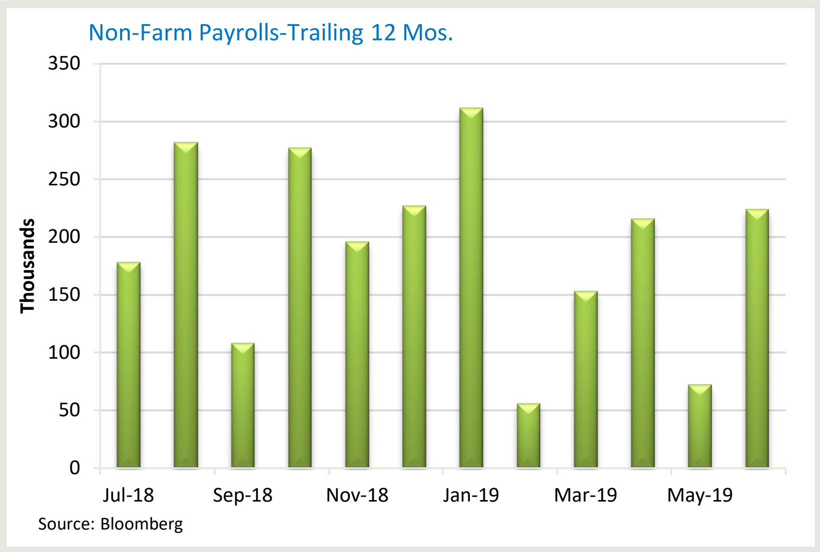
Weekly Market Review

July 15, 2019

**The June Monthly Recap is featured on page 3 along with this week's Macro Commentary on page 4.*

Chart of the Week



Weekly Highlights

- **Strong US Economic Data was reported.** Initial Jobless claims for the week ending July 6 decreased by 13,000 to 209,000, while the four-week moving average decreased by 3,250 to 219,250. The Consumer Price Index (CPI) increased 0.10% month over month in June, while core CPI, which excludes food and energy, rose 0.30%, much higher than expectations. The Producer Price Index (PPI) rose 1.70% on a yearly basis in June, while core PPI was up 2.30% on a yearly basis.
- **The June Federal Open Market Committee (FOMC) minutes of meeting were released.** Many Federal Reserve (the Fed) officials were in favor of a strong rate cut amid rising risk. The FOMC minutes maintained a dovish tone that has heightened the case for a July rate cut. Committee members expressed concern that trade tensions and a global economic slowdown could weaken business investment. On Thursday, Fed Chair Jerome Powell, in an effort to boost inflation, had strongly signaled that the central bank was ready to cut interest rates later in July.
- **Oil prices hit a six-week high.** Oil prices lingered near a six-week high, as oil and gas producing companies started evacuating offshore oil rigs in the Gulf of Mexico ahead of a storm. Although increased geopolitical risks in the Middle East following the altercation between Iran and UK continued to hold oil prices at high levels, the OPEC's lower 2020 oil demand outlook put a slight dent in the price rally.

Talking Points

- **Among equities, the US stock market peaked this week after Fed Chair Powell indicated a probable rate cut this month.** On Thursday, the Nasdaq Composite Index dipped a little after President Donald Trump's tweet indicating challenges in the trade talks between China and the US. **European** shares ticked up on Friday as auto and chemical shares pushed the Stoxx-600 higher. Equity indices in the **Asia-Pacific** region dipped due to weak data from China and Singapore.
- **The yield on the 10-Year US Treasury Note rose to 2.13% following the release of strong inflation data**.
- **The Dollar Spot Index started the week with an upward trend**. However, the index dipped as the week continued, as the increased possibility of the Fed's interest rate cut weighed on it.
- **The Trump Administration withdrew its proposal to eliminate rebates from government drug plans.** Shares of health insurers such as **Cigna Corp (CI)**, **United Health (UNH)**, and **CVS Health (CVS)**, soared.
- **The US budget deficit increased to $747.1 billion for the first nine months of the fiscal year.** This reflects a year-over-year increase of 23.10% for the same time period. The Trump Administration expects this figure to exceed $1 trillion for this fiscal year.

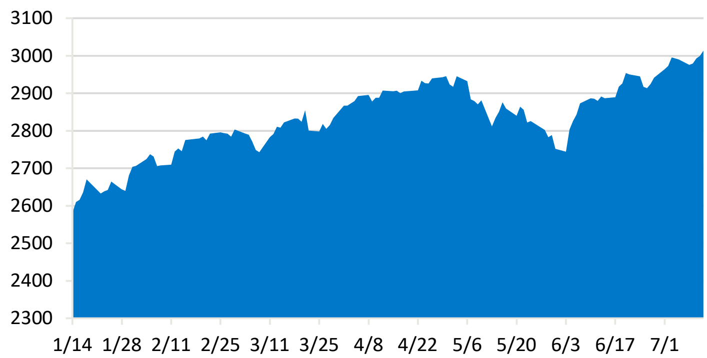
Market Dashboard

	Last Price	Change	% Chg.	YTD %
S&P 500	3,013.77	23.36	0.78%	20.2%
Dow Industrials	27,332.03	409.91	1.52%	17.2%
Nasdaq	8,244.15	82.35	1.01%	24.2%
Russell 2000	1,570.00	-5.63	-0.36%	16.4%
Euro Stoxx Index	386.85	-3.26	-0.84%	14.6%
Shanghai Composite	2,930.55	-80.51	-2.67%	17.5%
MSCI ACWI	529.18	-0.33	-0.06%	16.1%

	Last Price	Change	% Chg.	YTD %
MSCI EM	1,055.15	-4.78	-0.45%	9.3%
10-Year US Treas.	2.11	6 bps	NM	NM
Bloomberg Cmdts. Idx.	81.02	1.91	2.41%	5.6%
Gold	$1,414.80	$15.07	1.08%	10.3%
Crude Oil	$60.31	$2.81	4.89%	26.7%
Dollar Index	96.83	-0.45	-0.46%	0.7%
VIX Index	12.39	-0.88	-6.63%	-51.2%

Source: Bloomberg; Index % change is based on price.

S&P 500 Index: Trailing 180 Days



Source: Bloomberg

	One Week			YTD		
	Value		Growth	Value		Growth
L	0.55%	0.88%	1.14%	15.89%	19.78%	23.24%
	0.07%	0.50%	1.15%	18.23%	22.70%	29.23%
S	-0.64%	-0.36%	-0.08%	12.17%	16.42%	20.54%

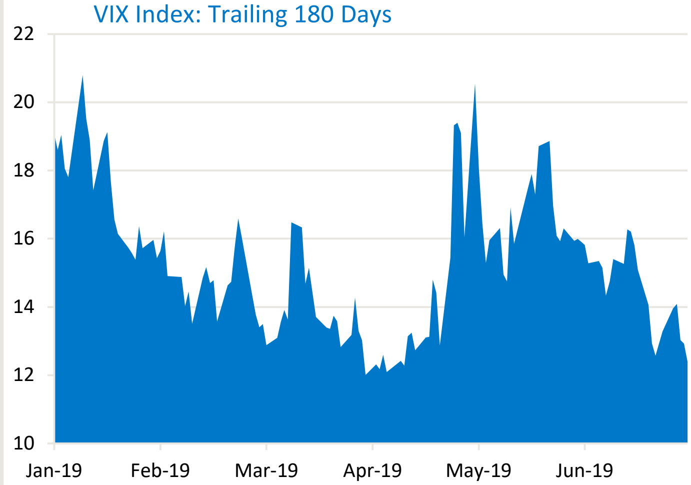
Source: Bloomberg

Sector Performance:
S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	10.4	2.14%	26.1%
Consumer Staples	7.3	0.90%	18.0%
Energy	5.0	2.15%	12.5%
Financials	13.1	0.46%	18.7%
Health Care	13.8	-1.43%	6.8%
Industrials	9.3	1.24%	21.8%
Information Technology	21.8	1.52%	30.9%
Materials	2.7	-0.82%	15.6%
Real Estate	3.0	-0.20%	21.1%
Communication Services	10.3	1.18%	23.0%
Utilities	3.3	-0.11%	14.5%

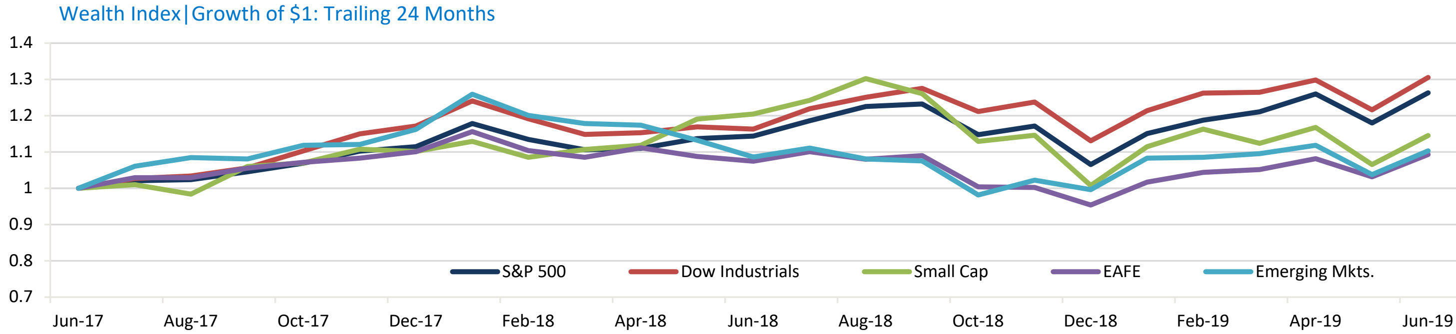
Source: Bloomberg

VIX Index: Trailing 180 Days



Source: Bloomberg

Wealth Index|Growth of $1: Trailing 24 Months



Source: Bloomberg

The Economy and Markets

A Macro View—June Monthly Recap

The domestic equity markets rallied sharply in June, sharply enough to recover the losses from April and May and end the quarter in positive territory across the board. The primary driver was Federal Reserve's (the Fed) pivoting to a dovish tone by holding rates steady at its June meeting and indicating a willingness to cut rates should economic growth slow. By mid-June, market participants had fully priced in a rate cut at the Fed's July meeting. The Trump Administration also began making conciliatory overtures to the Chinese on trade prior to the G-20 summit at the end of June. During the summit, the two sides agreed to hold off on any further tariff increases for the time being.

There was no clear trend in the domestic markets in June. The Russell 2000 Growth Index was the best performer, up 7.70%, but its value counterpart was the worst performer, rising just 6.37%. The growth index outperformed value in mid caps as well, but the reverse was true for large caps, particularly the mega cap stocks. The large value index outperformed small value by 1.00%, but the large growth index underperformed the small growth index by 0.80%. The Materials sector was the top performer across all market caps for the month, whereas the Industrial sector was the second-best performer in both the small and mid cap indices. The Energy and Information Technology sectors rounded out the top three for large caps. More conservative sectors such as Real Estate and Utilities were consistent underperformers (though still positive for the month) across all market caps as well.

The international equity markets lagged domestic stocks during June, but still managed to post solid returns for the period. The MSCI EAFE Index was up 5.93% during the month, with growth outperforming value (6.50% versus 5.33%), continuing a trend that has persisted for the better part of two years. European stocks generally outperformed despite economic growth remaining sluggish, as the European Central Bank (ECB) continued to voice its commitment to providing stimulus as needed. Japan, despite generating positive returns (3.98%), was one of the more notable laggards during the month.

