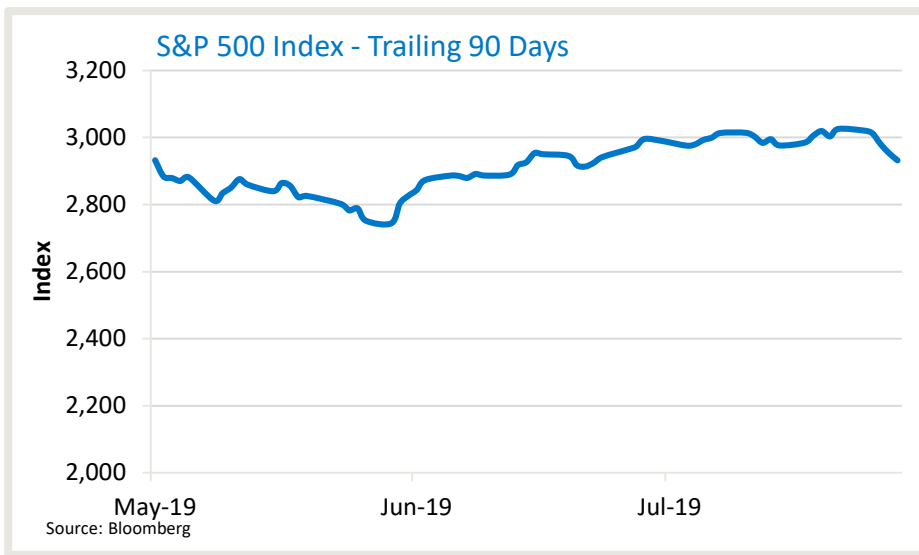


# Weekly Market Review

August 5, 2019

## Chart of the Week



## Weekly Highlights

- **The Federal Reserve (Fed) cut rates for the first time in more than ten years.** On Wednesday, July 31, Fed Chair Jerome Powell and the central bank's rate-setting committee lowered the target range for the federal funds rate 25 basis points to 2.00-2.25%. The move comes as monetary policymakers have grown increasingly concerned about the durability of the current expansion amid heightened trade tensions.
- **Jobless claims are higher than expected, still near historic lows.** Initial jobless claims rose to 215,000 for the week ended July 27, while the four-week average fell to 211,500. Both measures remain near their lowest in 50 years. Continuing claims at 1.70 million for the week ended July 20 also are near lows not seen since the 1970s.
- **Unemployment is historically low, but wage growth is stalling.** The US economy added 164,000 jobs in July, while unemployment remained at 3.70%. However, average hourly earnings growth clocked in at only 3.20% over the 12 months ended in July. This figure is down from the post-crisis high of 3.40% recorded in February 2019 and lower than gains seen in the last economic cycle.

## Talking Points

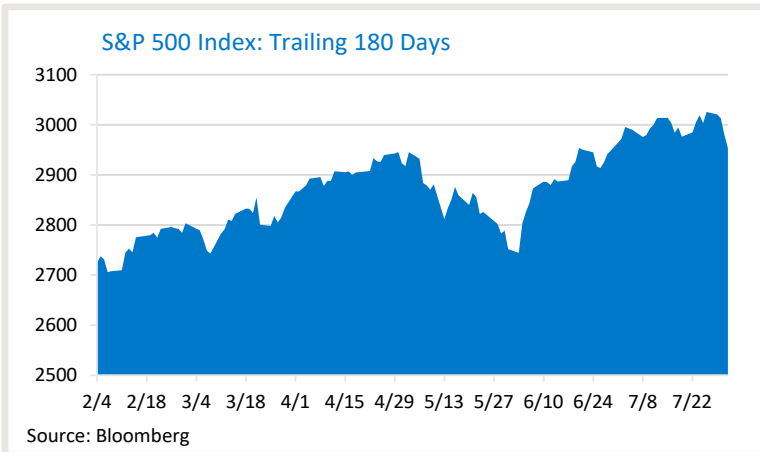
- **Global equity markets** were led by Japan and Turkey, which posted returns between 19 and 24 basis points through Thursday. India and Argentina, down more than 3.10% and 4.30%, respectively, were the worst performers.
- **The Treasury yield curve shifted downward through Thursday.** Yields across the curve fell precipitously in response to the Fed's rate cut.
- **Commodities were broadly down on the week.** Oil, agriculture, and precious and industrial metals were down on the week.
- **The US dollar** strengthened against a basket of major trade partners' currencies. The dollar index remains at highs not seen since 2017.
- **In other economic news:** The US trade deficit grew in January as exports fell due to ongoing trade tensions. Construction spending fell 1.30% in June in a greater drop than economists had forecast. The Conference Board's Consumer Confidence Survey approached post-crisis heights in July, as unemployment remains low.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,932.05	-93.81	-3.10%	17.0%
<b>Dow Industrials</b>	26,485.01	-707.44	-2.60%	13.5%
<b>Nasdaq</b>	8,004.07	-326.14	-3.92%	20.6%
<b>Russell 2000</b>	1,533.66	-45.31	-2.87%	13.7%
<b>Euro Stoxx Index</b>	378.15	-12.58	-3.22%	12.0%
<b>Shanghai Composite</b>	2,867.84	-76.70	-2.60%	15.0%
<b>MSCI ACWI</b>	520.57	-10.43	-1.96%	14.2%

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

	Last Price	Change	% Chg.	YTD %
<b>MSCI EM</b>	1,024.56	-24.10	-2.30%	6.1%
<b>10-Year US Treas.</b>	1.86	-23 bps	NM	NM
<b>Bloomberg Cmdts. Idx.</b>	77.23	-1.51	-1.92%	0.7%
<b>Gold</b>	\$1,439.88	\$22.16	1.56%	12.4%
<b>Crude Oil</b>	\$55.22	-\$1.00	-1.78%	15.4%
<b>Dollar Index</b>	98.10	0.09	0.09%	2.0%
<b>VIX Index</b>	17.61	5.45	44.82%	-30.7%



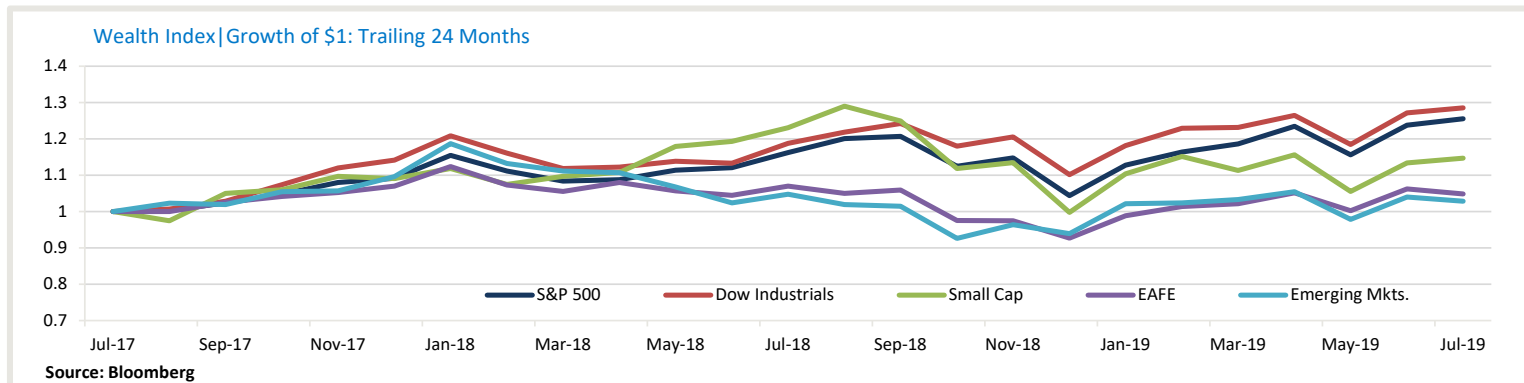
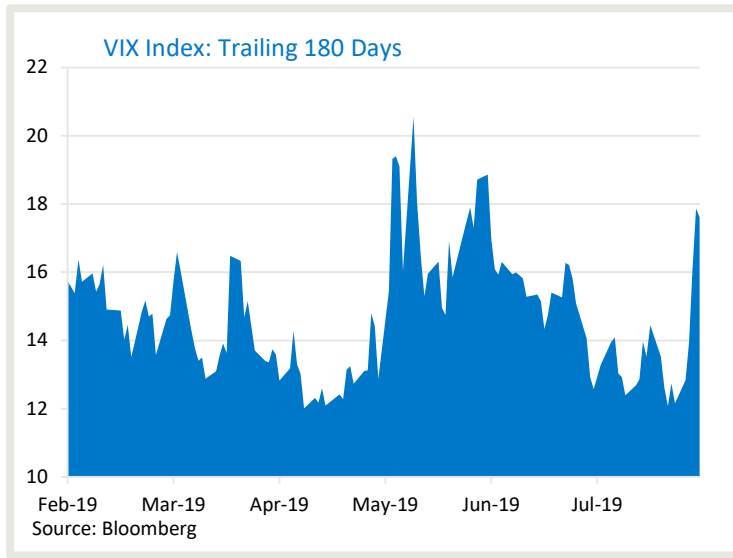
	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	-3.09%	-3.11%	-3.12%	12.58%	16.59%	20.16%
	-3.00%	-3.36%	-3.91%	14.94%	19.21%	25.45%
<b>S</b>	-3.20%	-2.87%	-2.55%	8.90%	13.73%	18.44%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
<b>Consumer Discretionary</b>	10.1	-4.57%	19.4%
<b>Consumer Staples</b>	7.4	-1.93%	16.7%
<b>Energy</b>	4.8	-3.38%	5.1%
<b>Financials</b>	13.1	-3.89%	15.6%
<b>Health Care</b>	13.9	-1.13%	5.2%
<b>Industrials</b>	9.2	-3.45%	17.8%
<b>Information Technology</b>	21.8	-4.36%	27.4%
<b>Materials</b>	2.7	-2.98%	13.4%
<b>Real Estate</b>	3.1	2.05%	21.7%
<b>Communication Services</b>	10.5	-3.49%	20.3%
<b>Utilities</b>	3.3	0.25%	13.6%

Source: Bloomberg



## The Economy and Markets

### A Macro View: Shifting Winds at the Federal Reserve

A year ago, the Federal Reserve (the Fed) was well along its path to normalize short-term interest rates and shrink its massive balance sheet, reversing a decade of cheap money and quantitative easing in a shift designed to provide the central bank with the flexibility to maneuver when the next recession hits. The Fed embarked on this tightening trail in late 2015, when former Chair Janet Yellen began to slowly, methodically remove the proverbial punch bowl. On Wednesday, however, Chair Jerome Powell and the Fed's rate-setting body brought the target range for the federal funds rate down 25 basis points to 2.00-2.25%—its first such move in more than ten years. Policymakers typically cut interest rates as the economy approaches or enters a recession, so this cut is notable for its occurrence as the US forges further into its longest economic expansion in recorded history.

