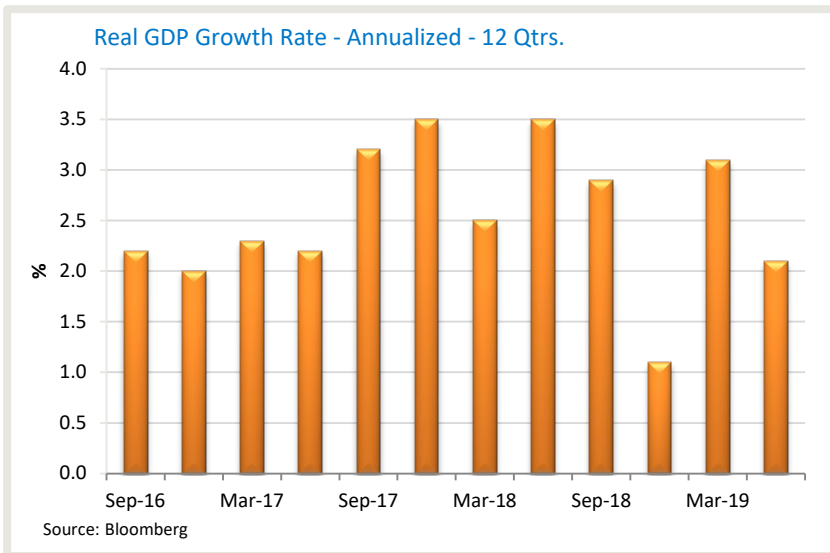


# Weekly Market Review

August 26, 2019

## Chart of the Week



## Weekly Highlights

- **The bond market yield curve inverted three times last week**, with the yield on the 10-year U.S. Treasury Note trading under that of the 2-year note. The short-lived but significant moves in the bond market occurred on Wednesday, after the Fed released minutes of its last meeting, reiterating that its rate cut was a mid-cycle adjustment, and on Thursday, after a drop in the Markit Flash Manufacturing PMI data. The curve inverted again on Friday as both the US and China hardened their positions on trade disputes. Some economists believe that the distortion in the bond market is a result of the current weakness in markets outside the US, especially the negative yields in Europe. Other economists suggest that it may be signaling recession, as has occurred after past yield curve inversions.
- **At the Jackson Hole annual Economic Policy Symposium** that kicked off on Friday, Fed Chair Jerome Powell hinted at possible interest rate cuts if a slowdown hits the economy, disappointing some investors (including current administration officials), who were expecting a more aggressive easing campaign. With global recession fears growing and bond yields tumbling, this week's gathering was one of the most anticipated in years.
- **US new home sales missed estimates in July, falling 12.80%** to a seasonally adjusted annual rate of 635,000 units. The drop is pointing to more housing weakness despite lower mortgage rates and a stronger labor market. Economists had expected a sales pace of 649,000 units.
- **The federal deficit is expected to inflate** to higher levels than previously thought over the next decade, according to the non-partisan Congressional Budget Office (CBO). The US budget deficit is expected to balloon to \$960 billion in 2019 and average \$1.2 trillion per year between 2020 and 2029. The office also projects that the current administration's tariffs will shrink US gross domestic product (GDP) by 0.30%, whereas further tariffs hikes could hamper economic growth. Currently, the CBO is projecting a real GDP growth rate of 2.30% in 2019.
- **On Wednesday, Germany sold close to \$1 billion of 30-year bonds at a negative yield** for the first time in its history. The bonds, which sold for an average yield of -0.11%, have a zero-coupon feature (and therefore pay no interest) and will mature in August 2050. Currently, about 15 trillion of negative-yielding bonds are outstanding worldwide, a good chunk of which was issued by European governments or state-sponsored agencies.