The emerging markets also were well into positive territory, with that index up 6.24% for the month. Argentina, which only recently returned to the index following a ten-year downgrade to frontier market status, led the way with a 26.60% return. China (+8.06%) also rebounded, following sharply negative performance in May, as trade tensions with the US eased. India (-0.27%) was one of the few negative performers during the month due to concerns around domestic growth and a liquidity squeeze in the nonbanking finance sector.

The domestic fixed income markets continued May's sharp rise with positive returns across all sectors and all points on the yield curve. The Fed's dovish tone, as noted above, encouraged fixed income market participants to push Treasury yields down across the curve in June and tighten credit spreads in both investment grade and high yield bonds. The curve did steepen during the period, with short-term rates falling roughly 25 basis points more than long-term rates. The US Aggregate Index was up 1.26% in the month, led by corporate issues, which were up 2.45%. Treasurys and securitized issues both returned less than 1.00%. Noninvestment grade bonds were up 2.28% in June, as the average spread tightened by more than 50 basis points. The S&P/LSTA Leveraged Loan Index rose just 24 basis points last month, as the loans' floating rate nature became decidedly less attractive. Investors added nearly $11.5 billion to taxable mutual funds in June, primarily to intermediate maturity and multisector funds.

The municipal market also posted positive returns across all credit qualities and maturities, though not quite as strong as the taxable market. Shorter maturities outperformed in the month, with the 5-year index up 55 basis points, the 10-year index up 37 basis points, and the 22-year-and-higher index up just 24 basis points. Lower-rated issues outperformed their higher-rated peers, and the high yield municipal index was up 52 basis points. The municipal market continues to be driven by both favorable fundamentals and strong technical factors. States have broadly benefited from rising tax revenues and limited increases in spending or borrowing. On the technical side, new issuance is slightly above last year's pace ($167 billion vs. $166 billion), but net new issuance (subtracting refinancing issues and maturities) declined by $9 billion for the year. At the same time, investors have added $47 billion to municipal mutual funds in the first six months.

Developed market sovereign credits were up 2.84% in dollar terms in June, and global yields fell in conjunction with US yields. Nearly half of that return was due to the depreciation of the dollar, however, as the local currency return was just 1.52%. The yield on the 10-year German Bund fell 16 basis points, from -0.20% to -0.36%, with similar drops in France, Switzerland, and the UK. In its most recent meeting, the ECB extended its forward guidance, committing to unchanged policy rates through the first half of next year. This has created a slightly flatter yield curve across the eurozone, as opposed to the steepening of the US curve. Emerging markets bonds were laggards for the quarter, with the hard currency index up just 41 basis points and the local currency index up 30 basis points. There were some pockets of strength, such as Turkey (7.20%), Brazil (3.20%) and Chile (2.10%), whereas Argentina (-16.10%) was by far the weakest.

Nathan Behan
Sr. Investment Analyst

Macro View: Are Stock Buybacks a Blessing or the Devil in Disguise?

Stock buybacks have been one of the highly debated themes of 2019 and have invoked strong opinions from multiple sides, including Wall Street gurus, investors, and even politicians. For some, share repurchases are the work of a devil driving share prices and the stock market higher and contributing to income inequality. On the other side, advocates of buybacks believe, it is an efficient corporate finance tool for distributing wealth back to shareholders. So, who has it right, or is there a middle ground to be had between these dissenting opinions?

Many may not know that up until the 1980s, share repurchases were considered a form of market manipulation and were illegal. However, the U.S. Securities and Exchange Commission changed its stance and legalized them with the introduction of the 10b-18 rule in 1982. The rationale behind this change was that a buyback would serve as an alternative method of rewarding shareholders while using idle cash reserves. It would ensure stability in share value, which is often used as collateral by loan issuers, insurance companies, and other financial institutions, and could be implemented as an antitakeover strategy. Since then, buybacks have increased steadily and have surpassed dividend distribution for almost all years since 1997. When financed with excess cash or profits, buybacks are an attractive way to return cash to shareholders, and investors typically embrace buybacks.

An alternative method of funding their use is known as leveraged buybacks, in which the company uses debt to repurchase its shares, a scenario often more prevalent in small cap companies. The current extended bull market rally is largely supported by these leveraged buybacks, as many companies have financed buybacks through low-interest debt. Many of these companies have grown increasingly more leveraged since 2009. Almost 34% of the repurchases in 2017 were funded by debt. According to Jeffrey Gundlach of Doubleline, this has turned the equity market into a Collateralized Debt Obligation residual that is getting thinner and riskier. Credit rating agencies have cautioned companies from undertaking excessive share buybacks, highlighting the conflict between the shareholder and creditors. Analysts at these credit rating agencies believe using cash to repay debt would improve the company's long-term growth, beneficial for both creditors and shareholders. On the other hand, buybacks may only support stock prices in the short run, more often than not at the expense of creditors. For the first time in history, more corporate bonds are rated BBB than AAA. In a downturn, many bonds in the BBB category will transition to junk, and a few of these highly leveraged companies' debt might transition to default.

In 2018, although the number of debt-funded buybacks dropped considerably and stood at 14% of the total, the overall buyback trend continued to grow, and the S&P 500 Index companies hit a new record, buying back more than $800 billion worth of shares. However, during this phase the buybacks were largely backed by the huge cash reserves US corporations accumulated following the Tax Cut and Jobs Act introduced in December 2017. The Act was introduced with an expectation that companies would invest the excess cash in things that contributed to their long-term growth such as reducing debt, capital expenditures, research and development, and higher wages. However, the companies chose to use the cash to repurchase shares from existing shareholders, rather than make capital expenditures. This reduced the number of shares outstanding, therefore increasing the earnings per share and, in turn, drove the stock price higher. This trend has continued in the first quarter of 2019, and buybacks are expected to reach a peak of $1 trillion this year.

With the drums rolling for the 2020 elections, buybacks are at the forefront of the political arena as well. According to several presidential candidates, buybacks do not encourage organic growth, and they mostly benefit the top executives, for whom the majority of compensation comes from stock options and stock-based incentives. Politicians have held buybacks responsible for increasing wealth inequality and have suggested restrictions or additional taxes to discourage such practices. At the moment, a more portentous question is: What will happen when these buybacks come to an end? Where will these highly leveraged companies, with unhappy creditors and ecstatic shareholders riding on the buyback- induced high, stand? Perhaps the current rating of BBB for General Electric's (GE) debt with a negative outlook can serve as a snippet of the larger story. After spending billions on buybacks for almost half a decade, GE halted its purchases and reduced its dividend in 2017 to repay debt. Unhappy shareholders moved on to other opportunities, and GE's share price nosedived.

Although not an evil in itself, the increasing number of buybacks in recent years without regard to fundamentals and valuations is worth pondering. Investors need to factor in buybacks before investing in any company. These buybacks may result in higher downside risk, especially when these firms have huge debt on their balance sheet. Additionally, fines or additional taxes may be imposed on companies that are resorting to the practice. For now, the jury is still out on stock buybacks, but a sudden turn in the market could change many investors' perception of the practice.

Parina Sharma
Investment Analyst

Sources
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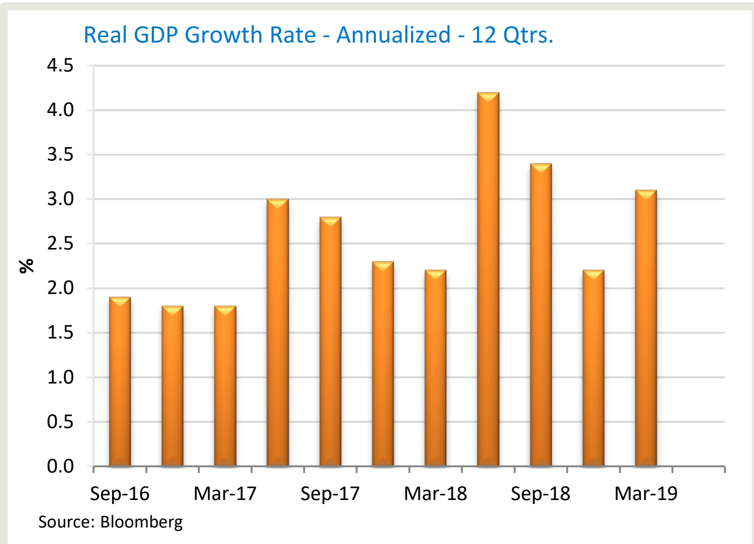
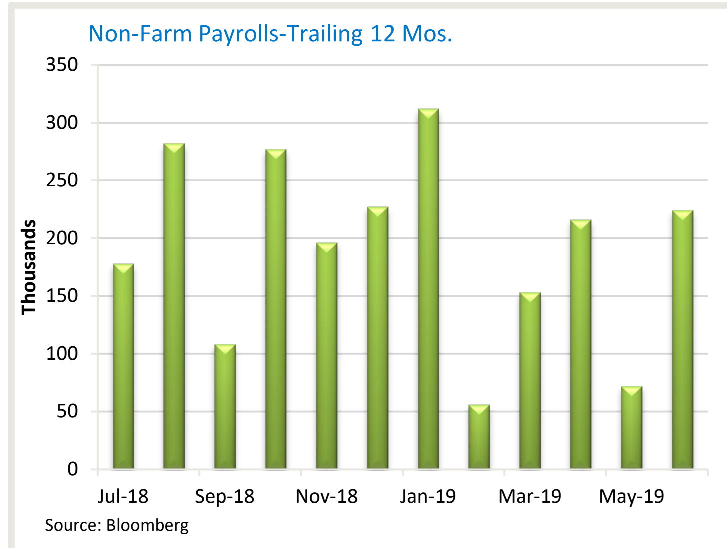
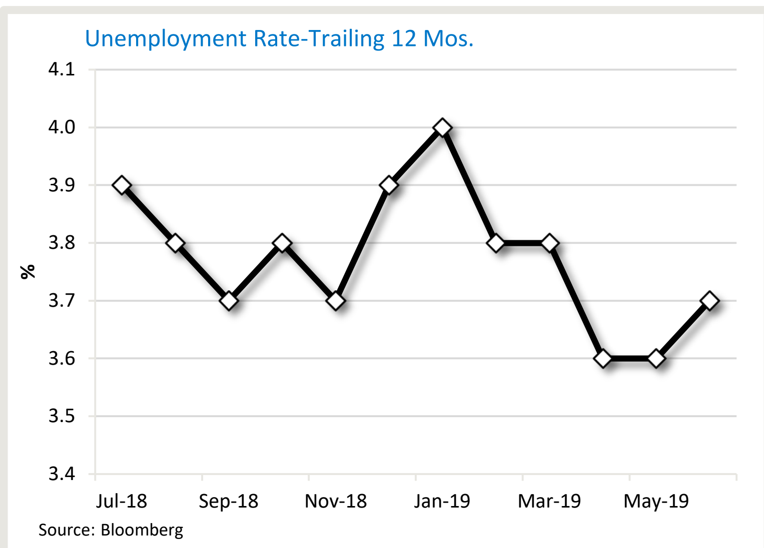
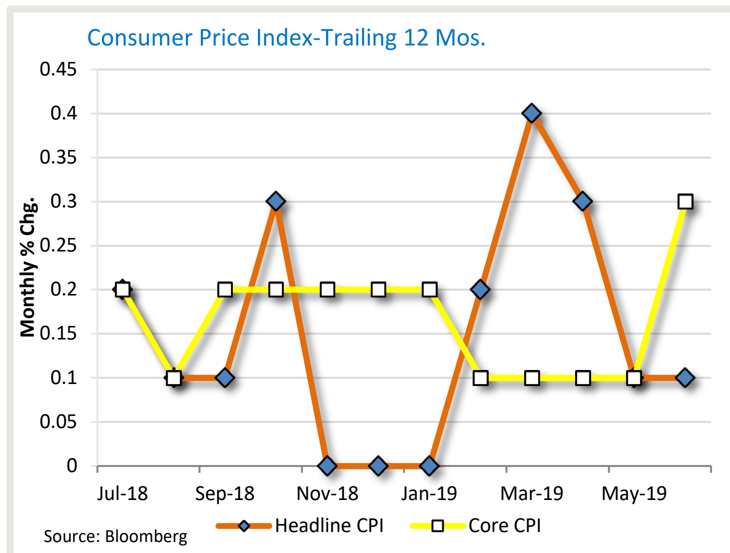
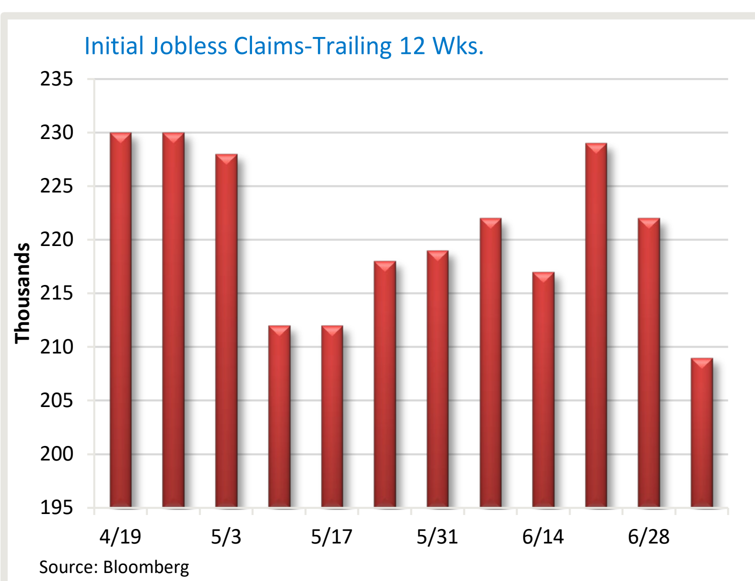
Economic Data