As the length of this cycle suggests, the economy is doing well from one perspective, with unemployment hovering near multi-decade lows, 121 consecutive months of economic growth in the bag (and counting), and inflation below the Fed's 2% target. Had such tight labor market conditions existed in any previous economic cycle in the post-World War II period, the monetary managers at the central bank likely would have seen signs of increasing inflationary pressures, leading them to pump the economy's brakes to prevent an inflationary spiral. However, a lot has changed in the US economy since the last inflation scare in the 1970s, and the conspicuous lack of inflation this late in a cycle initiated by the most significant downturn since the Great Depression is just one of the indicators that this expansion is quite different from those that preceded it.

Part of the reason that inflation remains below the Fed's target, despite such tight labor market conditions, stems from the falling share of national production going to wage earners versus asset owners at the peaks of the most recent economic cycles. According to data from the Bureau of Economic Analysis, labor's share of national income, which typically rises toward the end of an economic expansion, stood at 52.70% for 2017 (the most recent data available), compared with 56.10% in 2008 and the postwar peak of 58.40% in 1970. Furthermore, average hourly earnings increased only 3.10% on a nominal basis over the 12 months ended in June, and inflation at 1.77% over the same period eroded more than half of this growth. Chair Powell noted how wages are finally beginning to increase appreciably on an inflation-adjusted basis, particularly for those at the lower end of the income distribution. With its rate cut, the Fed expressed its concern that continuing to tighten monetary conditions, especially when the global economy is facing trade and investment headwinds, risked tipping the economy into recession.

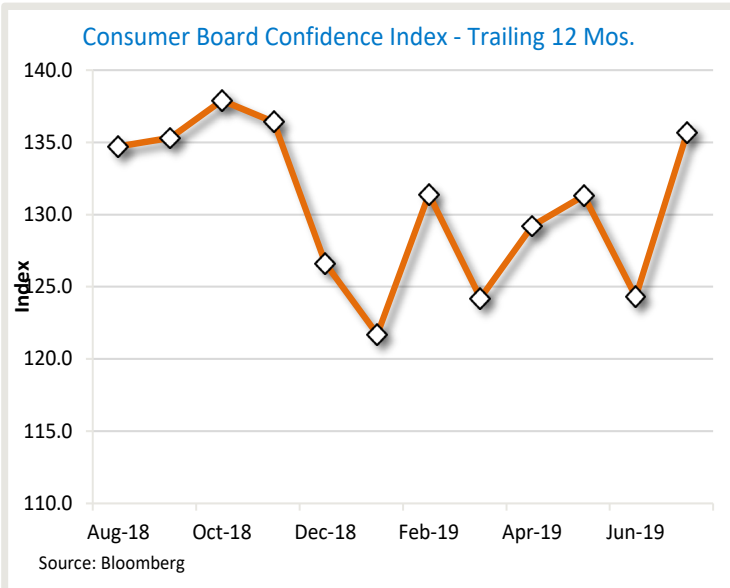
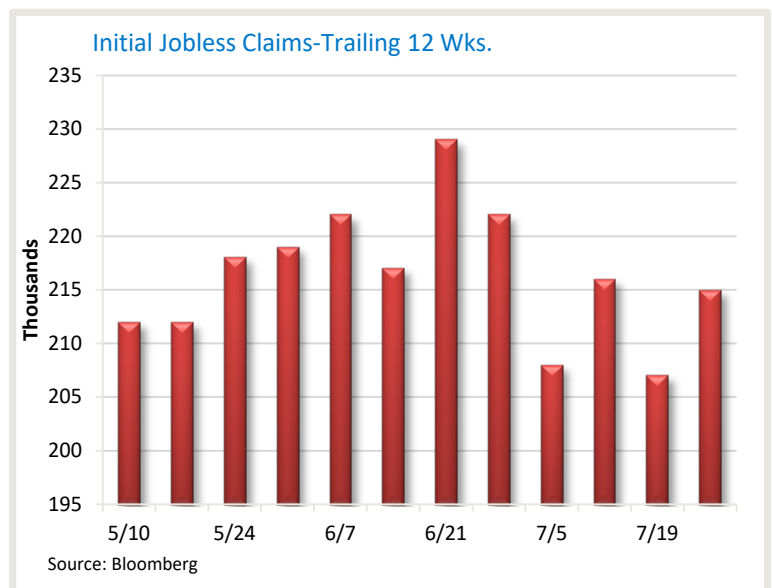
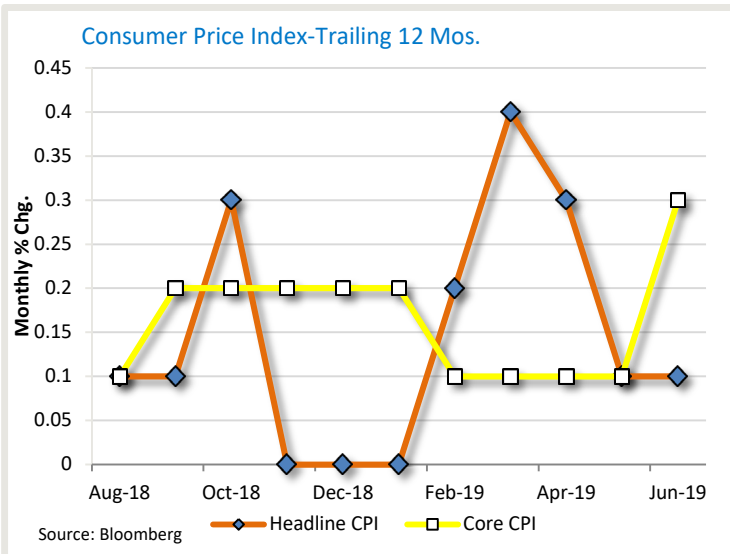
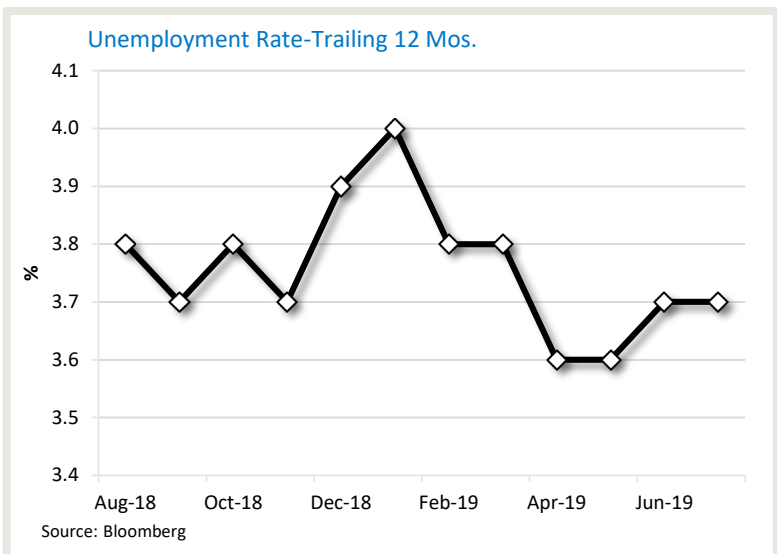
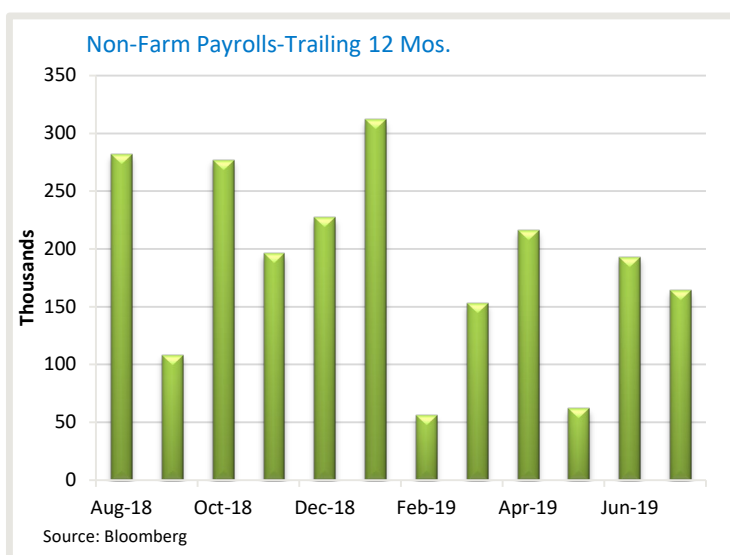
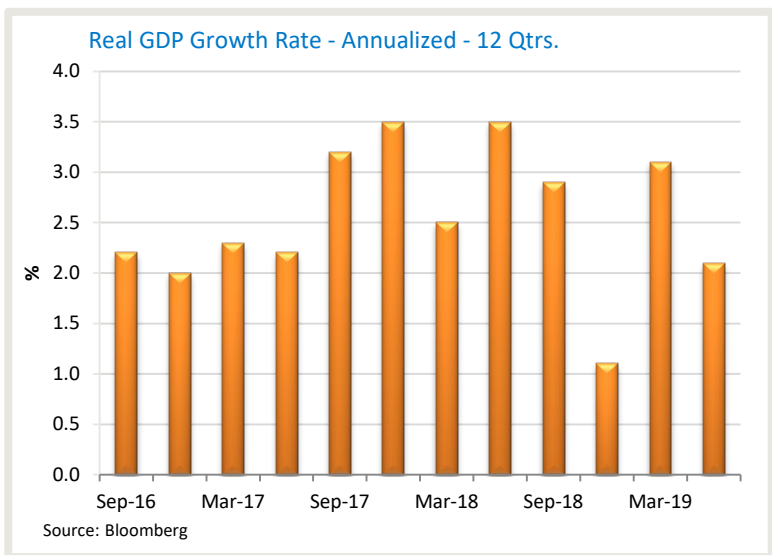
The other piece of the inflation puzzle is the increasingly fraught trade and investment environment. Although trade tensions between the US and China, the world's two largest economies, were certainly rising at this time last year, their persistence has increasingly weighed on business confidence and capital expenditures. The Trump Administration has repeatedly wielded tariffs as a stick to extract concessions from trading partners, as well as from regional allies in an attempt to effectuate his immigration agenda. On Thursday, August 1, President Trump announced additional tariffs on \$300 billion of consumer goods manufactured in China, to go into effect on September 1, in response to what he viewed as insufficient progress in trade negotiations in Shanghai. Although these threats arguably have brought partners to the negotiating table and benefited favored industries, they have contributed to stagnation in manufacturing and domestic investment. In July, for example, the Institute for Supply Management's manufacturing index fell to a three-year low of 51.2%. Although any reading above 50% indicates expansion, the comparatively low reading caught the Fed's attention. Similarly, growth in capital expenditures fell to 1.40% year over year in June—not far from this figure's post-crisis nadir at the beginning of 2016—while US construction spending fell 2.00% over the same period, according to the Commerce Department.

By way of an inverted Treasury yield curve, the bond market has long expressed the collective view that economic growth and inflation expectations are exceedingly modest. Therefore, in the market's view, the Fed needed to cut to avoid the dreaded incidence of a policy mistake. As predicted, the Fed cut rates in recognition that normalization cannot come at the expense of the expansion. No doubt aware that options markets are still heavily implying another 25-basis-point cut at the FOMC's September meeting, Mr. Powell warned that this cut should not be viewed as the first of many. Both the Chair and the Committee clearly hope that marginally easier financial conditions will provide enough juice to keep the economy humming. Whether the global environment will oblige is another matter.