## Talking Points

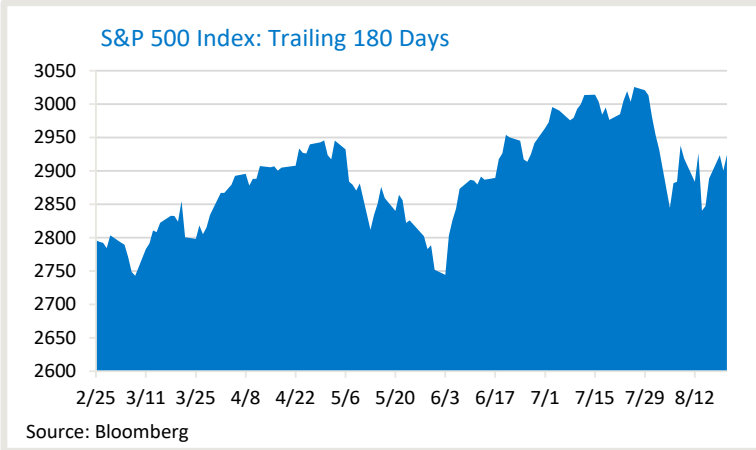
- US equities seesawed most of the week on worries about a potential recession in the US as well as an escalation of the trade war with China. The S&P 500 Index lost more than 2.5% on Friday after President Trump ordered US companies to “find an alternative to China,” which followed China’s announcement that it would impose new tariffs on \$75 billion of US goods. International equities followed a similar pattern, with both developed and emerging markets erasing earlier gains.
- Treasury yields increased across the board, with the yield on the 2-year note increasing more than that of the 10-year note. During the week, the yield curve inverted three times.
- Commodity prices fell, with crude oil weakness weighing on the asset class after China announced a 5% retaliatory levy on US crude. Gold and other precious metals gained ground as tensions rose between the US and China.
- Claims for unemployment benefits fell last week to 209,000, a historically low level that signals the labor market is on firm footing, according to a Labor Department report.
- The Markit Flash Manufacturing PMI dropped to 49.9 this month, falling below 50 for the first time in about ten years. The index also was lower than the 50.3 reading forecast by economists in a WSJ survey.
- The Conference Board Leading Economic Index (LEI) ticked up 0.50% from the previous month to 112.2 in July, which signals that the economy will continue to expand in the second half, albeit at a slower pace.
- The University of Michigan’s preliminary August survey showed that consumer sentiment fell to 92.1 in August from the 98.4 level reached in July. The reading, which was well below the market consensus of 97.2, was the lowest since January, and reflects growing concerns of an economic downturn and stock market volatility.
- Sales of new US homes fell in July, missing estimates, after an upward revision to the prior month brought those sales to the highest level since 2007, a sign that lower borrowing costs may be helping to stabilize purchases.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,847.11	-41.57	-1.44%	13.6%
<b>Dow Industrials</b>	25,628.90	-257.11	-0.99%	9.9%
<b>Nasdaq</b>	7,751.77	-144.23	-1.83%	16.8%
<b>Russell 2000</b>	1,459.49	-34.16	-2.29%	8.2%
<b>Euro Stoxx Index</b>	371.36	1.73	0.47%	10.0%
<b>Shanghai Composite</b>	2,897.43	73.60	2.61%	16.2%
<b>MSCI ACWI</b>	508.91	5.23	1.04%	11.7%

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

	Last Price	Change	% Chg.	YTD %
<b>MSCI EM</b>	975.66	5.39	0.56%	1.0%
<b>10-Year US Treas.</b>	1.53	-1 bps	NM	NM
<b>Bloomberg Cmdts. Idx.</b>	76.07	-0.71	-0.92%	-0.8%
<b>Gold</b>	\$1,527.02	\$12.61	0.83%	19.0%
<b>Crude Oil</b>	\$53.87	-\$0.89	-1.62%	12.2%
<b>Dollar Index</b>	97.70	-0.42	-0.43%	1.6%
<b>VIX Index</b>	19.87	1.40	7.58%	-21.8%