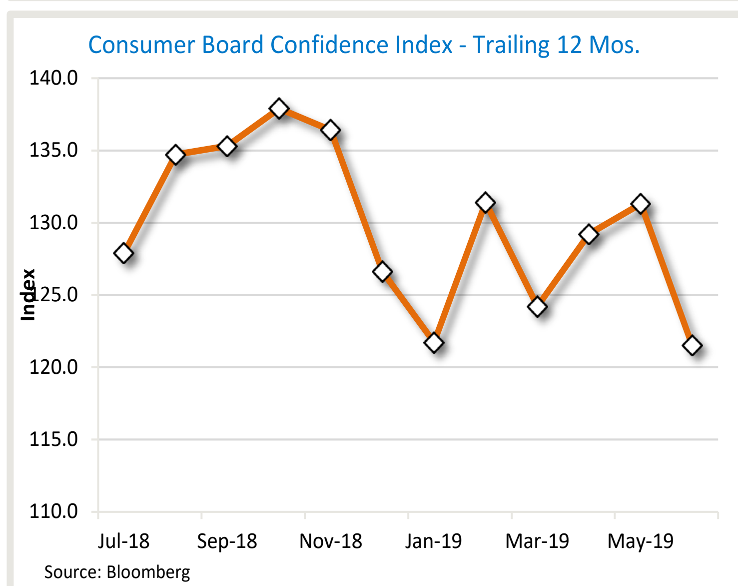










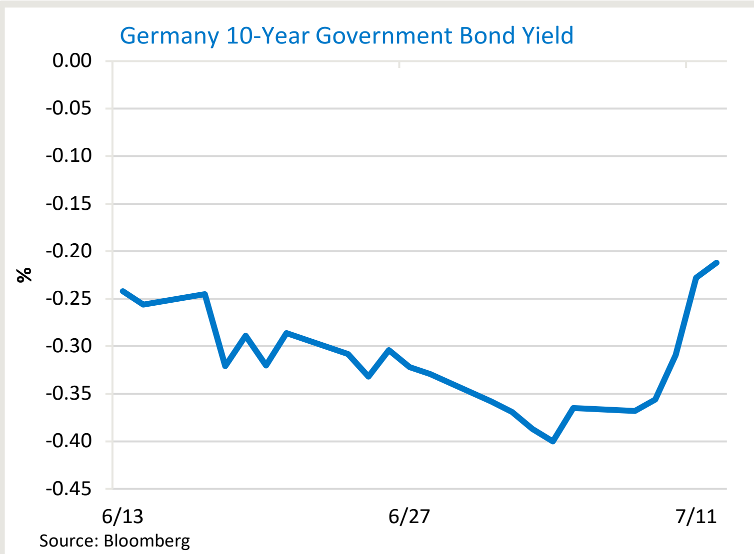


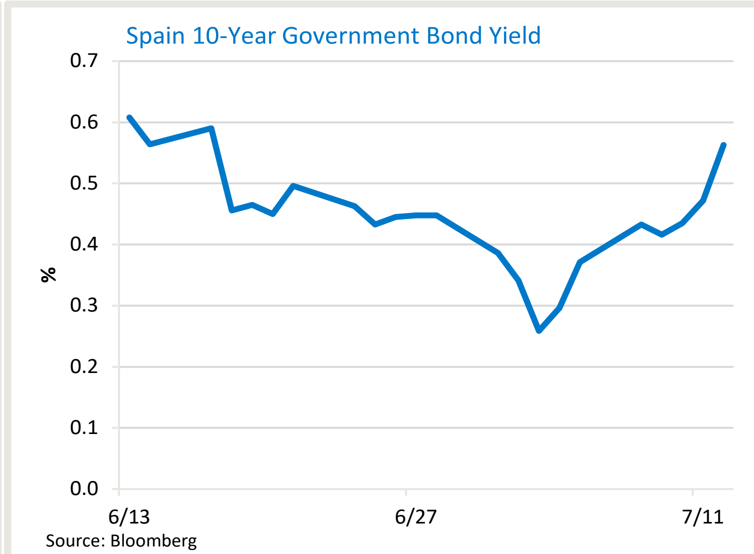
Eurozone

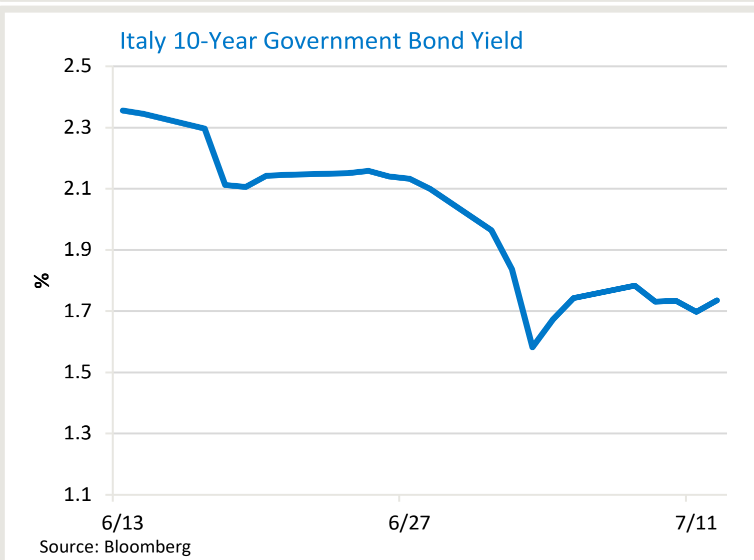
SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

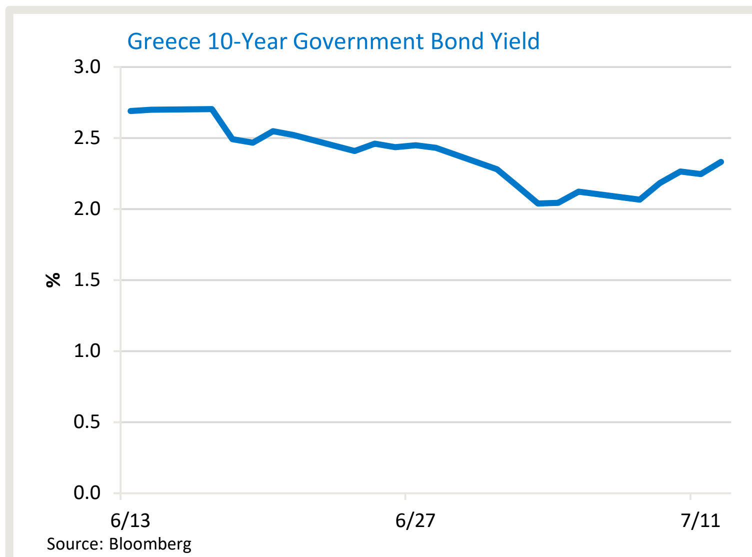
	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	-0.21	0 bps	NM	NM
Greece 10-Yr. Govt.	2.33	-20 bps	NM	NM
Italy 10-Yr. Govt.	1.74	1 bps	NM	NM
Spain 10-Yr. Govt.	0.56	-19 bps	NM	NM
Belgium 10-Yr. Govt.	0.13	-16 bps	NM	NM
France 10-Yr. Govt.	0.06	-15 bps	NM	NM
Ireland 10-Yr. Govt.	0.25	-18 bps	NM	NM
Portugal 10-Yr. Govt.	0.65	-23 bps	NM	NM
Netherlands 10-Yr. Govt.	-0.09	-13 bps	NM	NM
U.K. 10-Yr. Govt.	0.83	-9 bps	NM	NM

Source: Bloomberg
Basis points (bps)