Mike Wedekind

Investment Analyst

## Economic Data



## Eurozone

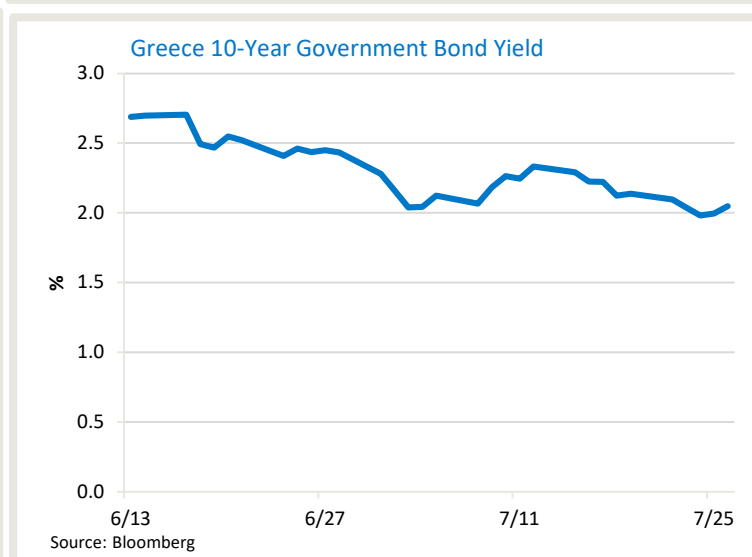
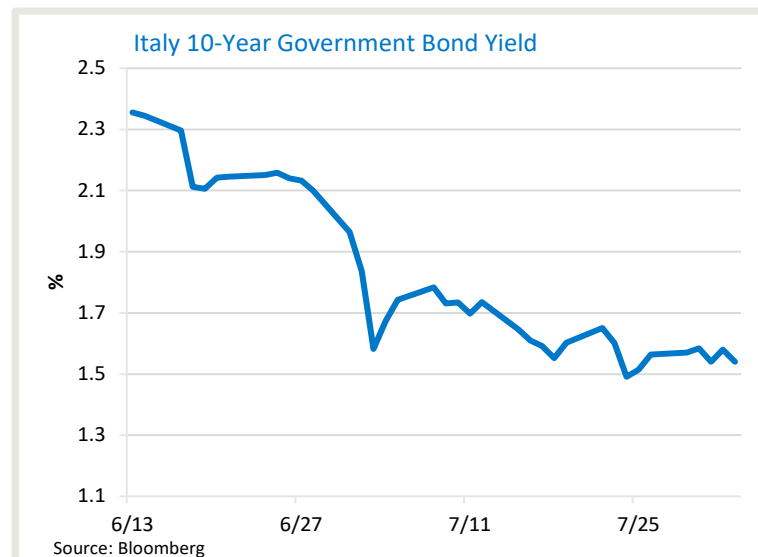
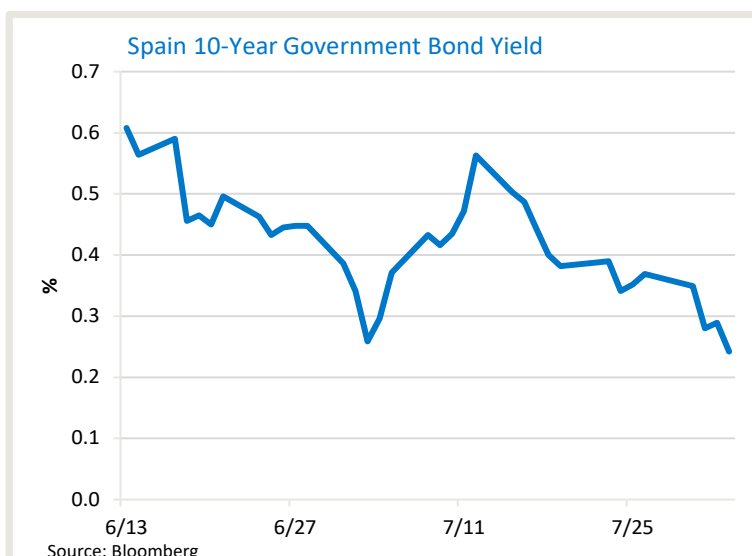
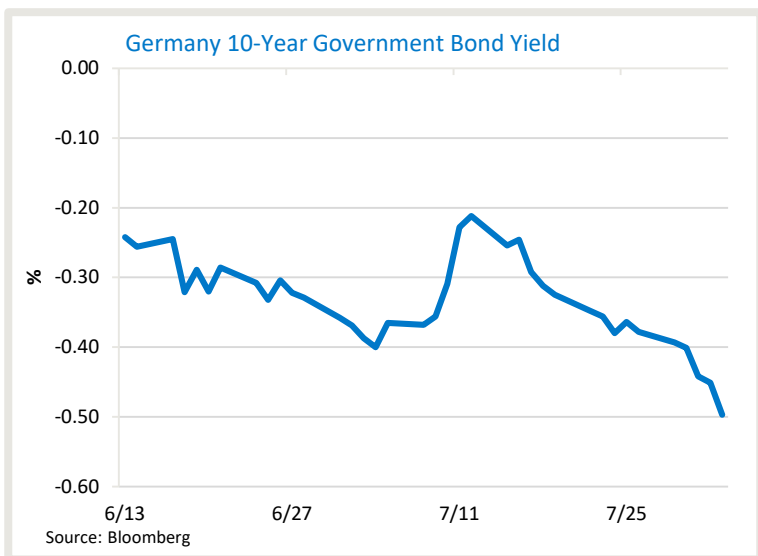
### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	-0.50	12 bps	NM	NM
Greece 10-Yr. Govt.	2.03	2 bps	NM	NM
Italy 10-Yr. Govt.	1.54	2 bps	NM	NM
Spain 10-Yr. Govt.	0.24	13 bps	NM	NM
Belgium 10-Yr. Govt.	-0.17	11 bps	NM	NM

Source: Bloomberg

Basis points (bps)

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	-0.24	12 bps	NM	NM
Ireland 10-Yr. Govt.	0.03	9 bps	NM	NM
Portugal 10-Yr. Govt.	0.29	15 bps	NM	NM
Netherlands 10-Yr. Govt.	-0.38	12 bps	NM	NM
U.K. 10-Yr. Govt.	0.55	13 bps	NM	NM



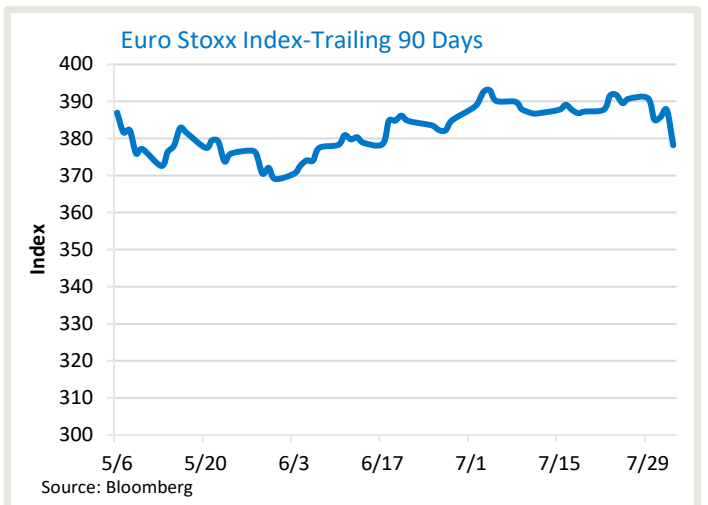
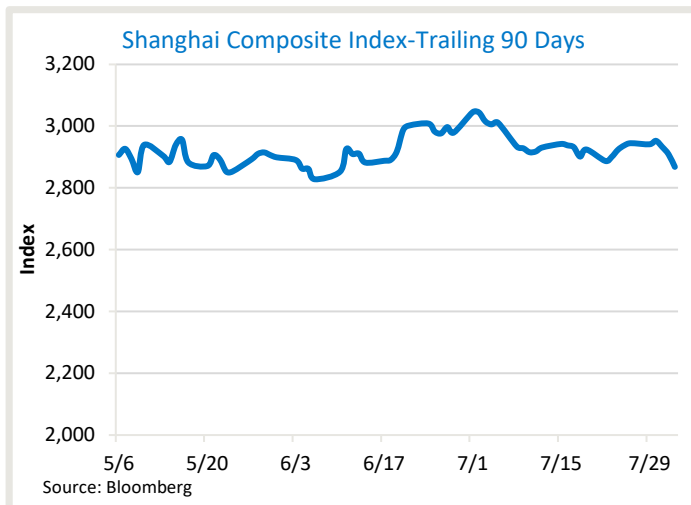
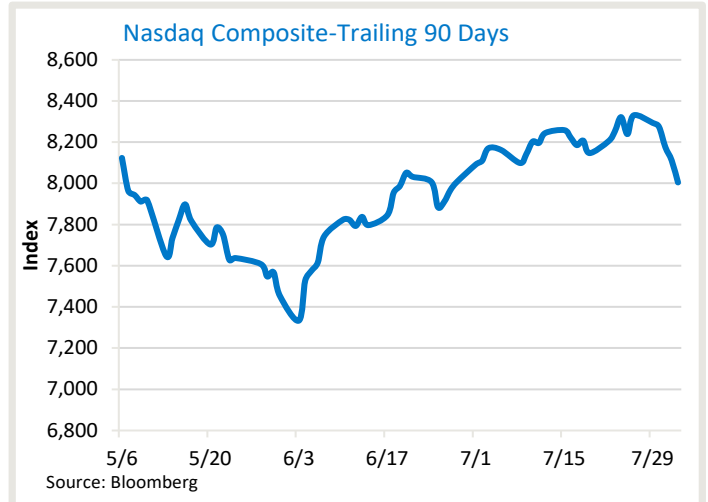
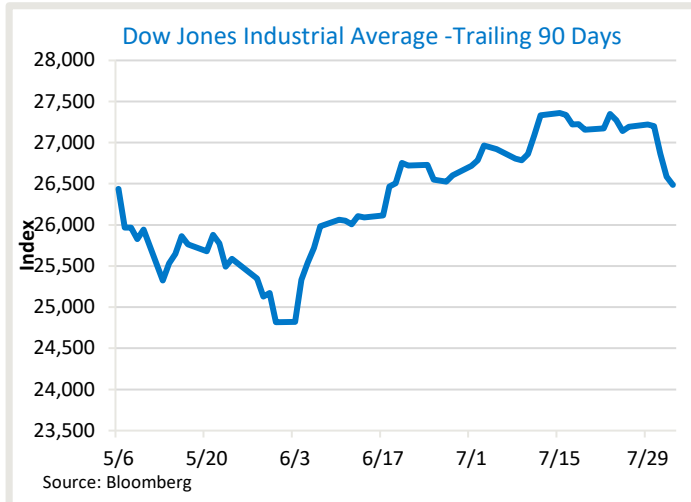
## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	<b>2,932.05</b>	<b>-93.81</b>	<b>-3.10%</b>	<b>16.96%</b>
<b>Dow Industrials</b>	<b>26,485.01</b>	<b>-707.44</b>	<b>-2.60%</b>	<b>13.54%</b>
<b>Nasdaq Composite</b>	<b>8,004.07</b>	<b>-326.14</b>	<b>-3.92%</b>	<b>20.63%</b>
<b>MSCI ACWI</b>	<b>520.57</b>	<b>-10.43</b>	<b>-1.96%</b>	<b>14.2%</b>
<b>MSCI EM</b>	<b>1,024.56</b>	<b>-24.10</b>	<b>-2.30%</b>	<b>6.1%</b>
<b>S&amp;P/TSX (Canada)</b>	<b>16,271.66</b>	<b>-259.38</b>	<b>-1.57%</b>	<b>13.61%</b>
<b>Mexico IPC</b>	<b>39,977.52</b>	<b>-696.26</b>	<b>-1.71%</b>	<b>-3.99%</b>
<b>Brazil Bovespa</b>	<b>102,673.70</b>	<b>-145.20</b>	<b>-0.14%</b>	<b>16.82%</b>
<b>Euro Stoxx 600</b>	<b>378.15</b>	<b>-12.58</b>	<b>-3.22%</b>	<b>11.99%</b>
<b>FTSE 100</b>	<b>7,407.06</b>	<b>-142.00</b>	<b>-1.88%</b>	<b>10.09%</b>
<b>IBEX 35 (Spain)</b>	<b>8,897.60</b>	<b>-327.90</b>	<b>-3.55%</b>	<b>4.19%</b>