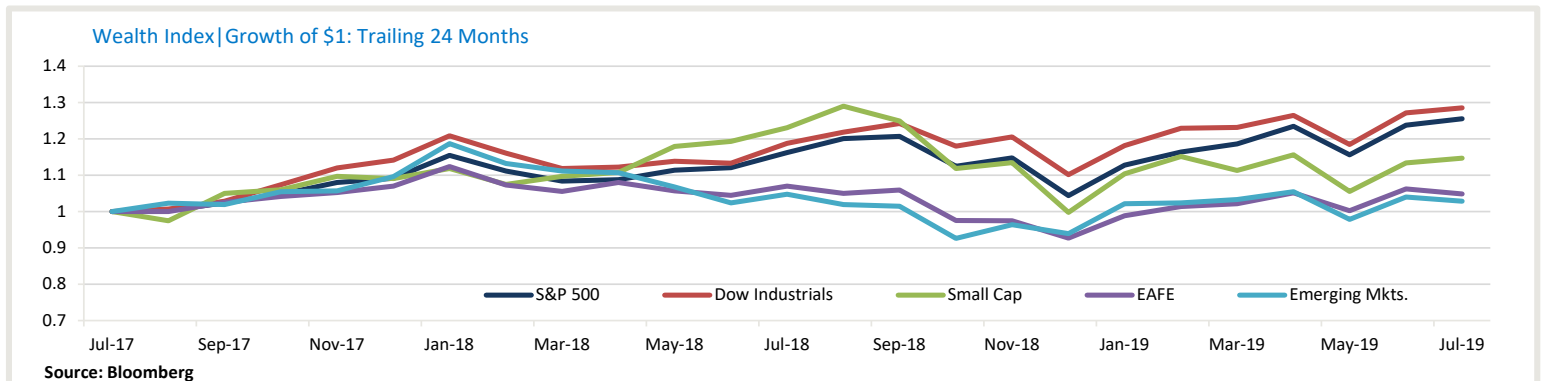
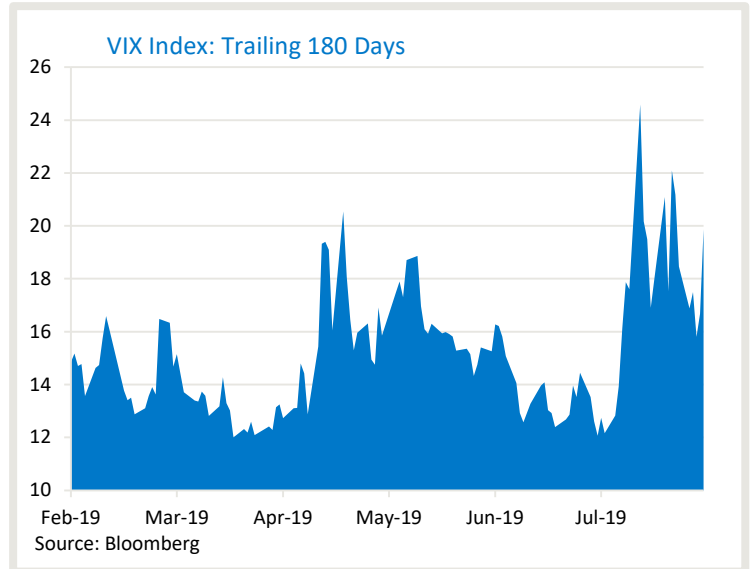
	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	-1.64%	-1.43%	-1.27%	8.17%	13.27%	17.77%
	-1.60%	-1.43%	-1.17%	10.36%	15.49%	23.18%
<b>S</b>	-2.23%	-2.29%	-2.34%	3.24%	8.23%	13.13%

Source: Bloomberg

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
<b>Consumer Discretionary</b>	10.2	0.12%	17.3%
<b>Consumer Staples</b>	7.7	-1.16%	17.2%
<b>Energy</b>	4.4	-1.99%	-3.2%
<b>Financials</b>	12.7	-1.90%	9.1%
<b>Health Care</b>	14.0	-1.95%	2.4%
<b>Industrials</b>	9.2	-1.62%	13.3%
<b>Information Technology</b>	22.0	-1.42%	24.1%
<b>Materials</b>	2.7	-3.05%	8.5%
<b>Real Estate</b>	3.3	-0.29%	23.8%
<b>Communication Services</b>	10.4	-2.00%	16.1%
<b>Utilities</b>	3.5	0.19%	15.6%