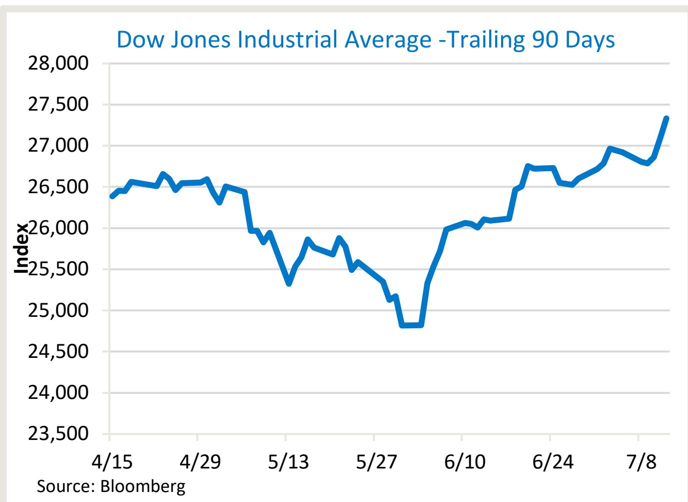
Equities

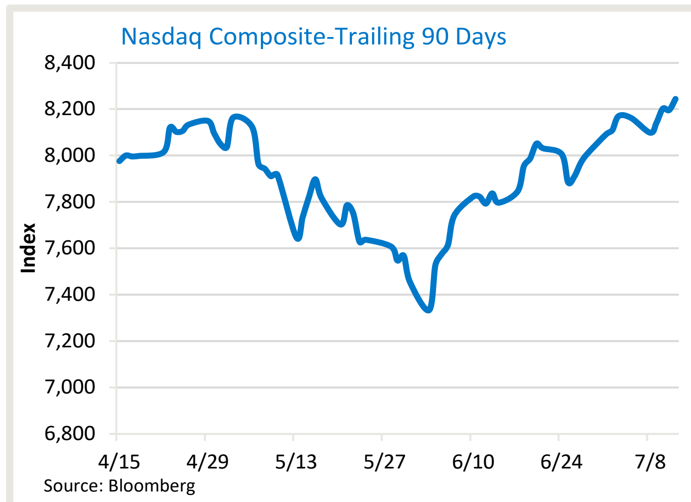
WORLD MARKET PERFORMANCE

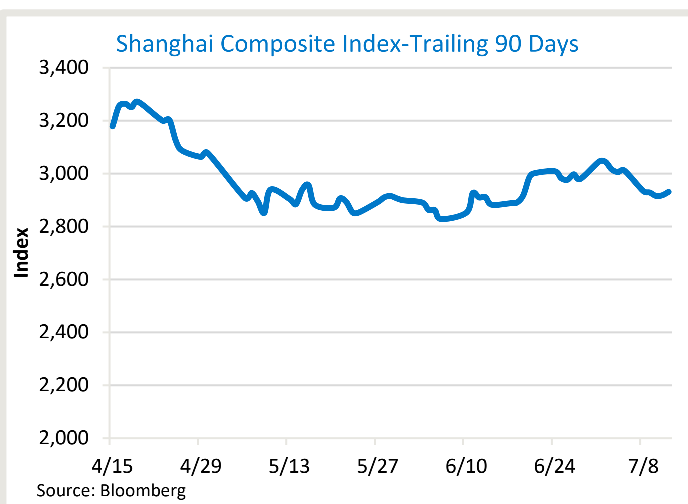
	Last	Change	% Chg.	YTD %
S&P 500	3,013.77	23.36	0.78%	20.22%
Dow Industrials	27,332.03	409.91	1.52%	17.17%
Nasdaq Composite	8,244.15	82.35	1.01%	24.25%
MSCI ACWI	529.18	-0.33	-0.06%	16.1%
MSCI EM	1,055.15	-4.78	-0.45%	9.3%
S&P/TSX (Canada)	16,488.12	-53.87	-0.33%	15.12%
Mexico IPC	42,647.31	-745.65	-1.72%	2.45%
Brazil Bovespa	103,906.00	-85.50	-0.08%	18.34%
Euro Stoxx 600	386.85	-3.26	-0.84%	14.57%
FTSE 100	7,505.97	-47.17	-0.62%	11.56%
IBEX 35 (Spain)	9,293.20	-41.80	-0.45%	8.82%

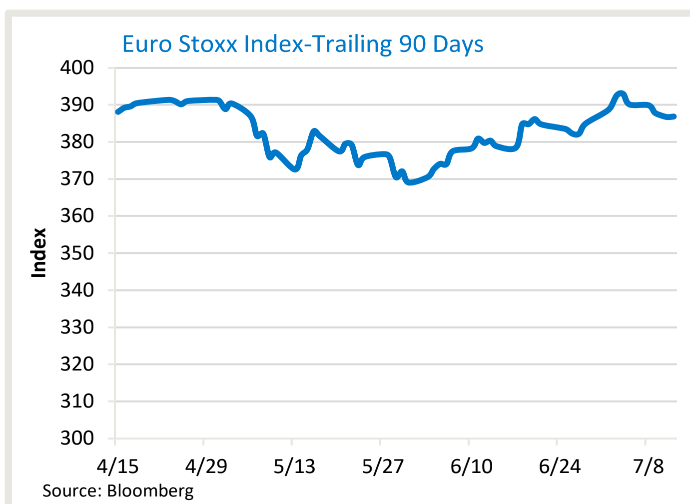
	Last	Change	% Chg.	YTD %
Swiss Market Index	9,762.98	-217.24	-2.18%	15.82%
CAC 40 Index (France)	5,572.86	-20.86	-0.37%	17.80%
DAX Index (Germany)	12,323.32	-245.21	-1.95%	16.71%
Irish Overall Index	6,295.11	-43.35	-0.68%	14.88%
Nikkei 225	21,685.90	-60.48	-0.28%	8.35%
Hang Seng Index	28,471.62	-303.21	-1.05%	10.16%
Shanghai Composite	2,930.55	-80.51	-2.67%	17.51%
Kospi Index (S. Korea)	2,086.66	-23.93	-1.13%	2.24%
Taiwan Taiex Index	10,824.35	38.62	0.36%	11.28%
Tel Aviv 25 Index	1,597.67	-8.68	-0.54%	9.14%
MOEX Index (Russia)	2,777.58	-57.77	-2.04%	17.23%

Source: Bloomberg; Index % change is based on price.









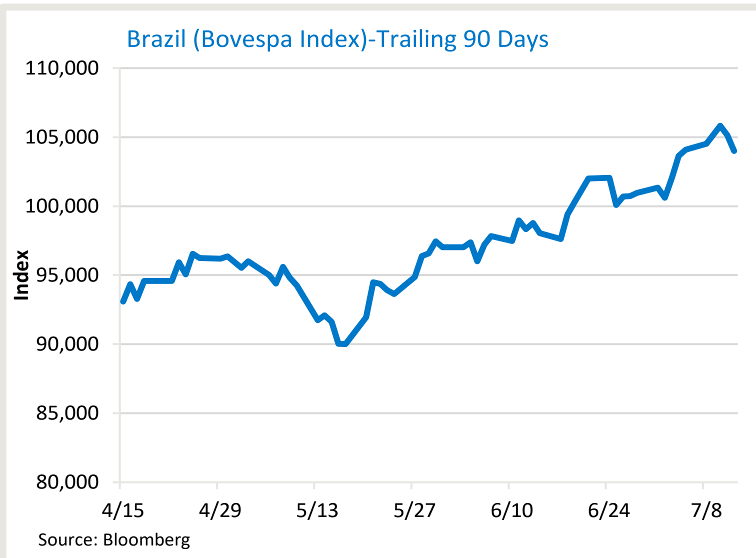
Equities – Emerging and Frontier Markets

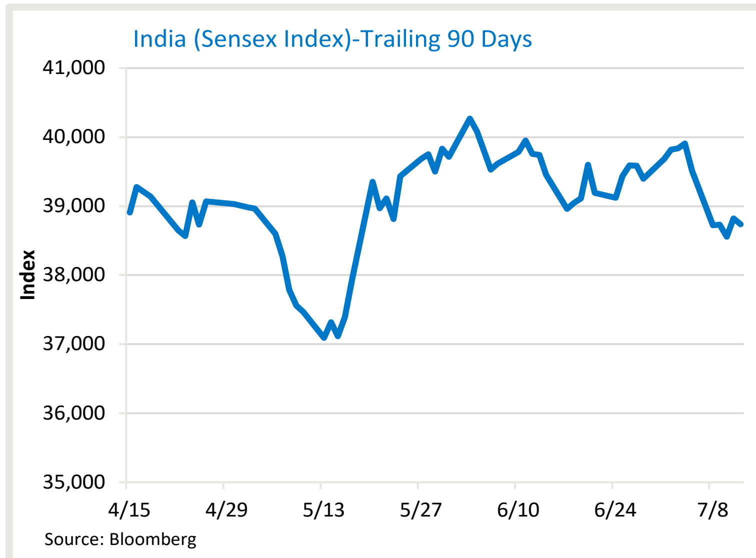
EMERGING AND FRONTIER MARKET PERFORMANCE

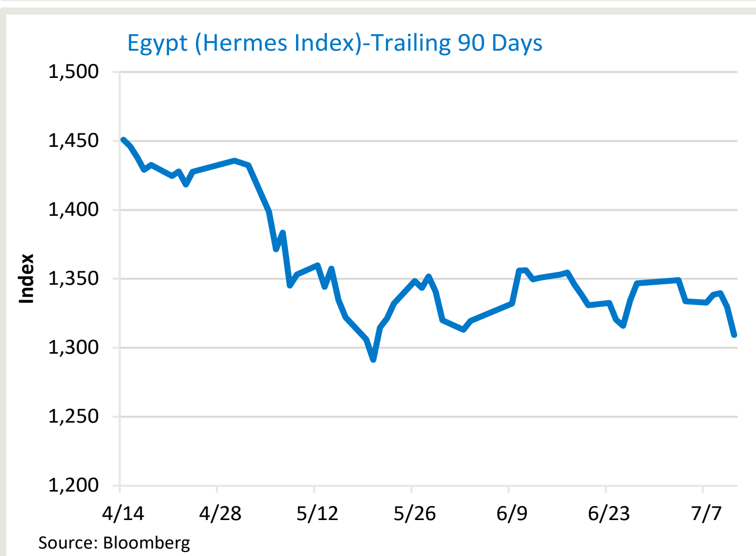
	Last	Change	% Chg.	YTD %
Mexico IPC	42,647.31	-745.65	-1.7%	2.4%
Brazil (Bovespa Index)	103,906.00	-85.50	-0.1%	18.3%
MOEX Index (Russia)	2,777.58	-57.77	-2.0%	17.2%
Czech Republic (Prague)	1,055.62	3.52	0.3%	7.0%
Turkey (Istanbul)	97,098.38	-2536.44	-2.5%	6.4%
Egypt (Hermes Index)	1,309.29	-24.34	-1.8%	2.5%
Kenya (Nairobi 20 Index)	2,677.90	12.75	0.5%	-5.5%
Saudi Arabia (TASI Index)	8,968.23	121.70	1.4%	14.6%
Lebanon (Beirut BLOM Index)	841.46	-8.40	-1.0%	-13.9%
Palestine	525.86	3.03	0.6%	-0.7%

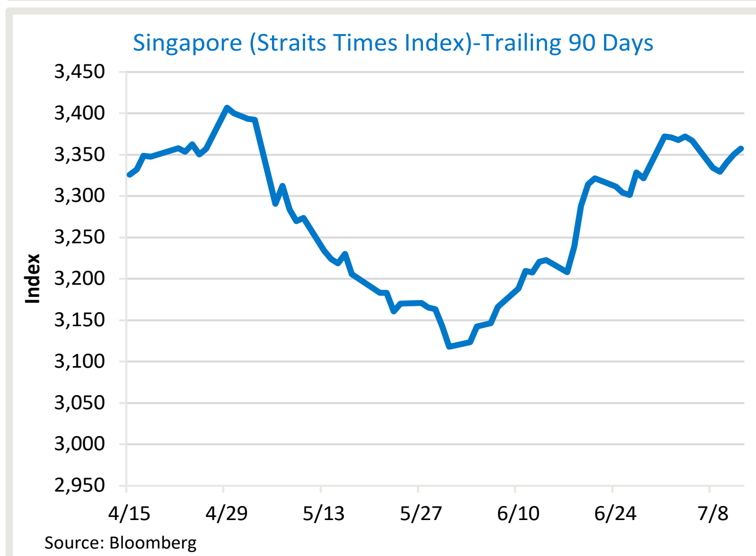
	Last	Change	% Chg.	YTD %
Hang Seng Index	28,471.62	-303.21	-1.1%	10.2%
India (Sensex 30)	38,736.23	-777.16	-2.0%	7.4%
Malaysia (KLCI Index)	1,669.45	-13.08	-0.8%	-1.2%
Singapore (Straits Times Index)	3,357.34	-9.47	-0.3%	9.4%
Thailand (SET Index)	1,731.59	0.36	0.0%	10.7%
Indonesia (Jakarta)	6,373.34	-0.13	0.0%	2.9%
Pakistan (Karachi KSE 100)	33,672.49	-517.53	-1.5%	-9.2%
Vietnam (Ho Chi Minh)	975.40	0.06	0.0%	9.3%
Sri Lanka (Colombo)	5,569.94	54.13	1.0%	-8.0%
Cambodia (Laos)	777.94	-20.68	-2.6%	-7.0%

Source: Bloomberg; Index % change is based on price.