	Last	Change	% Chg.	YTD %
<b>Swiss Market Index</b>	<b>9,803.69</b>	<b>-164.39</b>	<b>-1.65%</b>	<b>16.30%</b>
<b>CAC 40 Index (France)</b>	<b>5,359.00</b>	<b>-251.05</b>	<b>-4.48%</b>	<b>13.28%</b>
<b>DAX Index (Germany)</b>	<b>11,872.44</b>	<b>-547.46</b>	<b>-4.41%</b>	<b>12.44%</b>
<b>Irish Overall Index</b>	<b>5,978.15</b>	<b>-346.14</b>	<b>-5.47%</b>	<b>9.09%</b>
<b>Nikkei 225</b>	<b>21,087.16</b>	<b>-570.99</b>	<b>-2.64%</b>	<b>5.36%</b>
<b>Hang Seng Index</b>	<b>26,918.58</b>	<b>-1479.16</b>	<b>-5.21%</b>	<b>4.15%</b>
<b>Shanghai Composite</b>	<b>2,867.84</b>	<b>-76.70</b>	<b>-2.60%</b>	<b>14.99%</b>
<b>Kospi Index (S. Korea)</b>	<b>1,998.13</b>	<b>-68.13</b>	<b>-3.30%</b>	<b>-2.10%</b>
<b>Taiwan Taix Index</b>	<b>10,549.04</b>	<b>-342.94</b>	<b>-3.15%</b>	<b>8.45%</b>
<b>Tel Aviv 25 Index</b>	<b>1,631.09</b>	<b>21.57</b>	<b>1.34%</b>	<b>11.42%</b>
<b>MOEX Index (Russia)</b>	<b>2,674.90</b>	<b>-40.78</b>	<b>-1.50%</b>	<b>12.90%</b>

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



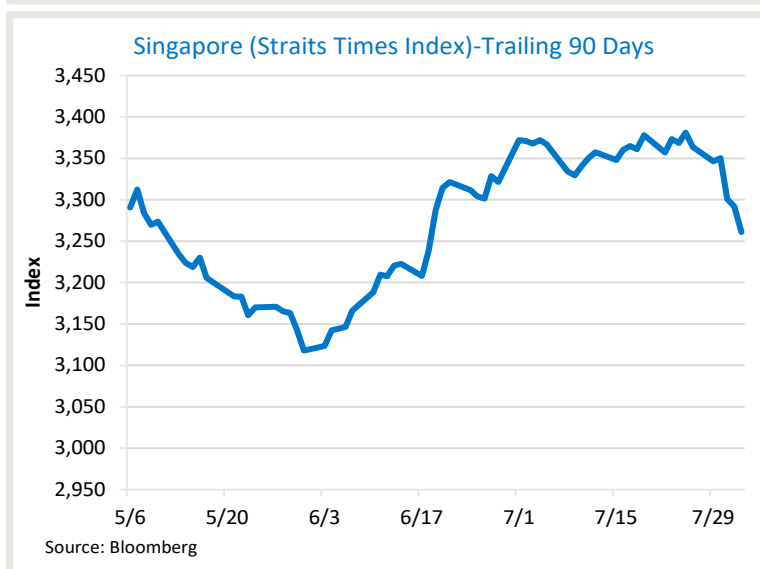
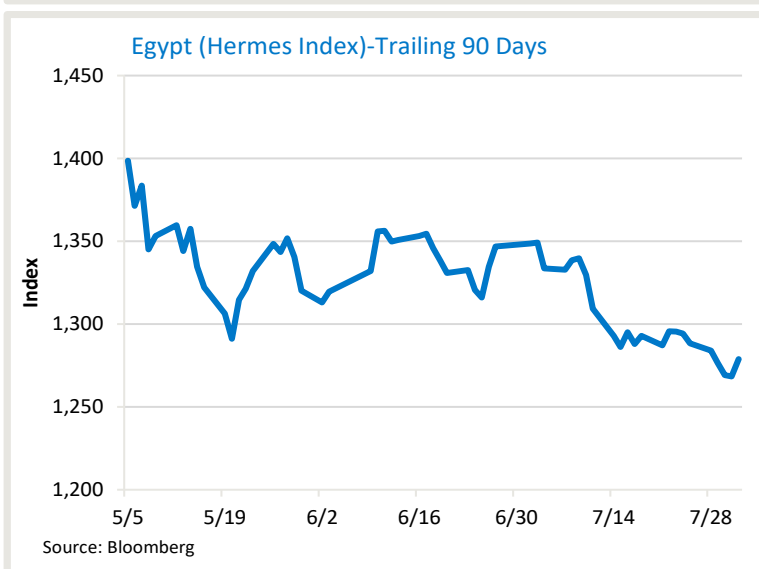
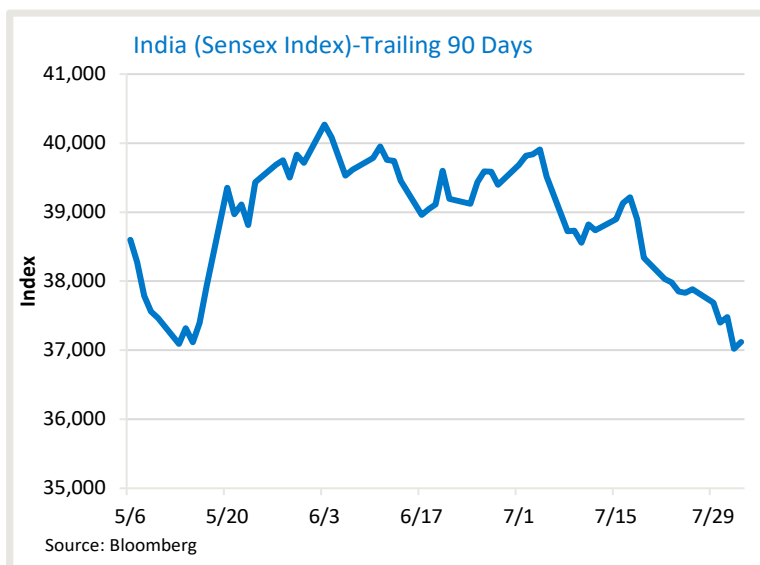
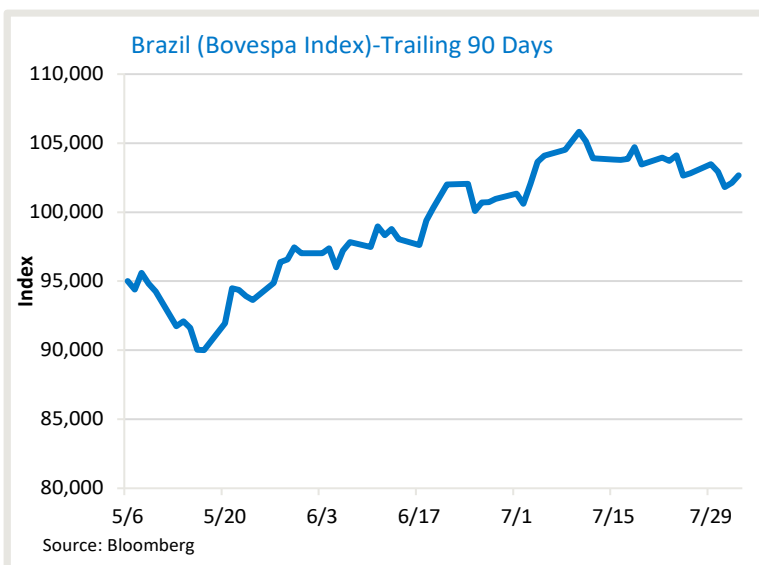
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	39,977.52	-696.26	-1.7%	-4.0%
Brazil (Bovespa Index)	102,673.70	-145.20	-0.1%	16.8%
MOEX Index (Russia)	2,674.90	-40.78	-1.5%	12.9%
Czech Republic (Prague)	1,040.37	-30.21	-2.8%	5.5%
Turkey (Istanbul)	99,679.44	-3157.77	-3.1%	9.2%
Egypt (Hermes Index)	1,278.72	-9.54	-0.7%	0.1%
Kenya (Nairobi 20 Index)	2,586.68	-65.12	-2.5%	-8.7%
Saudi Arabia (TASI Index)	8,666.39	-152.61	-1.7%	10.7%
Lebanon (Beirut BLOM Index)	817.86	-22.70	-2.7%	-16.3%
Palestine	531.01	5.31	1.0%	0.3%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	26,918.58	-1479.16	-5.2%	4.2%
India (Sensex 30)	37,118.22	-764.57	-2.0%	2.9%
Malaysia (KLCI Index)	1,626.76	-29.82	-1.8%	-3.8%
Singapore (Straits Times Index)	3,261.11	-102.65	-3.1%	6.3%
Thailand (SET Index)	1,684.71	-46.19	-2.7%	7.7%
Indonesia (Jakarta)	6,340.18	14.94	0.2%	2.4%
Pakistan (Karachi KSE 100)	31,666.41	-436.86	-1.4%	-14.6%
Vietnam (Ho Chi Minh)	991.10	-2.25	-0.2%	11.0%
Sri Lanka (Colombo)	5,894.70	21.81	0.4%	-2.6%
Cambodia (Laos)	782.39	6.62	0.9%	-6.5%