Source: Bloomberg



## The Economy and Markets

### Can Fed stimulus compensate for trade war damage?

The Treasury's yield curve inversion headlines, and the bad omen it signals about the state of the economy, dominated the news cycle last week. On Wednesday, Thursday, and Friday, the yield on the benchmark 10-year U.S. Treasury Note dropped below the 2-year yield. The scrutinized bond-market spread, when inverted, is seen by many market participants as an important recession signal, though the timing of the eventual downturn is less predictable. The last five yield curve inversions eventually have led to recessions. Some economists have argued that the current low yields and recent yield curve inversions in the US have more to do with the suppressed and negative yields in other parts of the world than with the conditions of the US economy.

Recession fears have indeed grown in recent weeks, fueled by slowing global growth, intensifying trade tensions between the US and China, and mixed economic data in the US. In the last few weeks, US corporate profits were revised down by \$200 billion, as were employment numbers, which were revised lower by 500,000 jobs between March 2018 and 2019. The Markit Flash Manufacturing PMI Index dropped to 49.9 this month, falling below 50 for the first time in about 10 years. Consumer and small-business optimism have fallen as well, and two out of five economists surveyed by the National Association of Business Economists now expect the economy to slip into a recession this year or next.

Acknowledging the rising fears of a slowdown, President Trump's rhetoric shifted notably from a position of "no recession" over the previous two weeks to the "possibility of a recession" warranted in order to fight China. Early in the week the President confirmed that to stimulate the slowing economy, he was considering "various tax reductions," including a payroll tax cut and indexing capital gains taxes to inflation, although he later retracted from this position. Some analysts believe that the warning of a possible recession could be a sign that the President is preparing the US for a long trade fight with China.

Could indexing capital gains taxes to inflation and reducing the payroll tax help to shield the US economy from the current global slowdown and trade war threats? Economists' opinions are split on both issues. According to some, indexing capital gains taxes would do very little to actually spur economic growth. Because a capital gain is the profit from the sale of securities or real estate, it is generally the very wealthiest of taxpayers who derive the bulk of their income from capital gains profits on investments. Indexing capital gains to inflation, therefore, would favor higher-income individuals, as the largest increase would benefit only the top 1% of taxpayers, and by just 0.83%, according to the calculations performed by the Tax Foundation. Proponents of indexing capital gains argue that the proposal would unlock trillions of dollars in capital if it were implemented. Analysts at Strategas estimate that doing so would be the equivalent of a 45% tax rate reduction, and that small companies would benefit most from these cuts.

Similarly, the supporters of a payroll tax cut maintain that it could help offset the impact of the tariffs that are set to go into effect in September and again in December. They believe that a payroll tax cut is good for growth and would help in the face of the slower global growth patch. Millions of Americans pay a payroll tax of 6.20% on their earnings, a levy that is used to finance Social Security programs. The payroll tax was last cut in 2011 and 2012, to 4.20%, in the Obama Administration, as a way to encourage more consumer spending during the Great Recession. But the cut was allowed to reset back to 6.20% in 2013. According to some economists, the 2011 payroll tax cut had little impact on growth and consumption, and they expect a payroll tax cut would have little effect on business confidence this time around. Business confidence has slumped since the tariffs were imposed beginning in mid-2018, and capital expenditures have dropped as a result. Interestingly, a simulation by the Urban-Brookings Tax Policy Center shows that a 2% cut in payroll tax would benefit 121 million workers; however, nearly three-quarters of them would be high earners in the top fourth and fifth quintiles. To conclude, the cost of such a measure would be enormous for the government coffers, at a time when the annual budget deficit is expected to approach \$1 trillion soon.