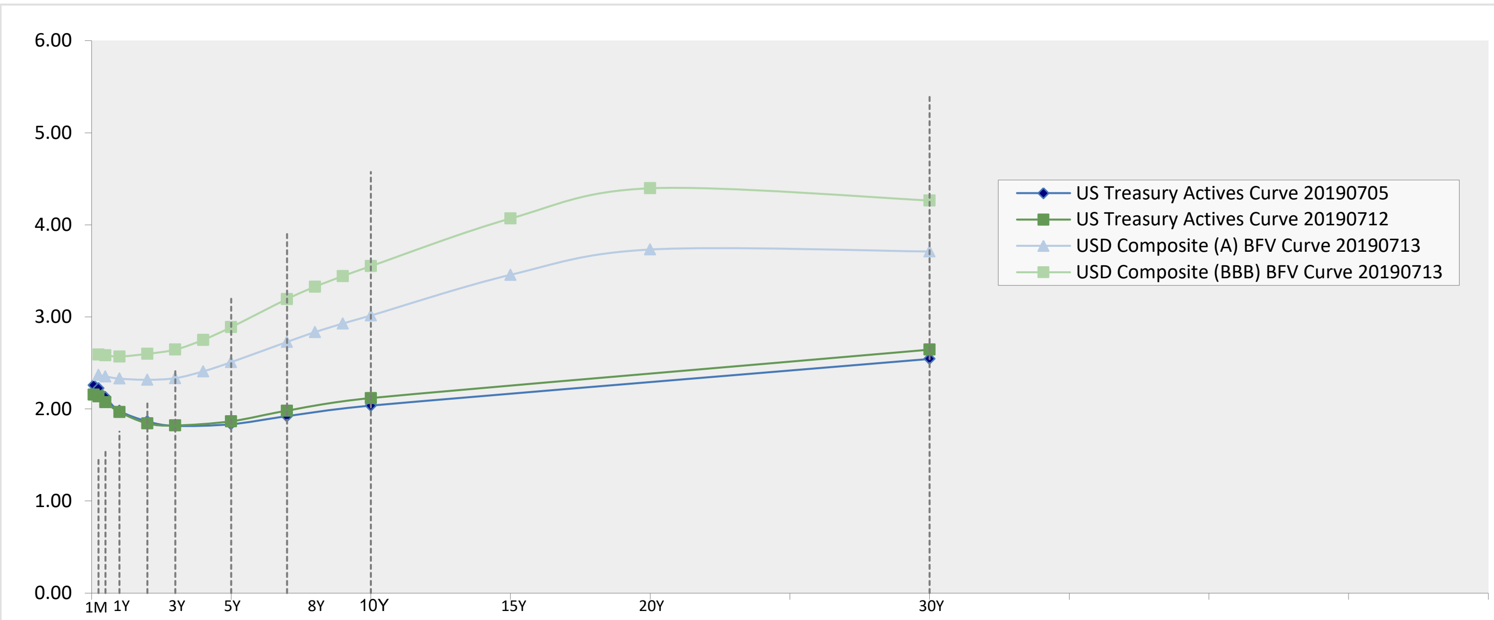


Interest Rates

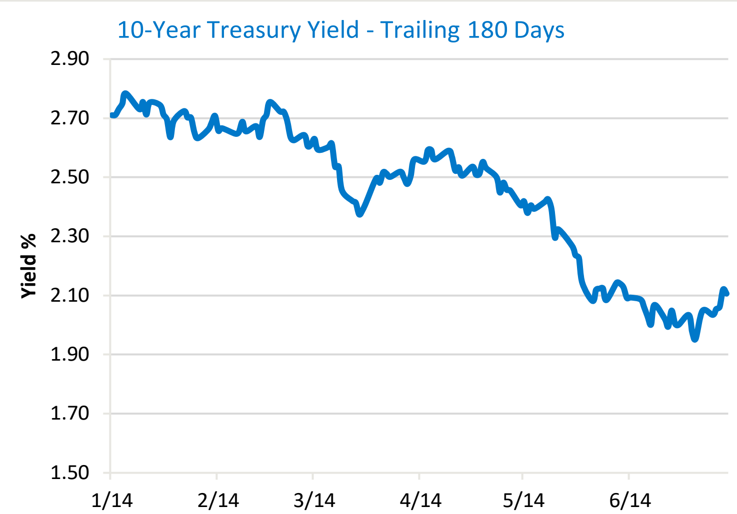
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.84%	0 bps	NM	NM	**Prime Rate**	5.50%	0.00	NM	NM
5-Yr. U.S. Treasury	1.86%	2 bps	NM	NM	**Fed Funds Rate**	2.50%	0.00	NM	NM
10-Yr. U.S. Treasury	2.11%	6 bps	NM	NM	**Discount Rate**	3.00%	0.00	NM	NM
30-Yr. U.S. Treasury	2.63%	8 bps	NM	NM	**LIBOR (3 Mo.)**	2.30%	-1 bps	NM	NM
German 10-Yr. Govt.	-0.21%	0 bps	NM	NM	**Bond Buyer 40 Muni**	2.99%	-1 bps	NM	NM
France 10-Yr.	0.06%	-15 bps	NM	NM	**Bond Buyer 40 G.O.**	3.46%	NA	NM	NM
Italy 10-Yr.	1.74%	1 bps	NM	NM	**Bond Buyer 40 Rev.**	3.94%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.77%	-3 bps	NM	NM					

Source: Bloomberg



Source: Bloomberg



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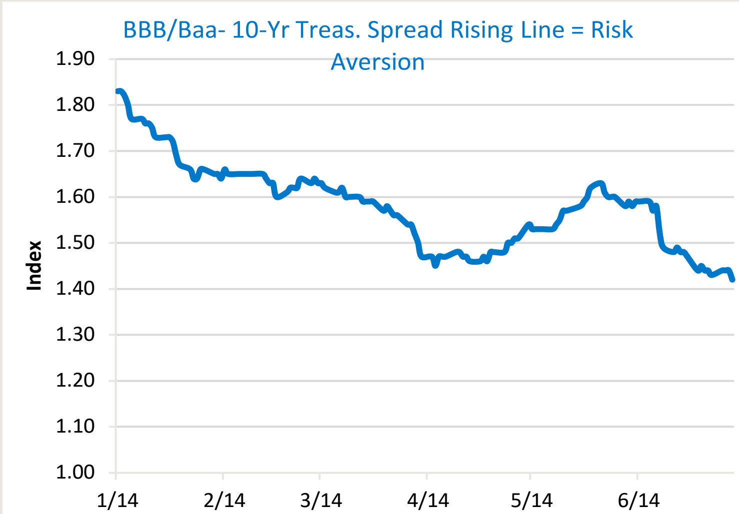


Source: Bloomberg

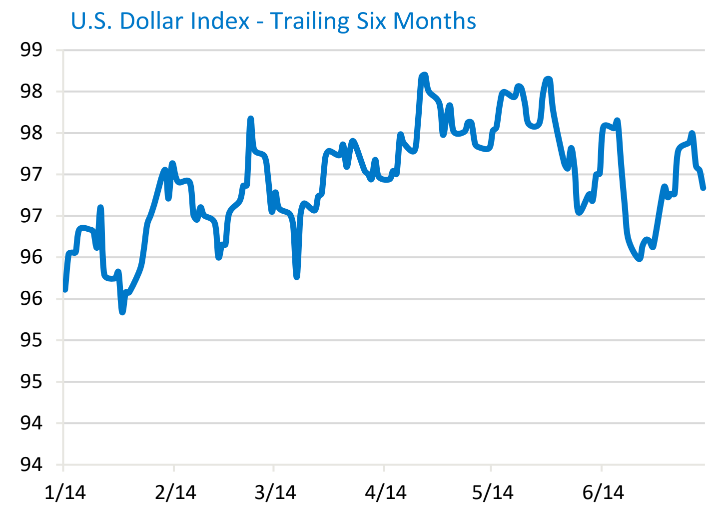
Currencies

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	96.83	-0.449	-0.46%	0.69%
Euro	1.13	0.005	0.40%	-1.72%
Japanese Yen	107.88	-0.570	0.53%	1.66%
British Pound	1.26	0.005	0.43%	-1.40%
Canadian Dollar	1.30	-0.005	0.37%	4.63%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.88	-0.013	0.19%	-0.03%
Swiss Franc	0.98	-0.008	0.76%	-0.20%
New Zealand Dollar	0.67	0.007	0.98%	-0.39%
Brazilian Real	3.74	-0.082	2.18%	3.60%
Mexican Peso	18.99	-0.025	0.13%	3.48%

Source: Bloomberg



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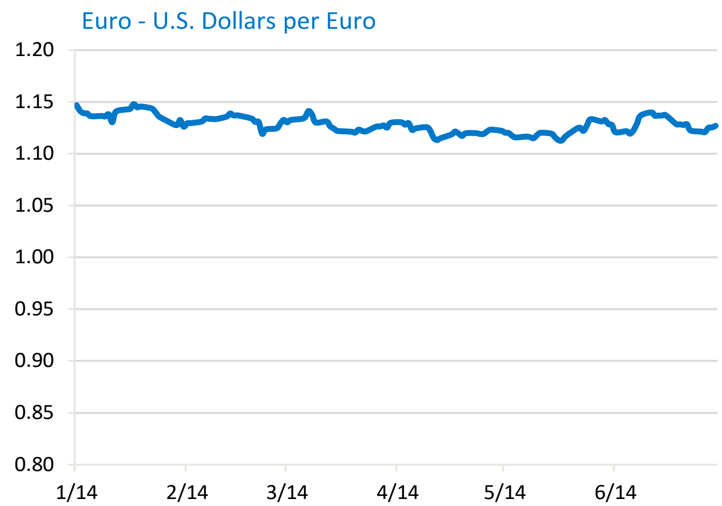

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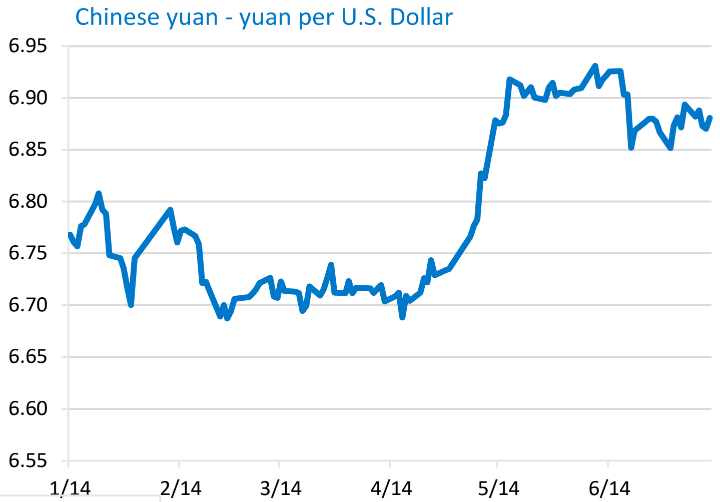

