Consumer Price Index (CPI) rate of 1.7% as of September 2019 (most recent data available). That produced a real rate of return (yield minus CPI rate) of zero. Bond investors have historically sought a positive real rate of return on their capital. For the 30-year period ended 10/31/19, the average closing yield on the 10-year T-note was 4.53%, while the average (10/31/89-9/30/19) CPI rate was 2.5%, according to Bloomberg. In that period, investors enjoyed a 2.03% average real rate of return.

Takeaway

Goldman Sachs reported that companies within the S&P 500 Index are expected to spend approximately \$2.7 trillion of cash in 2020, up 2% year-over-year, according to Business Insider. That is an improvement over the projected 6% year-over-year decline in spending for 2019. Goldman expects companies to commit around 55% of their cash to growth opportunities in 2020, while returning the other 45% or so to shareholders. Continuing this theme of a potentially better business climate in 2020, Bloomberg's 2020 consensus year-over-year earnings growth rate estimate for the S&P 500 Index stood at 9.26% as of 11/1/19, considerably more encouraging than the current 1.53% projected growth rate for 2019. Just think of how much better the business climate could be if the U.S. and China are able to strike even a partial trade deal in the next few months. Stay the course!

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	3046.77	10/30/2019	1022.58	7/2/2010	3037.56	-0.30%	23.16%	1.90%
S&P 500 Growth	1858.74	7/26/2019	528.55	7/2/2010	1839.30	-1.05%	23.17%	1.46%
S&P 500 Value	1210.90	10/28/2019	486.55	7/2/2010	1206.27	-0.38%	23.19%	2.40%
S&P MidCap 400	2050.23	8/29/2018	662.16	11/2/2009	1955.37	-4.63%	19.19%	1.76%
S&P MidCap 400 Growth	962.51	9/14/2018	289.79	11/2/2009	915.97	-4.84%	19.42%	1.46%
S&P MidCap 400 Value	680.56	8/29/2018	237.78	11/2/2009	647.76	-4.82%	18.92%	2.06%
S&P 100	1351.83	10/30/2019	463.84	7/2/2010	1349.76	-0.15%	23.30%	1.97%
DJIA	27359.16	7/15/2019	9686.48	7/2/2010	27046.23	-1.14%	18.19%	2.28%
NASDAQ 100	8110.67	10/28/2019	1672.91	11/2/2009	8083.83	-0.33%	28.82%	1.01%
Russell 2000	1740.75	8/31/2018	562.40	11/2/2009	1562.45	-10.24%	17.16%	1.54%
Russell 2000 Growth	1117.18	8/31/2018	307.72	11/2/2009	1005.67	-9.98%	18.59%	0.78%
Russell 2000 Value	2049.42	8/22/2018	779.75	11/4/2009	1827.14	-10.85%	15.54%	2.30%
Russell 3000	1784.63	10/30/2019	602.36	7/2/2010	1778.20	-0.36%	22.68%	1.84%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	3249.15	5/25/2010	6149.58	-5.21%	17.24%	3.46%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	296.24	1/21/2016	491.61	-14.24%	10.35%	2.91%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	26779.51	-38.61%	18.06%	2.99%
RTS/Russia (USD)	2123.56	4/8/2011	628.41	1/20/2016	1422.92	-32.99%	42.15%	6.53%
S&P BSE 500/India (USD)	245.12	1/24/2018	95.89	9/3/2013	216.52	-11.67%	4.92%	1.31%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	416.14	-49.99%	17.56%	2.36%
KOSPI/South Korea (USD)	2.42	1/29/2018	1.24	5/25/2010	1.78	-26.54%	-2.10%	2.26%
Hang Seng (USD)	4241.01	1/26/2018	2087.46	10/4/2011	3432.86	-19.06%	7.65%	3.68%
MSCI Euro (USD)	1544.35	1/26/2018	814.62	6/1/2012	1339.79	-13.25%	18.51%	3.54%
S&P 500 Consumer Discretionary	989.17	7/15/2019	213.01	11/2/2009	950.01	-3.96%	22.88%	1.30%
S&P 500 Consumer Staples	630.40	10/24/2019	262.40	7/2/2010	627.29	-0.49%	23.10%	2.75%
S&P 500 Energy	737.09	6/23/2014	371.08	7/2/2010	426.66	-42.12%	3.57%	4.03%
S&P 500 Utilities	329.42	9/26/2019	141.65	6/1/2010	325.85	-1.08%	24.44%	3.03%
S&P 500 Financials	501.29	1/26/2018	151.85	10/3/2011	475.99	-5.05%	22.49%	2.05%
S&P 500 Banks	372.05	2/1/2018	105.73	8/22/2011	346.97	-6.74%	27.78%	2.72%
FTSE NAREIT All Equity REITs	802.35	10/21/2019	303.86	11/4/2009	793.23	-1.14%	29.87%	3.53%
S&P 500 Health Care	1107.28	10/1/2018	324.13	7/1/2010	1095.58	-1.06%	11.04%	1.70%
S&P 500 Pharmaceuticals	723.95	11/30/2018	268.30	6/4/2010	692.13	-4.40%	6.03%	2.65%
NYSE Arca Biotechnology	5400.34	9/27/2018	845.03	11/2/2009	4422.72	-18.10%	5.02%	0.30%
S&P 500 Information Technology	1473.63	10/28/2019	328.07	7/2/2010	1467.20	-0.44%	36.48%	1.36%
Philadelphia Semiconductor	1677.57	10/28/2019	293.48	11/3/2009	1651.23	-1.57%	45.18%	1.69%
S&P 500 Telecom Services	183.85	7/1/2016	100.96	5/26/2010	171.82	-6.55%	25.42%	1.34%
S&P 500 Industrials	678.74	1/26/2018	223.23	11/2/2009	661.33	-2.56%	23.91%	1.97%
S&P 500 Materials	401.59	1/26/2018	170.73	7/2/2010	364.73	-9.18%	17.16%	2.17%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	95.62	-58.24%	36.53%	0.94%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	176.89	-52.26%	4.18%	N/A
ICE BofAML Perpetual Preferred	284.38	10/25/2019	124.41	11/3/2009	283.86	-0.18%	15.75%	5.09%
ICE BofAML U.S. High Yield Constrained	457.73	10/28/2019	217.28	11/3/2009	456.21	-0.33%	11.76%	6.40%

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