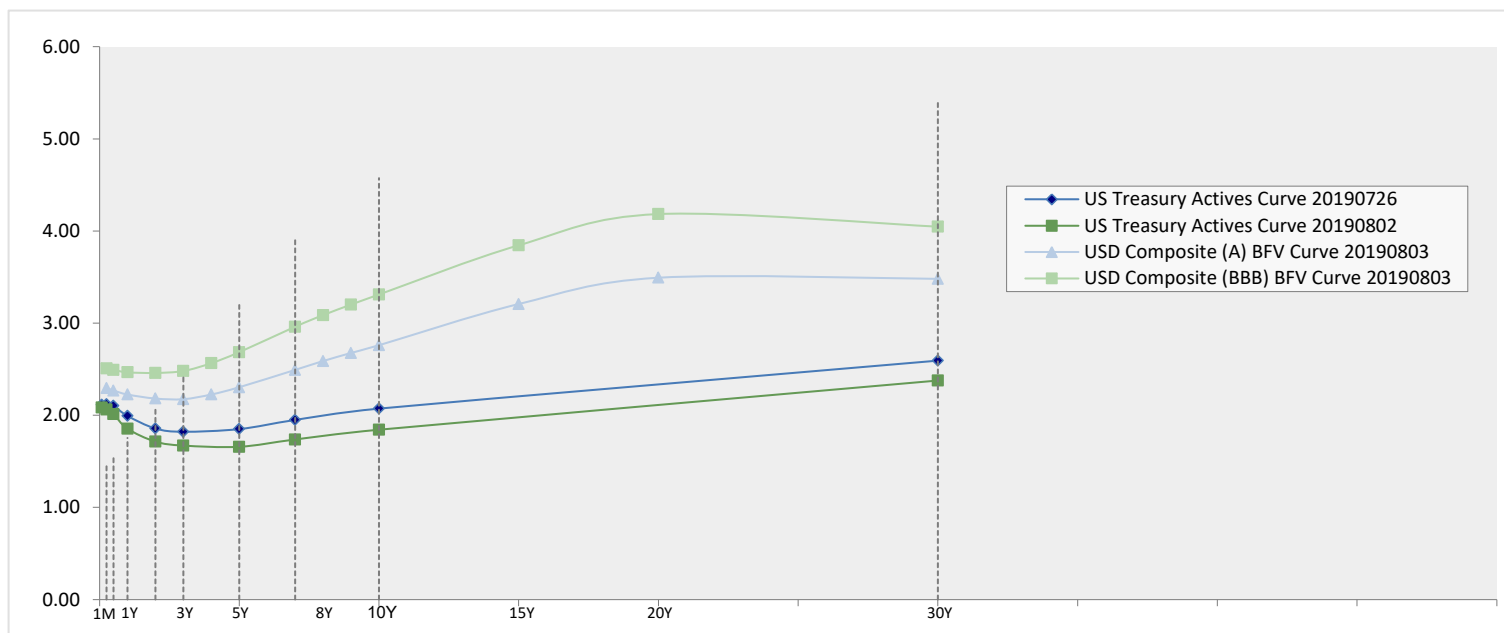


## Interest Rates

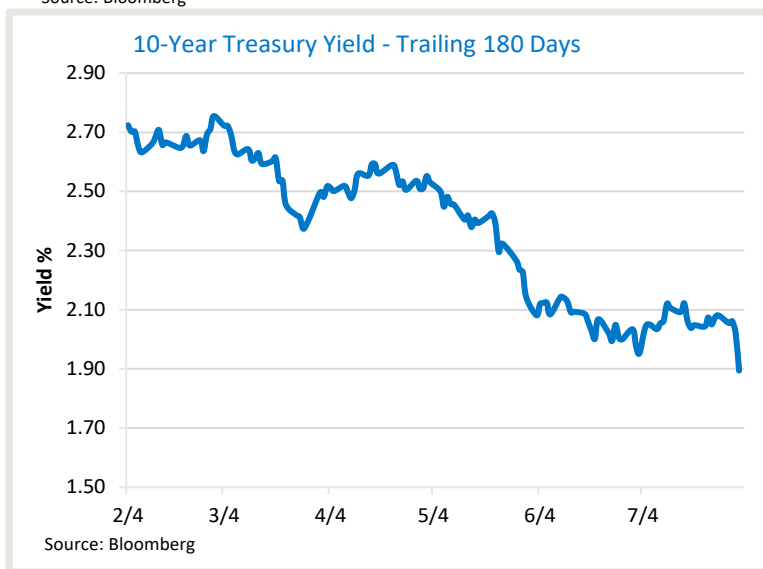
### SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.71%	3 bps	NM	NM	Prime Rate	5.25%	-0.25	NM	NM
5-Yr. U.S. Treasury	1.67%	-19 bps	NM	NM	Fed Funds Rate	2.25%	-0.25	NM	NM
10-Yr. U.S. Treasury	1.86%	-23 bps	NM	NM	Discount Rate	2.75%	-0.25	NM	NM
30-Yr. U.S. Treasury	2.39%	-21 bps	NM	NM	LIBOR (3 Mo.)	2.29%	2 bps	NM	NM
German 10-Yr. Govt.	-0.50%	12 bps	NM	NM	Bond Buyer 40 Muni	2.89%	-5 bps	NM	NM
France 10-Yr.	-0.24%	12 bps	NM	NM	Bond Buyer 40 G.O.	3.42%	NA	NM	NM
Italy 10-Yr.	1.54%	2 bps	NM	NM	Bond Buyer 40 Rev.	3.90%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.82%	0 bps	NM	NM					

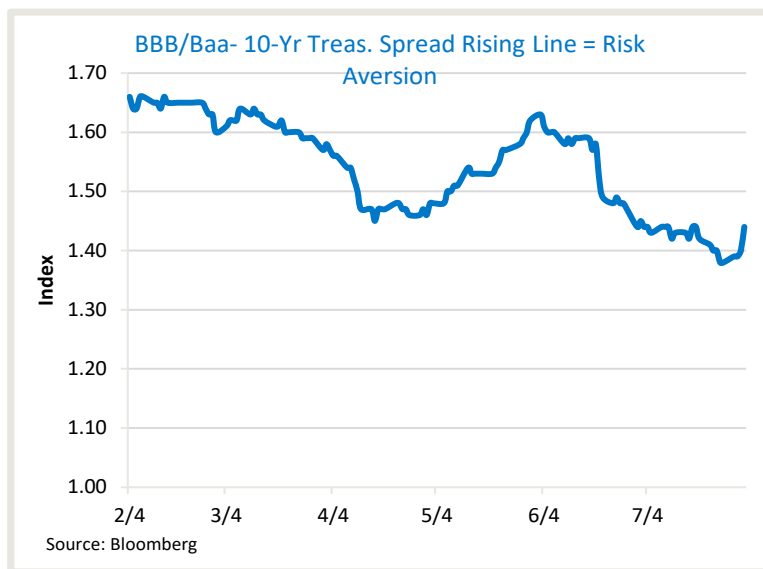
Source: Bloomberg



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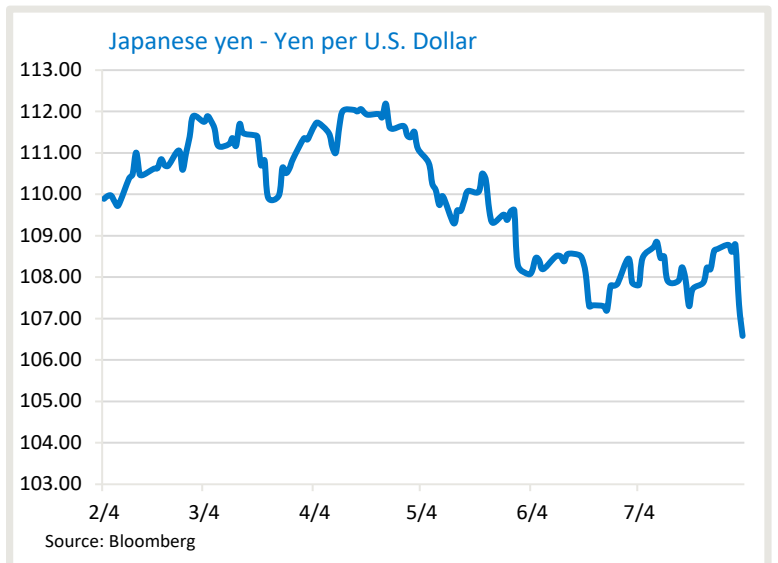
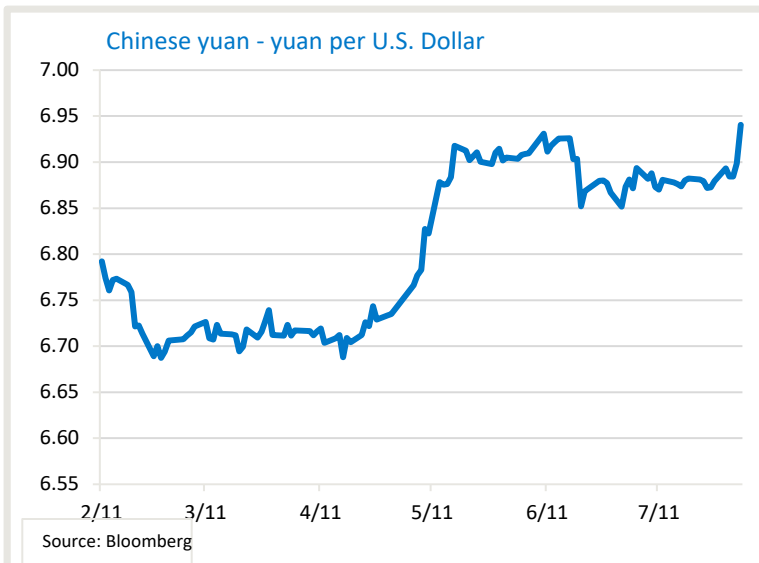
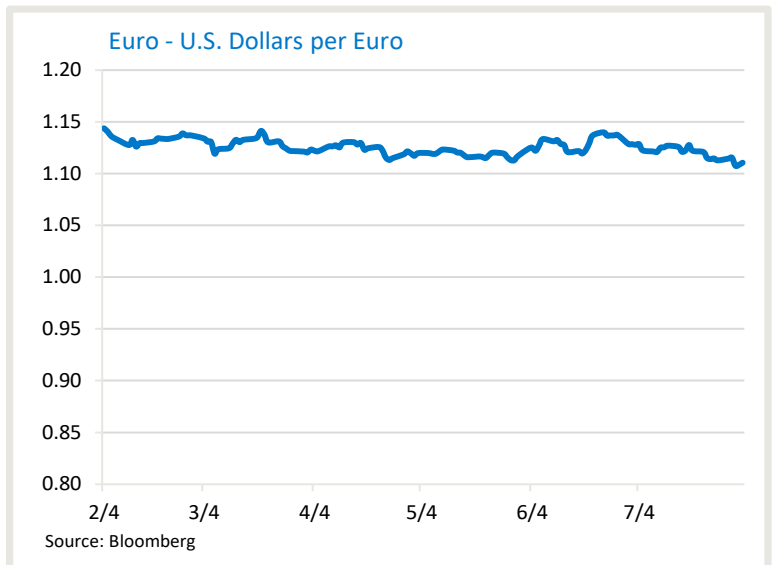
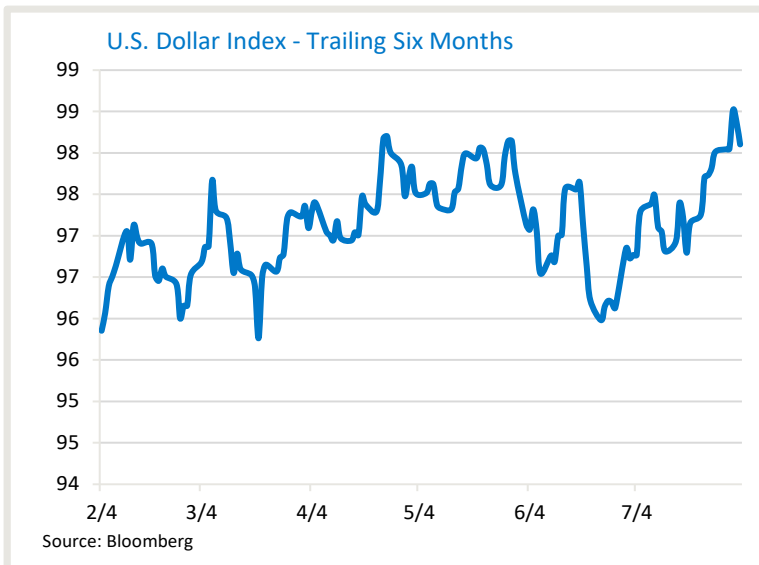
## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>98.10</b>	<b>0.092</b>	<b>0.09%</b>	<b>2.01%</b>
<b>Euro</b>	<b>1.11</b>	<b>-0.002</b>	<b>-0.20%</b>	<b>-3.15%</b>
<b>Japanese Yen</b>	<b>106.60</b>	<b>-2.100</b>	<b>1.97%</b>	<b>2.92%</b>
<b>British Pound</b>	<b>1.22</b>	<b>-0.022</b>	<b>-1.81%</b>	<b>-4.66%</b>
<b>Canadian Dollar</b>	<b>1.32</b>	<b>0.004</b>	<b>-0.33%</b>	<b>3.23%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>6.94</b>	<b>0.061</b>	<b>-0.88%</b>	<b>-0.89%</b>
<b>Swiss Franc</b>	<b>0.98</b>	<b>-0.011</b>	<b>1.09%</b>	<b>-0.04%</b>
<b>New Zealand Dollar</b>	<b>0.65</b>	<b>-0.010</b>	<b>-1.52%</b>	<b>-2.74%</b>
<b>Brazilian Real</b>	<b>3.88</b>	<b>0.108</b>	<b>-2.78%</b>	<b>-0.29%</b>
<b>Mexican Peso</b>	<b>19.31</b>	<b>0.256</b>	<b>-1.33%</b>	<b>1.78%</b>