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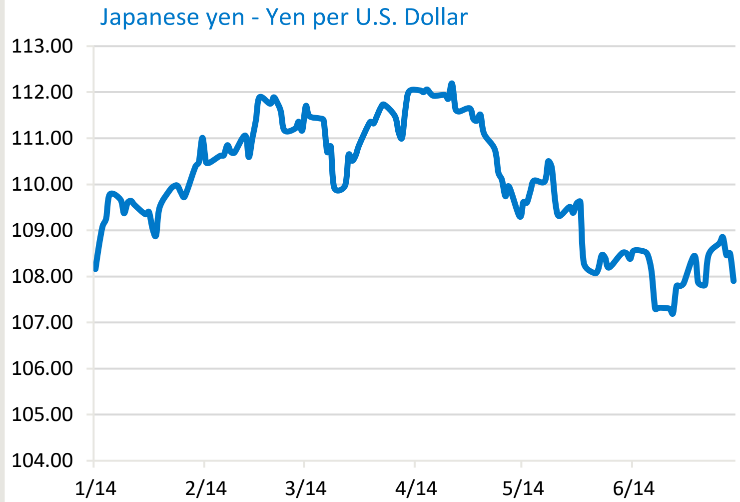


Source: Bloomberg

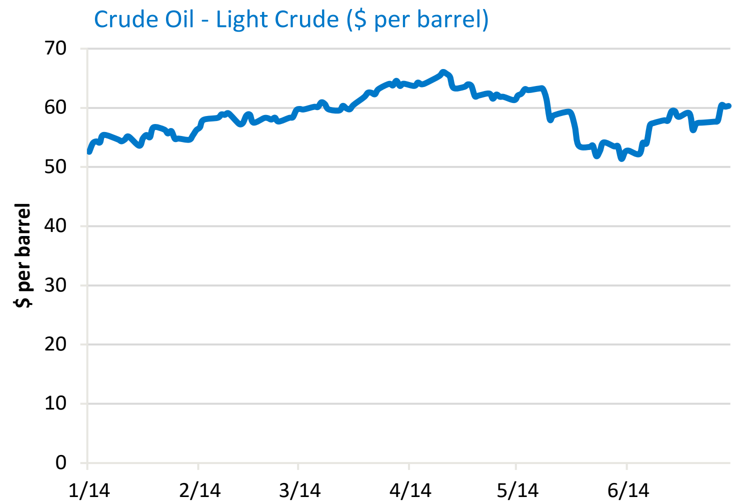
Commodities

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	81.02	1.91	2.41%	5.61%
Crude Oil	$60.32	$2.81	4.89%	26.72%
Natural Gas	$2.46	$0.04	1.70%	-10.81%
Gasoline ($/Gal.)	$2.78	$0.02	0.65%	22.95%
Heating Oil	198.43	7.85	4.12%	17.51%
Gold Spot	$1,415.00	$15.07	1.08%	10.29%
Silver Spot	$15.22	$0.22	1.46%	-1.78%

Source: Bloomberg; % change is based on price.

	Last	Change	% Chg.	YTD %
Platinum Spot	$831.01	$20.50	2.53%	4.42%
Corn	459.25	17.00	3.84%	15.53%
Wheat	523.00	8.00	1.55%	-0.99%
Soybeans	931.50	37.00	4.14%	-0.40%
Sugar	12.30	-0.06	-0.49%	-1.84%
Orange Juice	103.40	1.40	1.37%	-20.40%
Aluminum	1,828.00	25.00	1.39%	-0.98%
Copper	5,955.00	53.00	0.90%	-0.17%



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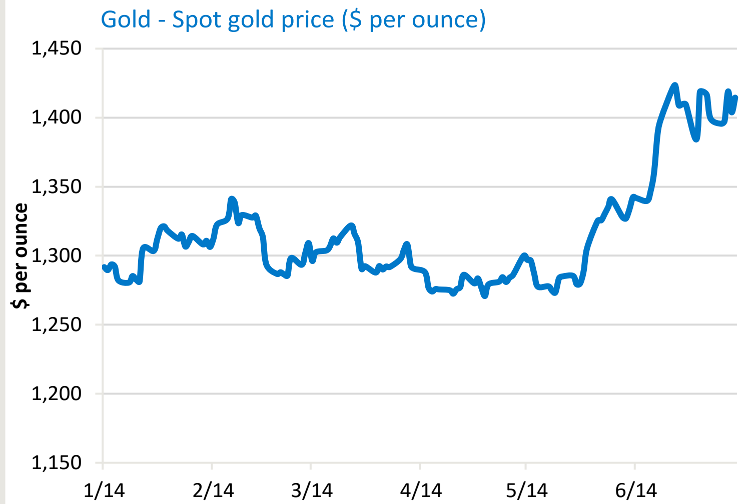

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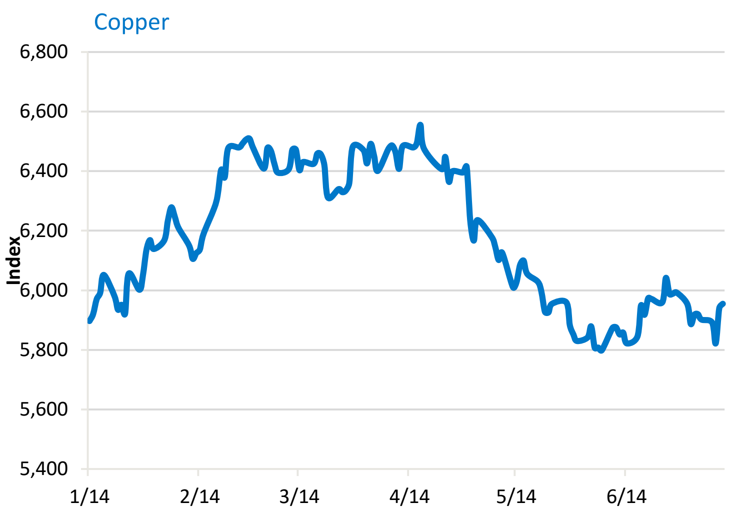

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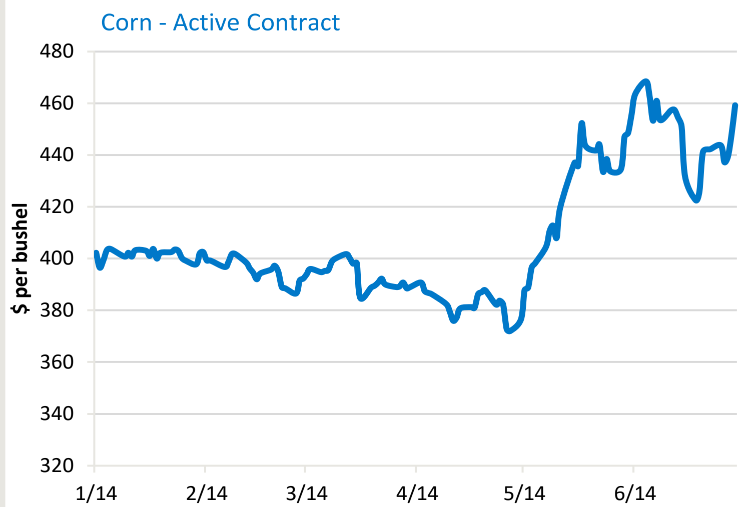


Source: Bloomberg

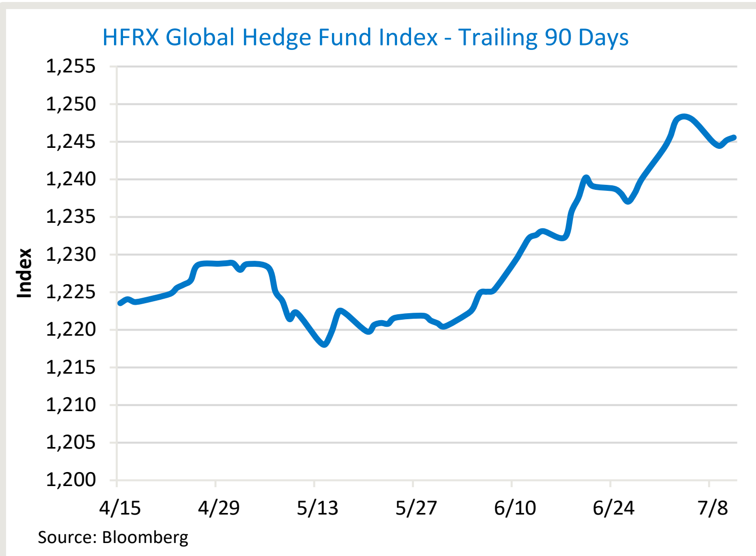
Alternative Investments

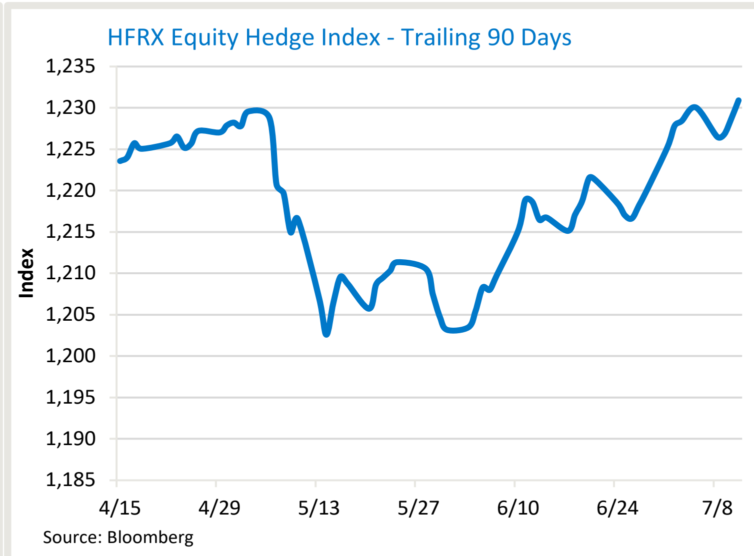
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

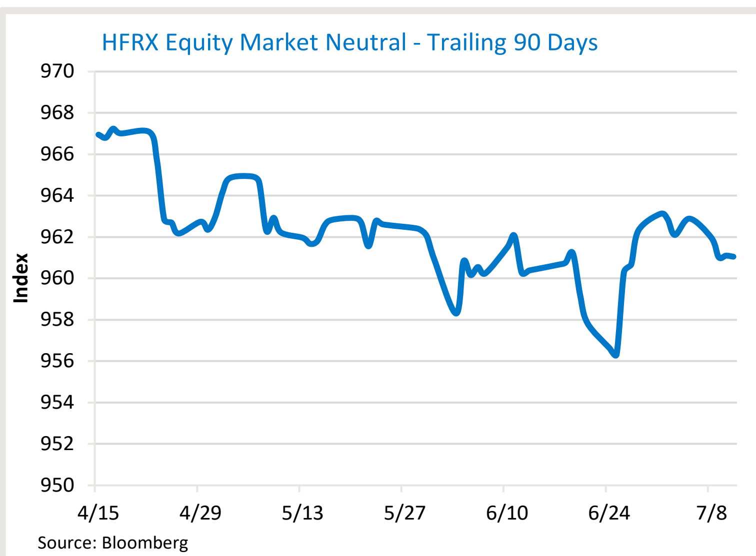
	Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1245.56	-2.47	-0.20%	4.68%
HFRX Equity Market Neutral	961.05	-1.84	-0.19%	-1.19%
HFRX Equity Hedge Index	1230.91	0.86	0.07%	6.93%
HFRX Event-Driven Index	1513.05	-0.53	-0.04%	2.84%
HFRX Absolute Return Index	1077.31	0.04	0.00%	1.82%

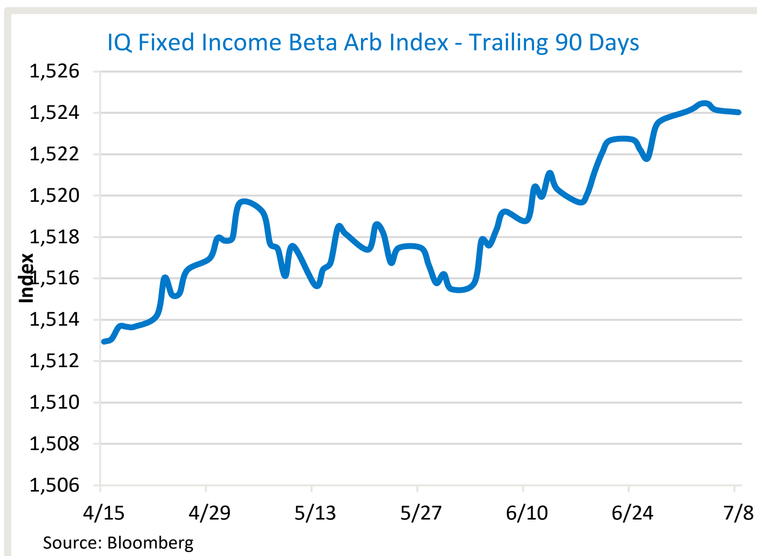
	Last	Change	% Chg.	YTD %
HFRX Special Situation Index	1222.71	-0.44	-0.04%	1.64%
HFRX Merger Arbitrage Index	1779.53	-0.55	-0.03%	-2.10%
HFRX Convertible Arbitrage Index	810.69	0.72	0.09%	2.93%
HFRX Macro CTA Index	1159.16	-12.42	-1.06%	2.94%
IQ Fixed Income Beta Arb Index	1524.91	0.76	0.05%	4.26%

Source: Bloomberg; Index % change is based on price.