It seems for now that the Trump Administration has placed the additional tax cuts on the back burner and is handing the torch to the Federal Reserve (the Fed) to enact more monetary stimulus. However, by not giving a clear sign that the rate cut is coming during his address at the Jackson Hole meeting last Friday, Fed Chair Jerome Powell disappointed the current Administration's officials who were hoping for a more aggressive Fed stance. As Fed Chair Powell confirmed, monetary policy may not be enough to counteract President Trump's trade policies, which are fueling uncertainties and posing risks to the US economy. Whether this fact will make the current Administration reconsider its war on China remains to be seen. As of last Friday, the odds looked really low.

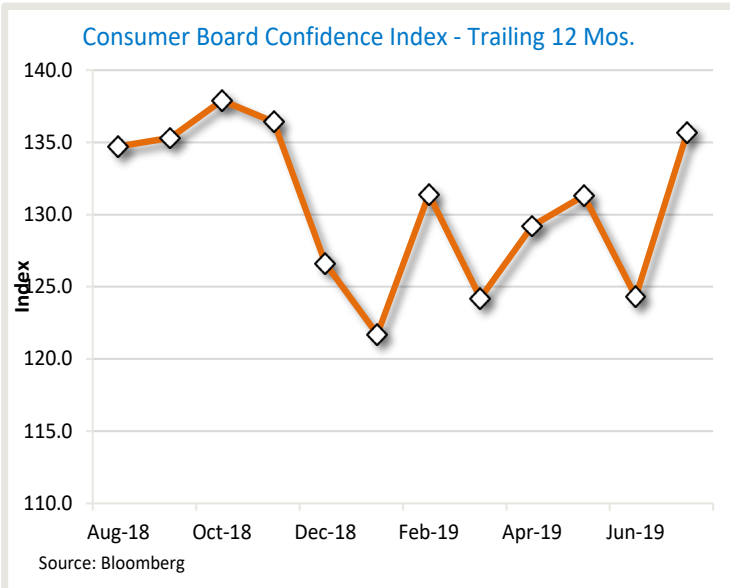
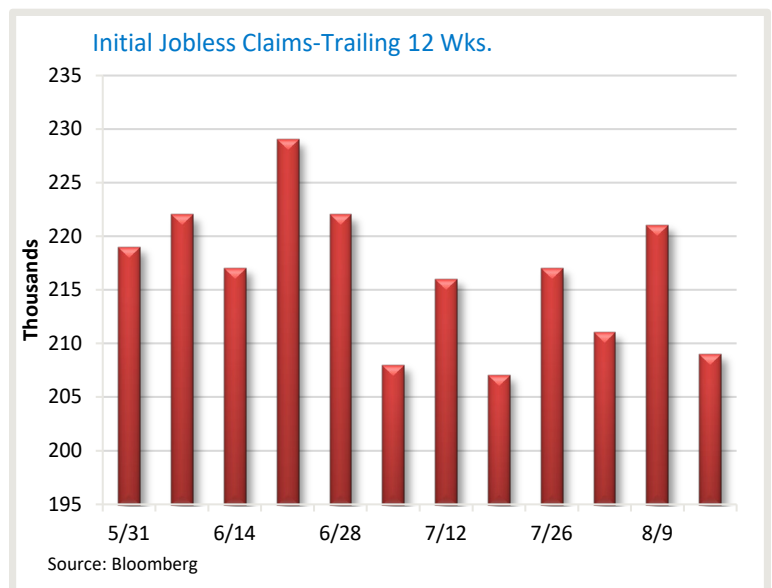
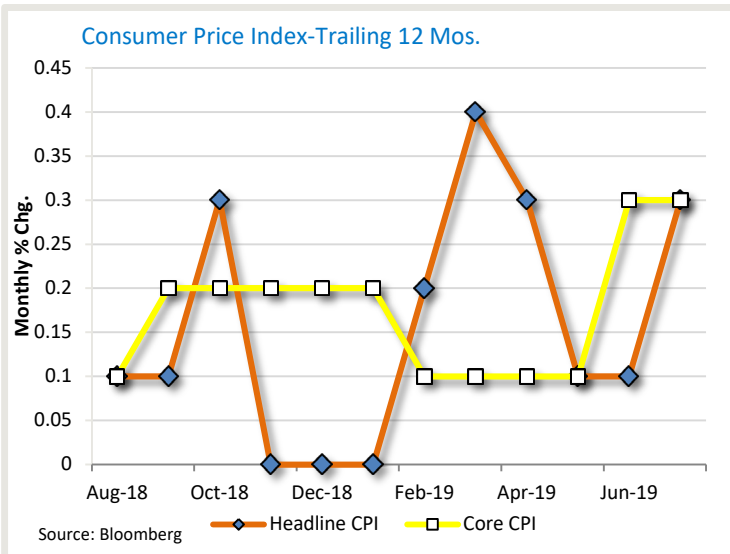
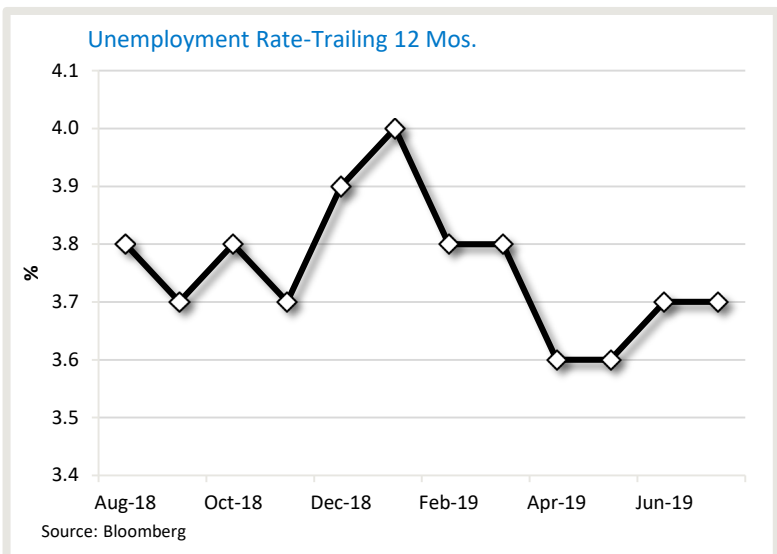
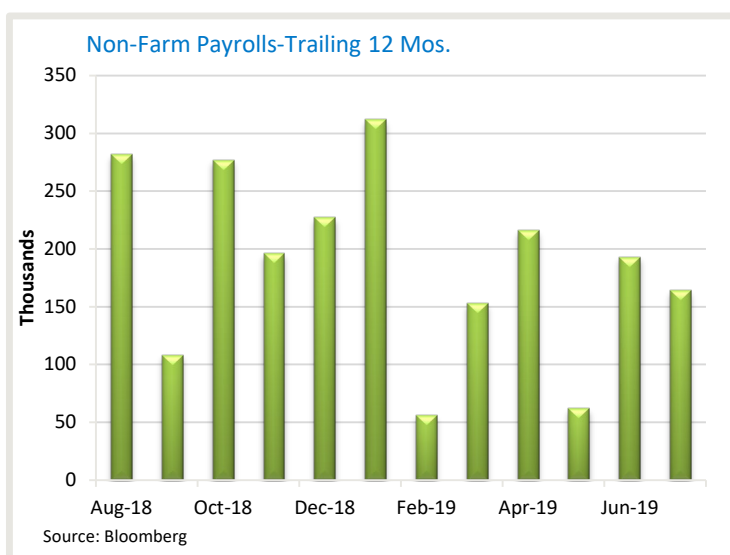
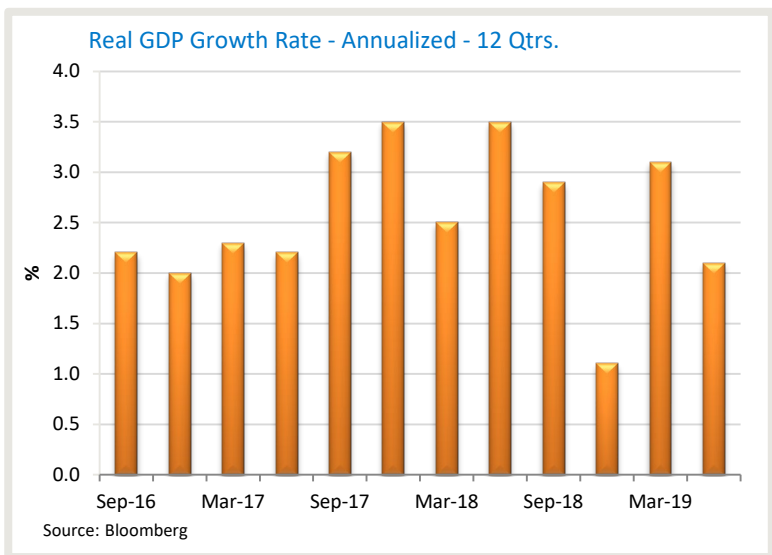
Sonila Gjata  
Senior Portfolio Manager