Source: Bloomberg

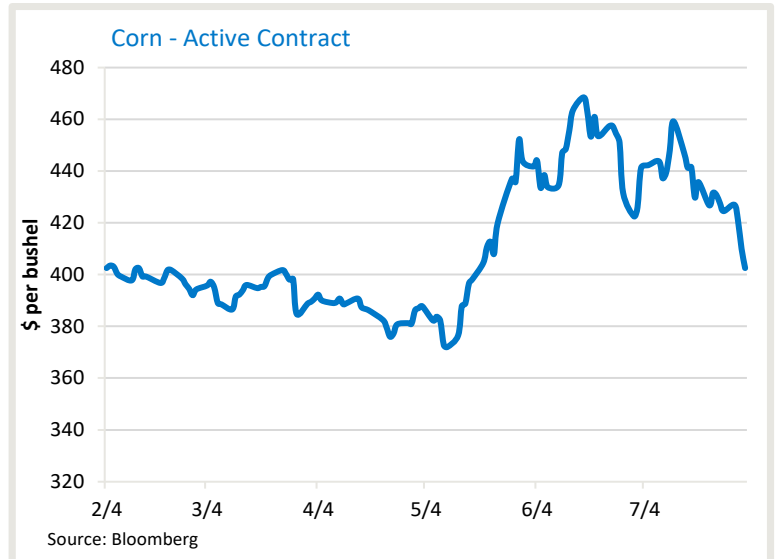
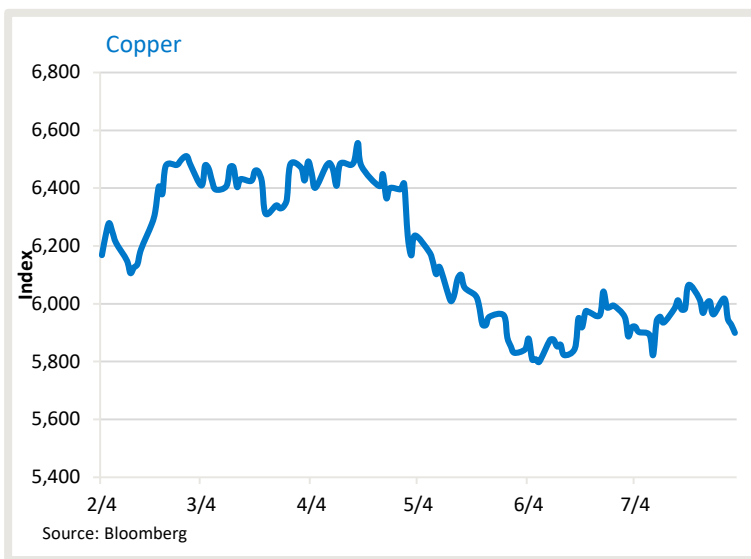
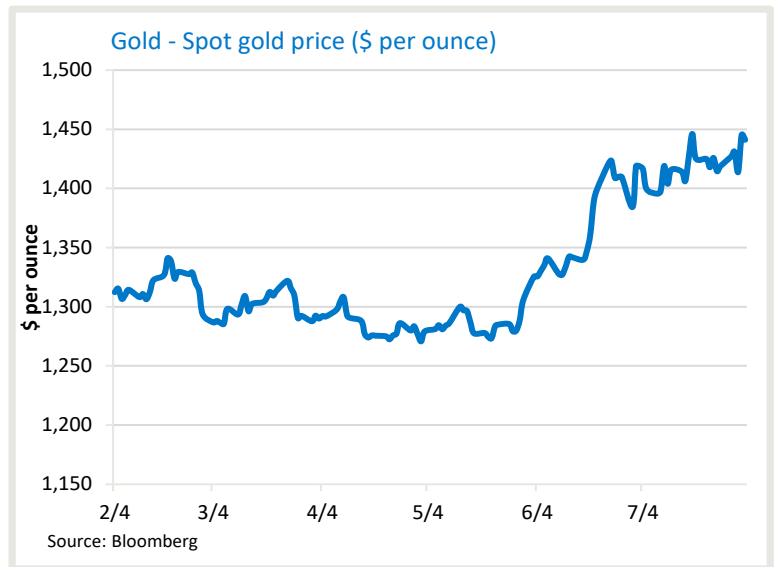
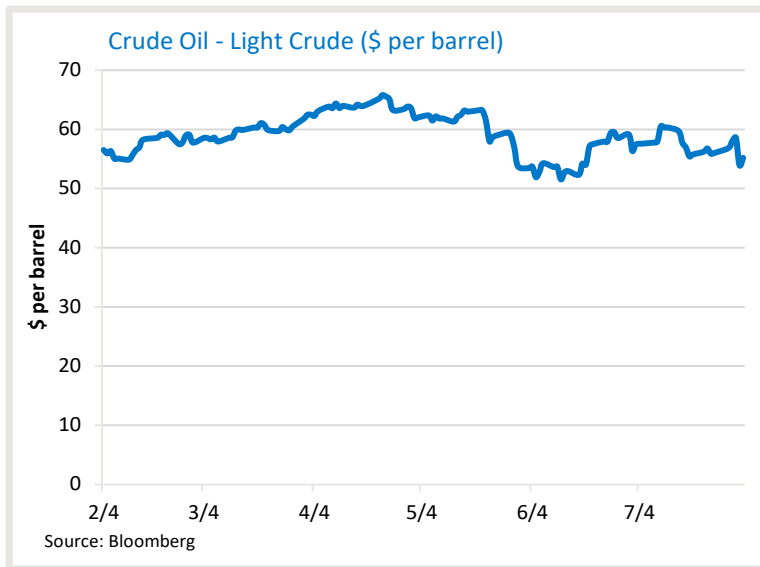


## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
<b>Bloomberg Comm. Idx.</b>	<b>77.23</b>	<b>-1.51</b>	<b>-1.92%</b>	<b>0.67%</b>	<b>Platinum Spot</b>	<b>\$844.75</b>	<b>-\$19.60</b>	<b>-2.27%</b>	<b>6.29%</b>
<b>Crude Oil</b>	<b>\$55.21</b>	<b>-\$1.00</b>	<b>-1.78%</b>	<b>15.38%</b>	<b>Corn</b>	<b>409.50</b>	<b>-15.00</b>	<b>-3.53%</b>	<b>3.02%</b>
<b>Natural Gas</b>	<b>\$2.14</b>	<b>-\$0.01</b>	<b>-0.47%</b>	<b>-21.47%</b>	<b>Wheat</b>	<b>490.75</b>	<b>-5.25</b>	<b>-1.06%</b>	<b>-7.10%</b>
<b>Gasoline (\$/Gal.)</b>	<b>\$2.72</b>	<b>-\$0.02</b>	<b>-0.77%</b>	<b>20.56%</b>	<b>Soybeans</b>	<b>868.50</b>	<b>-32.50</b>	<b>-3.61%</b>	<b>-7.14%</b>
<b>Heating Oil</b>	<b>187.69</b>	<b>-3.67</b>	<b>-1.92%</b>	<b>10.36%</b>	<b>Sugar</b>	<b>12.02</b>	<b>0.00</b>	<b>0.00%</b>	<b>-4.07%</b>
<b>Gold Spot</b>	<b>\$1,440.02</b>	<b>\$22.16</b>	<b>1.56%</b>	<b>12.36%</b>	<b>Orange Juice</b>	<b>99.20</b>	<b>-3.25</b>	<b>-3.17%</b>	<b>-23.63%</b>
<b>Silver Spot</b>	<b>\$16.20</b>	<b>-\$0.19</b>	<b>-1.16%</b>	<b>4.61%</b>	<b>Aluminum</b>	<b>1,780.00</b>	<b>-22.00</b>	<b>-1.22%</b>	<b>-3.58%</b>
					<b>Copper</b>	<b>5,899.00</b>	<b>-64.00</b>	<b>-1.07%</b>	<b>-1.11%</b>

Source: Bloomberg; % change is based on price.