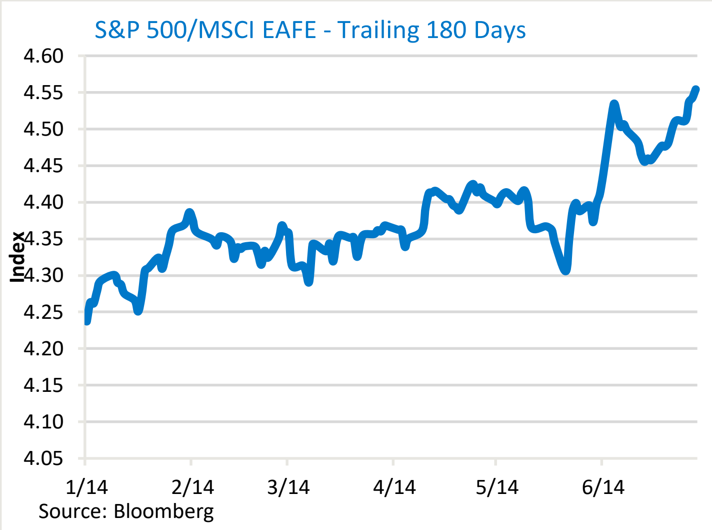


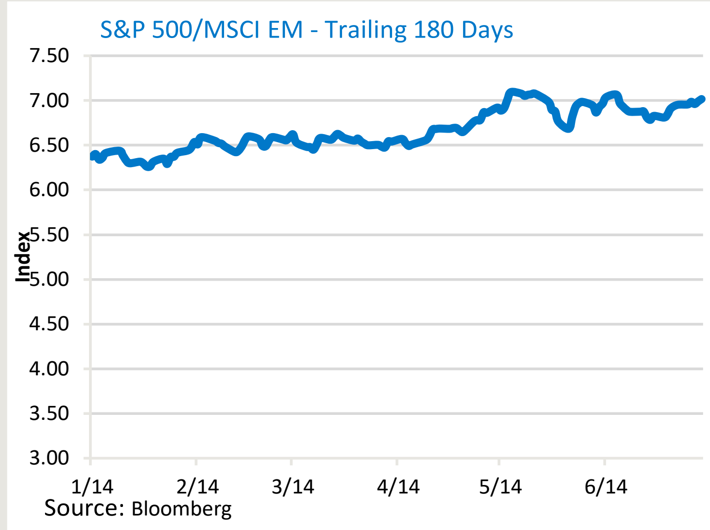


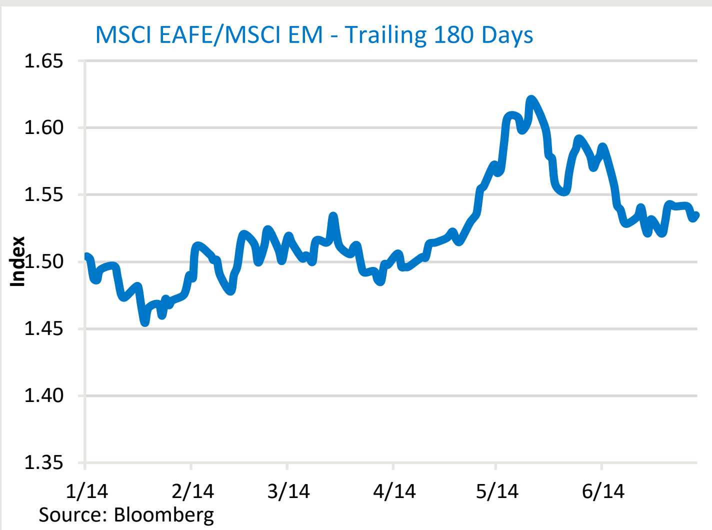


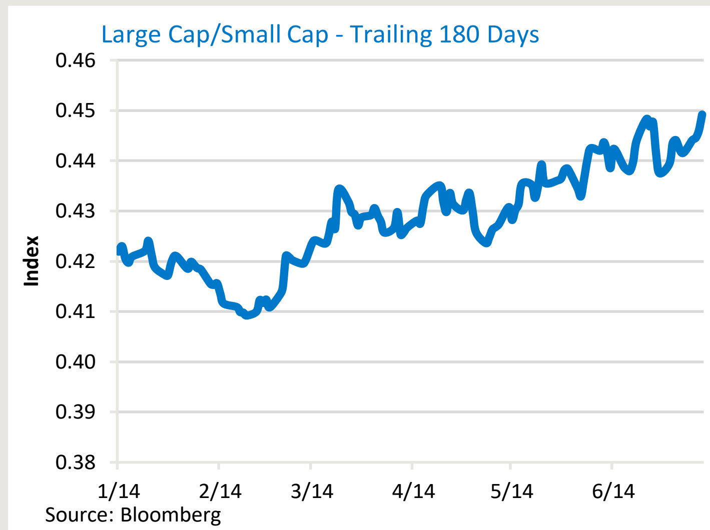


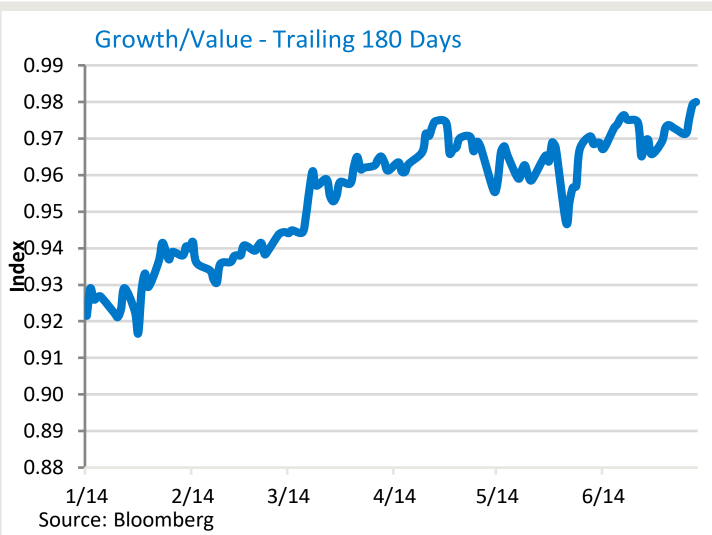
Portfolio Construction



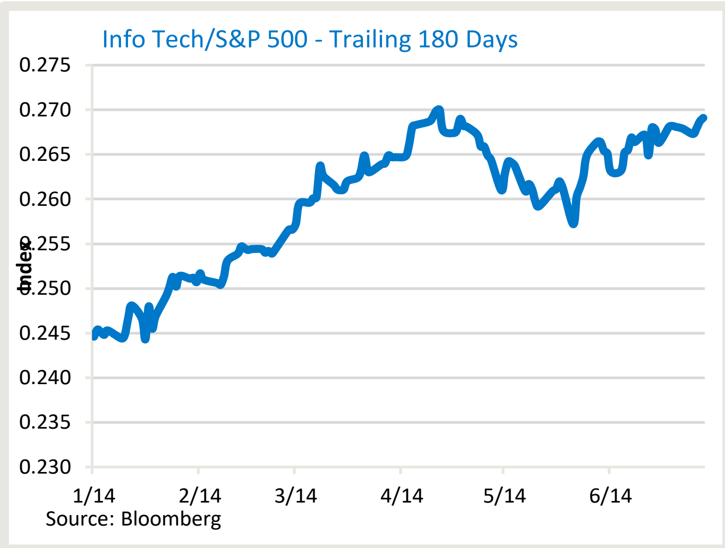


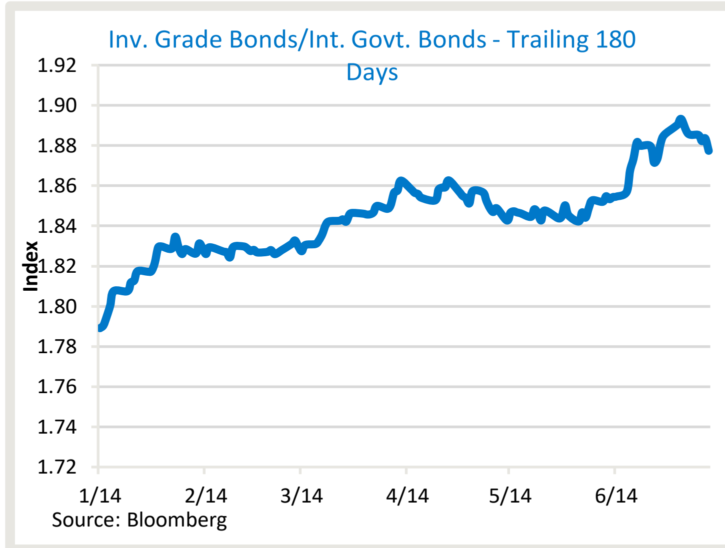


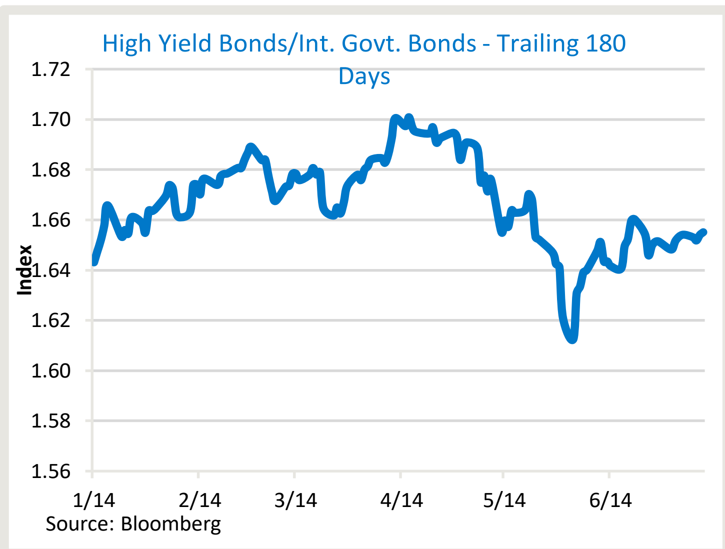


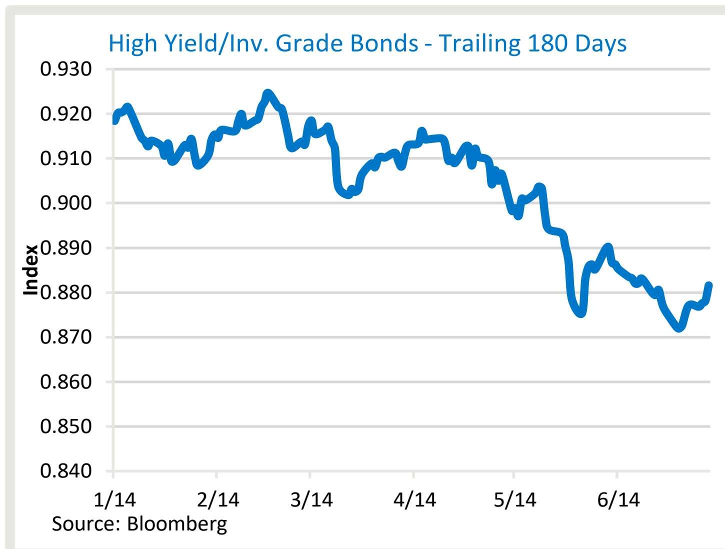


Portfolio Construction (continued)









WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			4/25	5/2	5/9	5/16	5/23	5/30	6/6	6/13	6/20	6/27	7/4	7/11
Equity	Domestic Equity	Large Cap (R200)	0.85%	-0.38%	-1.65%	0.28%	-1.92%	-1.18%	1.68%	1.82%	2.25%	-0.91%	2.44%	0.27%
		Small Cap (R2000)	0.63%	0.45%	-0.80%	-0.82%	-3.59%	-1.06%	1.21%	2.15%	1.80%	-1.08%	1.65%	-0.90%
	Int'l. Equity	MSCI EAFE	-0.50%	0.04%	-2.70%	0.46%	-1.55%	-0.74%	1.54%	1.36%	2.08%	-0.24%	1.87%	-1.54%
		MSCI Em. Mkts.	-1.45%	0.21%	-4.69%	-1.68%	-2.60%	1.03%	0.79%	1.93%	3.10%	0.10%	0.93%	-0.89%
Fixed Income		BarCap Agg. (AGG)	0.28%	-0.30%	0.45%	0.32%	0.34%	0.48%	0.30%	0.34%	0.73%	-0.01%	0.14%	-0.80%
		High Yield (JNK)	0.08%	-0.47%	-0.46%	-0.07%	-0.21%	-0.26%	0.32%	0.58%	1.46%	-0.54%	0.13%	-0.57%
Commodities		Bloomberg Commodity Index	-0.60%	-1.87%	-1.43%	2.22%	-2.91%	1.45%	-2.52%	0.65%	2.00%	1.29%	-1.23%	1.72%
Alternatives		Hedge Funds (HFRX Global)	0.23%	0.11%	-0.53%	0.09%	-0.14%	0.00%	0.34%	0.62%	0.62%	-0.16%	0.79%	-0.20%
Asset Allocation		60/40*	0.27%	-0.18%	-1.08%	0.10%	-1.19%	-0.36%	1.02%	1.21%	1.65%	-0.44%	1.28%	-0.59%
		48/32/20 (w/Alts.)**	0.26%	-0.12%	-0.97%	0.09%	-0.98%	-0.29%	0.88%	1.09%	1.44%	-0.39%	1.18%	-0.51%

Source: Bloomberg; *60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.
**48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	1.01	1.02	1.05	1.02	1.09	1.20	1.16	1.25	1.13	1.15	1.11	1.14	1.10	1.18
Large Cap Growth	0.99	1.00	1.01	1.04	1.01	1.08	1.19	1.15	1.24	1.12	1.14	1.10	1.13	1.09	1.17
Large Cap Value	0.98	0.99	1.00	1.03	1.00	1.07	1.18	1.14	1.23	1.11	1.13	1.09	1.13	1.08	1.16
Mid Cap Core	0.95	0.96	0.97	1.00	0.97	1.04	1.14	1.10	1.19	1.07	1.09	1.06	1.09	1.04	1.12
Mid Cap Growth	0.98	0.99	1.00	1.03	1.00	1.07	1.17	1.14	1.22	1.10	1.12	1.09	1.12	1.08	1.15
Mid Cap Value	0.92	0.92	0.93	0.96	0.94	1.00	1.10	1.06	1.14	1.03	1.05	1.02	1.05	1.01	1.08
Small Cap Core	0.84	0.84	0.85	0.88	0.85	0.91	1.00	0.97	1.04	0.94	0.96	0.93	0.96	0.92	0.99
Small Cap Growth	0.86	0.87	0.88	0.91	0.88	0.94	1.03	1.00	1.08	0.97	0.99	0.96	0.99	0.95	1.02
Small Cap Value	0.80	0.81	0.81	0.84	0.82	0.87	0.96	0.93	1.00	0.90	0.92	0.89	0.92	0.88	0.94
Int'l. Developed	0.89	0.89	0.90	0.93	0.91	0.97	1.06	1.03	1.11	1.00	1.02	0.98	1.01	0.97	1.05
Emerging Markets	0.87	0.88	0.89	0.92	0.89	0.95	1.04	1.01	1.09	0.98	1.00	0.97	1.00	0.96	1.03
REITs	0.90	0.91	0.92	0.95	0.92	0.98	1.08	1.04	1.13	1.02	1.03	1.00	1.03	0.99	1.06
Commodities	0.87	0.88	0.89	0.92	0.89	0.95	1.05	1.01	1.09	0.99	1.00	0.97	1.00	0.96	1.03
Int. Bond	0.91	0.92	0.93	0.96	0.93	0.99	1.09	1.05	1.14	1.03	1.04	1.01	1.04	1.00	1.07
High Yield	0.85	0.86	0.86	0.89	0.87	0.93	1.01	0.98	1.06	0.96	0.97	0.94	0.97	0.93	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

Index Overview & Key Definitions

Fed, The Fed or FED refers to the Federal Reserve System, the central bank of the United States. The **Federal Open Market Committee** (FOMC) is the monetary policymaking body of the Federal Reserve System. **Fed Funds Rate**, the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. The **European Central Bank** (ECB) is the central bank for Europe's single currency, the euro. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area. The euro area comprises the 19 European Union countries that have introduced the euro since 1999. The **Gross Domestic Product** (GDP) rate is a measurement of the output of goods and services produced by labor and property located in the United States. **Basis Point**(s) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. A **separately managed account** (SMA) is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. The **Consumer Price Index** (CPI) measures the change in the cost of a fixed basket of products and services. The **Producer Price Index** (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. **Core CPI** is an additional CPI Index, excludes energy and food item price changes, and measures the "core" or "underlying" rate of inflation. The PCE (Personal Consumption Expenditure) Index of Prices is a US--wide indicator of the average increase in prices for all domestic personal consumption. Using a variety of data including U.S. Consumer Price Index and Producer Price Index prices, it is derived from personal consumption expenditures; essentially a measure of goods and services targeted towards individuals and consumed by individuals. The **Purchasing Managers' Index** (**PMI**) is an indicator of the economic health of the manufacturing sector. The **PMI** is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. **Brexit** is a commonly used term for the United Kingdom's withdrawal from the European Union. **The Kansas City Fed Manufacturing Survey** monitors manufacturing plants selected according to geographic distribution, industry mix and size in the Tenth Federal Reserve District. **West Texas Intermediate (WTI)**, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. **Risk Premium** is the return in excess of the risk-free rate of return an investment is expected to yield**. LIBOR or ICE LIBOR** (previously BBA LIBOR) is a benchmark rate, which some of the world's leading banks charge each other for short-term loans. It stands for Intercontinental Exchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.

The **Dow Jones Industrial Average** (DOW or DJIA) is an unmanaged index of 30 common stocks comprised of 30 actively traded blue chip stocks, primarily industrials and assumes reinvestment of dividends. The **S&P 500 Index** is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The **S&P/Case-Shiller Home Price Indices** measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The **US Dollar Index** is a measure of the value of the United States dollar relative to a basket of foreign currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies (Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona (SEK) & Swiss franc). The **FTSE 100 Index** (FTSE 100) is a share index of the 100 companies listed on the London Stock Exchange (LSE) with the highest market capitalization. The **Bloomberg Commodity Index** (formerly the **Dow Jones-UBS Commodity Index**) tracks prices of futures contracts on physical commodities on the commodity markets and is designed to minimize concentration in any one commodity or sector (currently 22 commodity futures in seven sectors). The **Barclays Capital US Credit Index** is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The **Barclays Capital US Aggregate Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The **Barclays Capital US Corporate High Yield Index** covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index may include emerging market debt. The **Barclays Capital Municipal Bond Index** is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The **Barclays Capital US Treasury Total Return Index** is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The **Barclays Capital Global Aggregate ex-U.S. Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The **Barclays Capital U.S. 5-10 Year Corporate Bond Index** measures the investment return of U.S. dollar denominated, investment-grade, fixed rate, taxable securities issued by industrial, utility, and financial companies with maturities between 5 and 10 years. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The **Barclays Capital U.S Corporate High-Yield Index** is composed of fixed-rate, publicly issued, non-investment grade debt. The **Barclays Capital U.S. Corporate 5-10 Year Index** includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, & financial companies, with maturities between 5 & 10 years. The **Russell 1000 Index** is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The **Russell 1000 Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000 Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell 2000 Index** is an unmanaged index considered representative of small-cap stocks. The **Russell 2000 Growth Index** is an unmanaged index considered representative of small-cap growth stocks. The **Russell 2000 Growth Index** is an unmanaged index considered representative of small-cap value stocks. The **Russell 3000 Index** is an unmanaged index considered representative of the US stock market. The **Russell Midcap Index** is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The **Russell Midcap Growth Index** is an unmanaged index considered representative of mid-cap growth stocks. The **Russell Midcap Value Index** is an unmanaged index considered representative of mid-cap value stocks. The **HFRX Indices** are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The **University of Michigan Consumer Sentiment Index** (MCSI) is a survey of consumer confidence conducted by the University of Michigan using telephone surveys to gather information on consumer expectations regarding the overall economy. The **CBOE Volatility Index** (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The **MSCI EAFE Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The **MSCI EAFE Value Index** is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The **MSCI EM (Emerging Markets) Latin America Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. The **MSCI World ex-U.S. Index** captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries - excluding the US. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Japan Index** is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The **MSCI Europe Index** is an unmanaged index considered representative of stocks of developed European countries. The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The **Barclays Intermediate US Government/Credit Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including Treasuries, government-related and U.S. corporate securities, with maturities of at least one year and less than 10 years. The **NY Empire State Manufacturing Index** is based on the monthly survey of manufacturers in New York State – known as the Empire State Manufacturing Survey – conducted by the Federal Reserve Bank of New York. The **S&P** The **Dow Jones Wilshire U.S. REIT Index** tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. The **Russell Top 200 Index** measures the performance of the 200 largest companies in the Russell 1000 Index, with a weighted average market capitalization of $186 billion. The **Barclays 1-3 Year US Treasury Bond Index** measures public US Treasury obligations with remaining maturities of one to three years. The **S&P LSTA Leveraged Loan Index** is an unmanaged capitalization-weighted syndicated loan index based upon market weightings, spreads and interest payments. It covers the US market back to 1997 and currently calculates on a daily basis. The **NFIB Small Business Optimism Index** is compiled from a survey that is conducted each month by the National Federation of Independent **Business** (**NFIB**) of its members

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