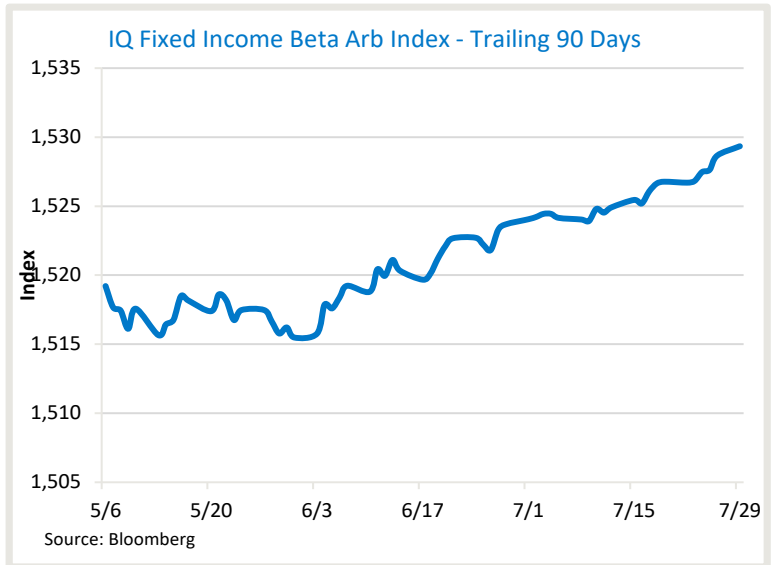
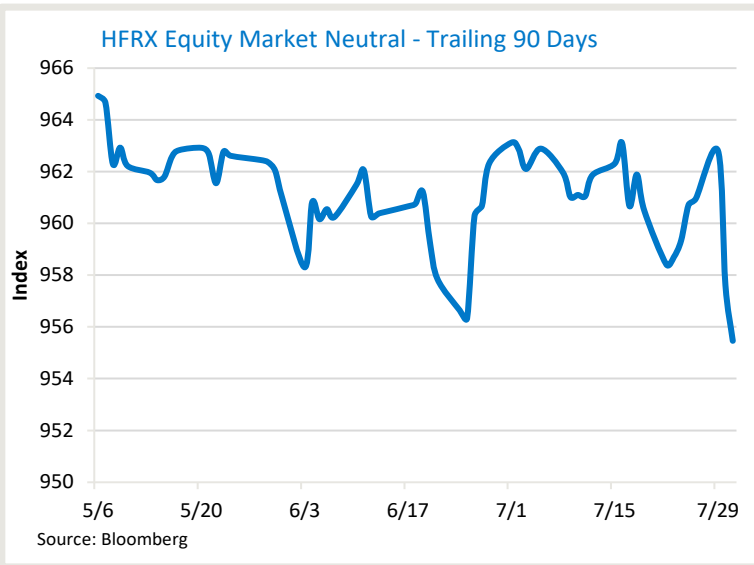
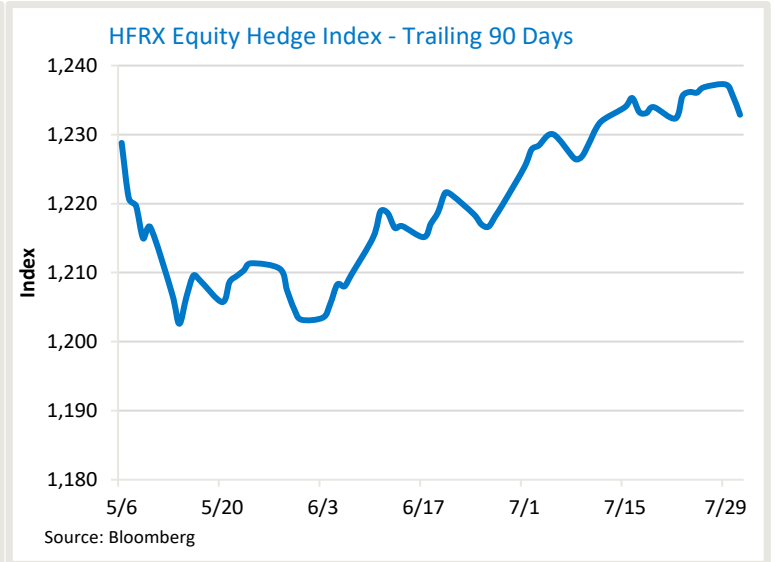
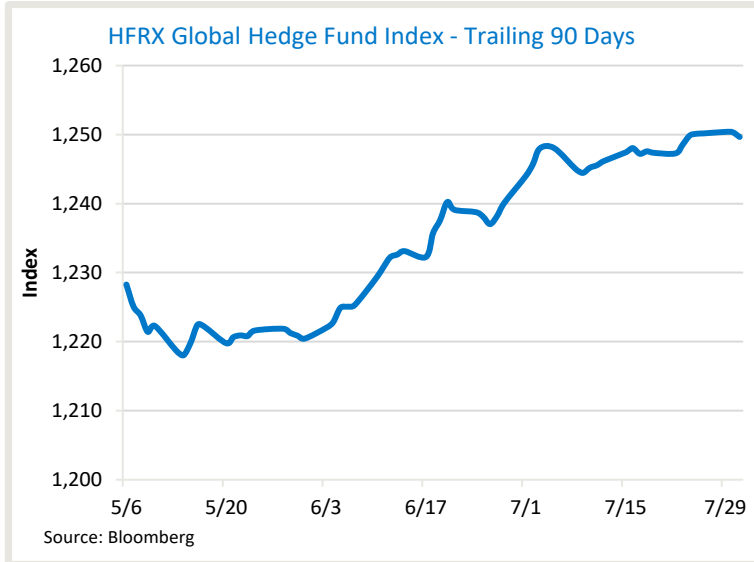


## Alternative Investments

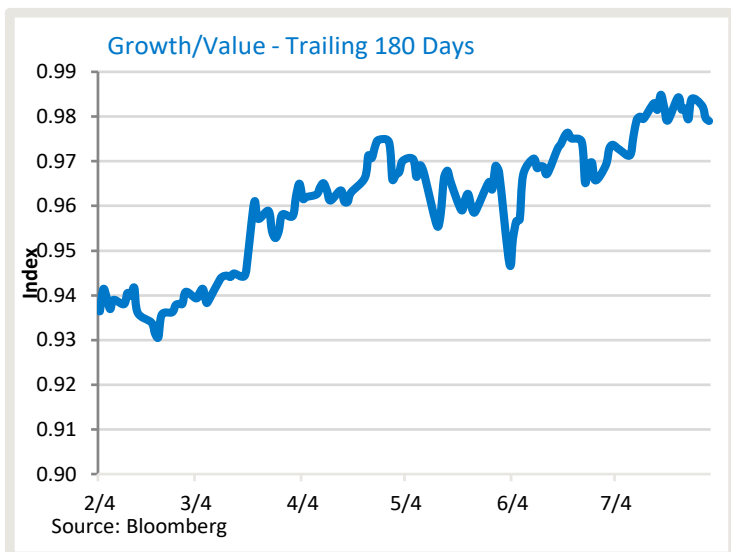
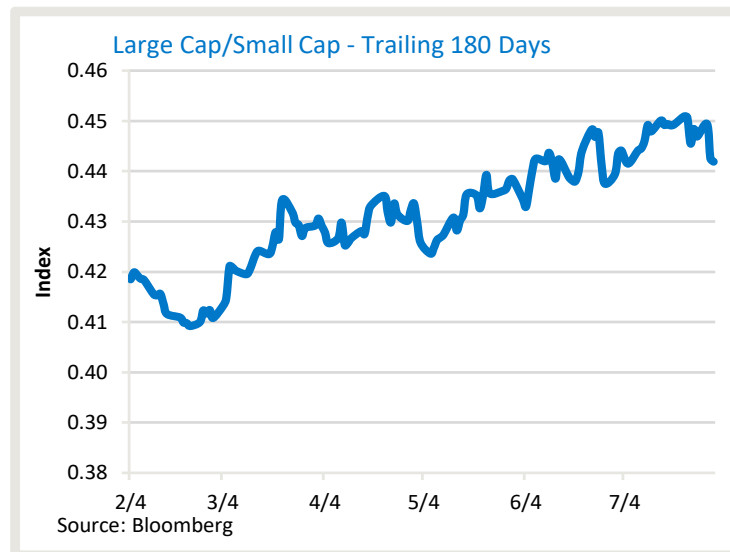
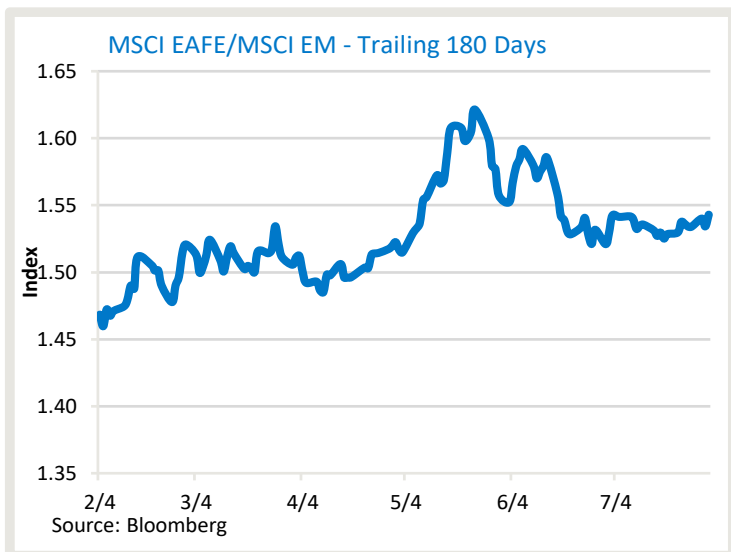
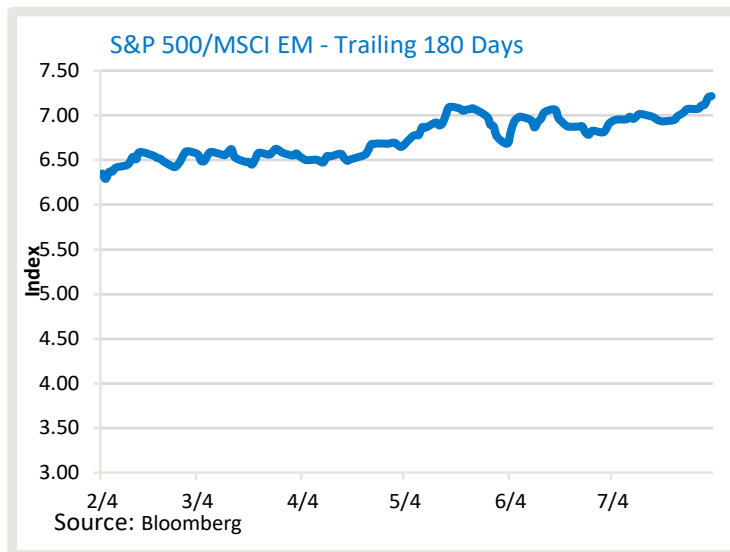
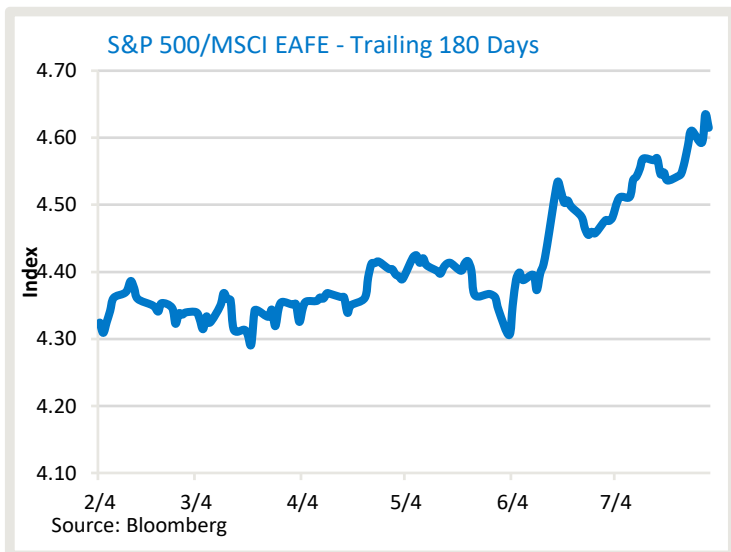
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1249.65	-0.52	-0.04%	5.02%	HFRX Special Situation Index	1220.43	-0.87	-0.07%	1.45%
HFRX Equity Market Neutral	955.46	-5.50	-0.57%	-1.77%	HFRX Merger Arbitrage Index	1780.61	3.54	0.20%	-2.04%
HFRX Equity Hedge Index	1232.87	-3.99	-0.32%	7.10%	HFRX Convertible Arbitrage Index	814.76	-0.72	-0.09%	3.44%
HFRX Event-Driven Index	1510.45	-0.85	-0.06%	2.66%	HFRX Macro CTA Index	1176.26	3.74	0.32%	4.46%
HFRX Absolute Return Index	1078.04	-0.25	-0.02%	1.89%	IQ Fixed Income Beta Arb Index	1527.86	-0.80	-0.05%	4.47%

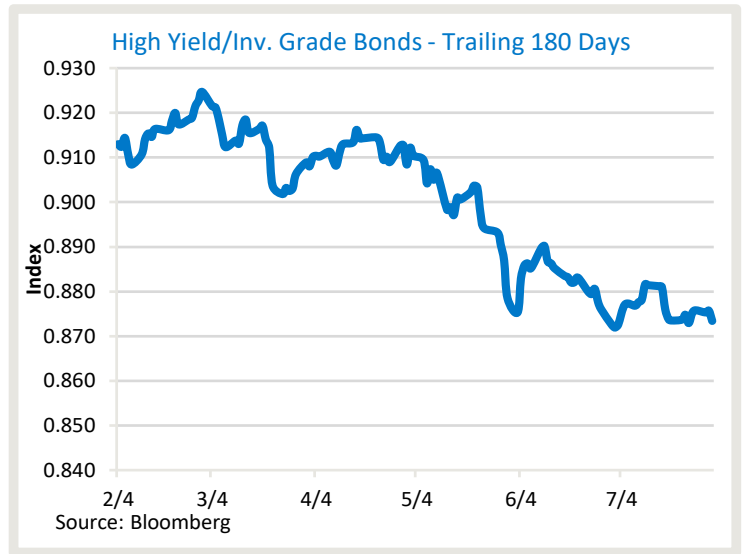
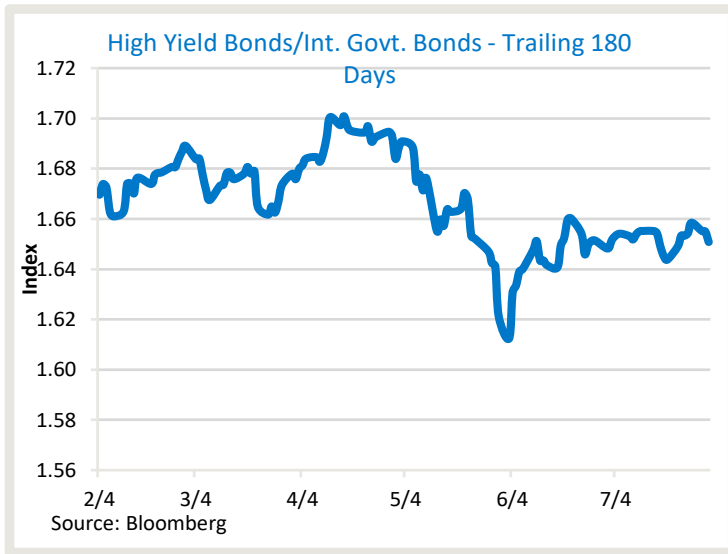
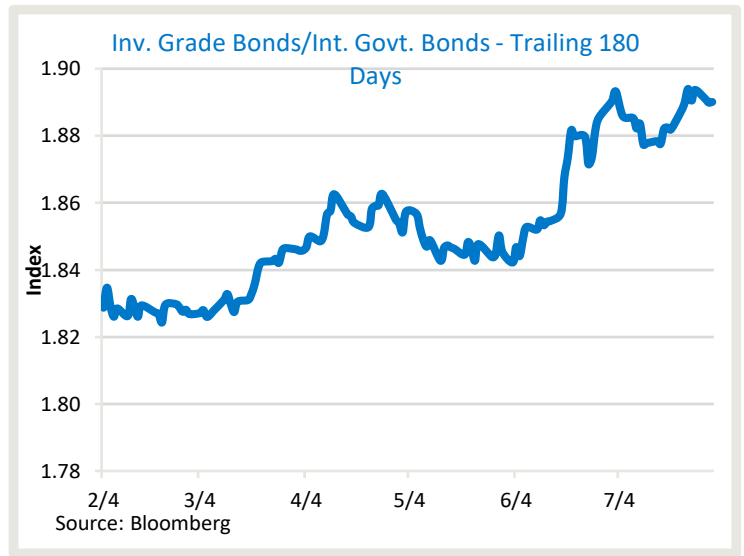
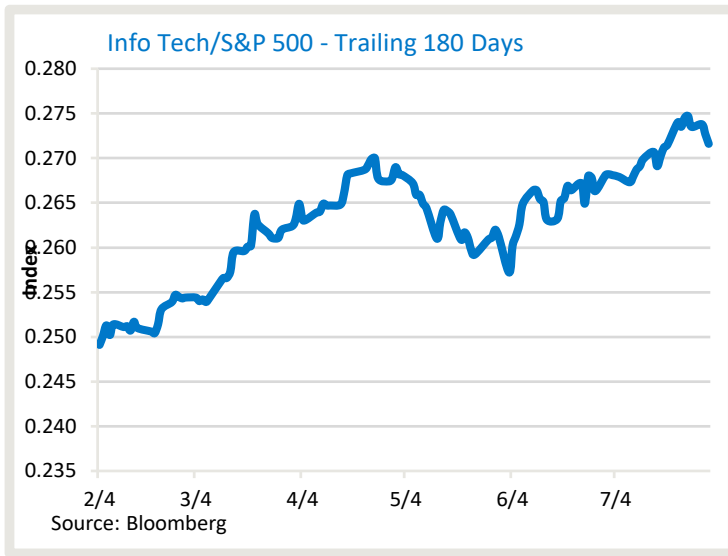
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			5/16	5/23	5/30	6/6	6/13	6/20	6/27	7/4	7/11	7/18	7/25	8/1
Equity	Domestic Equity	Large Cap (R200)	0.28%	-1.92%	-1.18%	1.68%	1.82%	2.25%	-0.91%	2.44%	0.27%	-0.17%	0.26%	-1.62%
		Small Cap (R2000)	-0.82%	-3.59%	-1.06%	1.21%	2.15%	1.80%	-1.08%	1.65%	-0.90%	-0.15%	0.37%	-0.68%
	Int'l. Equity	MSCI EAFE	0.46%	-1.55%	-0.74%	1.54%	1.36%	2.08%	-0.24%	1.87%	-1.54%	-0.69%	0.66%	-1.28%
		MSCI Em. Mkts.	-1.58%	-2.60%	1.03%	0.79%	1.93%	3.10%	0.10%	0.93%	-0.89%	-0.33%	0.24%	-2.82%
Fixed Income	BarCap Agg. (AGG)	0.32%	0.34%	0.48%	0.30%	0.34%	0.73%	-0.01%	0.14%	-0.80%	0.57%	-0.10%	0.65%	
	High Yield (JNK)	-0.07%	-0.21%	-0.26%	0.32%	0.58%	1.46%	-0.54%	0.13%	-0.57%	-0.06%	0.31%	-0.52%	
Commodities	Bloomberg Commodity Index	2.22%	-2.91%	1.45%	-2.52%	0.65%	2.00%	1.29%	-1.23%	1.72%	-2.04%	0.10%	-2.52%	
Alternatives	Hedge Funds (HFRX Global)	0.09%	-0.14%	0.00%	0.34%	0.62%	0.62%	-0.16%	0.79%	-0.20%	0.16%	0.20%	-0.04%	
Asset Allocation	60/40*	0.10%	-1.19%	-0.86%	1.02%	1.21%	1.65%	-0.44%	1.28%	-0.59%	0.01%	0.21%	-0.69%	
	48/32/20 (w/Alts.)**	0.09%	-0.98%	-0.29%	0.88%	1.09%	1.44%	-0.39%	1.18%	-0.51%	0.04%	0.21%	-0.56%	

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	0.97	1.06	1.02	0.98	1.06	1.05	1.00	1.10	1.08	1.19	0.98	1.26	0.81	1.06
Large Cap Growth	1.03	1.00	1.10	1.06	1.01	1.10	1.09	1.04	1.14	1.12	1.23	1.02	1.31	0.83	1.09
Large Cap Value	0.94	0.91	1.00	0.96	0.92	1.00	0.99	0.94	1.04	1.02	1.12	0.93	1.19	0.76	1.00
Mid Cap Core	0.98	0.95	1.04	1.00	0.96	1.04	1.03	0.98	1.08	1.06	1.17	0.96	1.24	0.79	1.03
Mid Cap Growth	1.03	0.99	1.09	1.05	1.00	1.09	1.07	1.03	1.13	1.11	1.22	1.01	1.29	0.83	1.08
Mid Cap Value	0.94	0.91	1.00	0.96	0.92	1.00	0.99	0.94	1.04	1.02	1.12	0.93	1.19	0.76	1.00
Small Cap Core	0.95	0.92	1.01	0.97	0.93	1.01	1.00	0.95	1.05	1.03	1.14	0.94	1.20	0.77	1.01
Small Cap Growth	1.00	0.97	1.06	1.02	0.97	1.06	1.05	1.00	1.10	1.08	1.19	0.98	1.26	0.81	1.06
Small Cap Value	0.91	0.87	0.96	0.92	0.88	0.96	0.95	0.91	1.00	0.98	1.08	0.89	1.14	0.73	0.96
Int'l. Developed	0.93	0.89	0.98	0.94	0.90	0.98	0.97	0.93	1.02	1.00	1.10	0.91	1.17	0.75	0.98
Emerging Markets	0.84	0.81	0.89	0.86	0.82	0.89	0.88	0.84	0.93	0.91	1.00	0.83	1.06	0.68	0.89
REITs	1.02	0.98	1.08	1.04	0.99	1.08	1.07	1.02	1.12	1.10	1.21	1.00	1.28	0.82	1.07
Commodities	0.79	0.77	0.84	0.81	0.77	0.84	0.83	0.79	0.88	0.86	0.94	0.78	1.00	0.64	0.84
Int. Bond	1.24	1.20	1.31	1.27	1.21	1.32	1.30	1.24	1.37	1.34	1.48	1.22	1.57	1.00	1.31
High Yield	0.95	0.92	1.00	0.97	0.92	1.00	0.99	0.95	1.05	1.02	1.13	0.93	1.20	0.76	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 Value 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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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) securities are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates.

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments. Investing in commodities can be volatile and can suffer from periods of prolonged decline in value and may not be suitable for all investors.

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