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<https://www.strategasrp.com/>

<https://www.marketwatch.com/story/this-is-exactly-how-much-a-payroll-tax-cut-would-help-the-average-american-2019-08-21>

## Economic Data



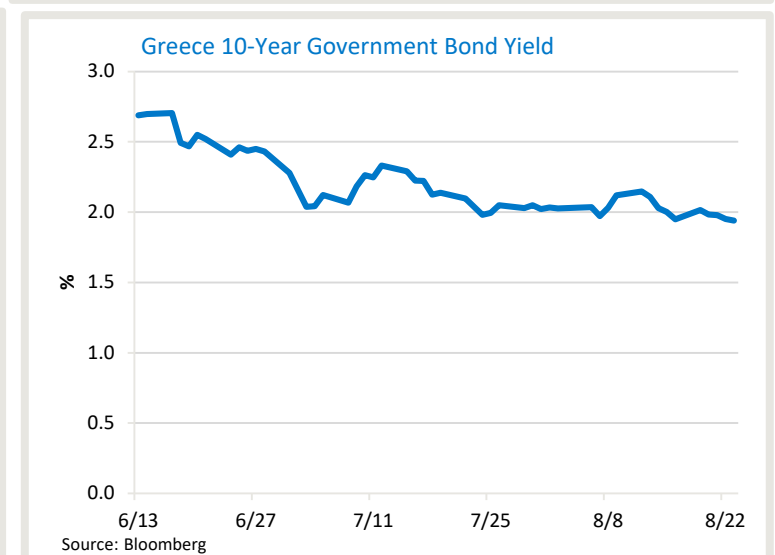
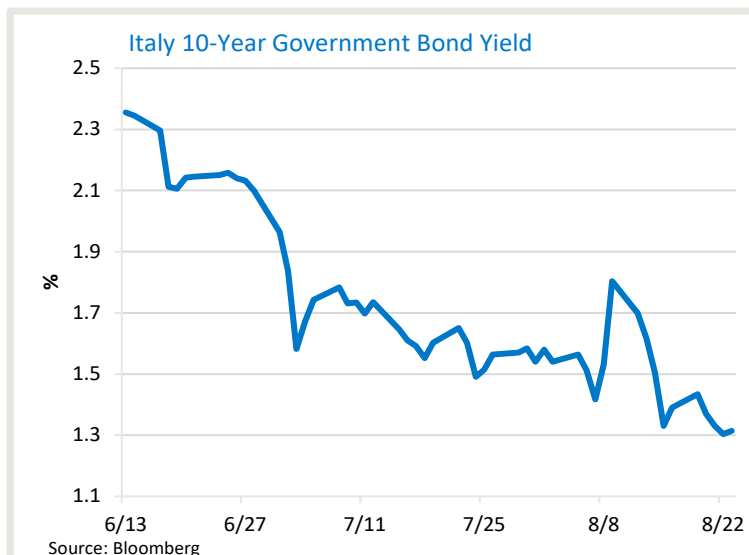
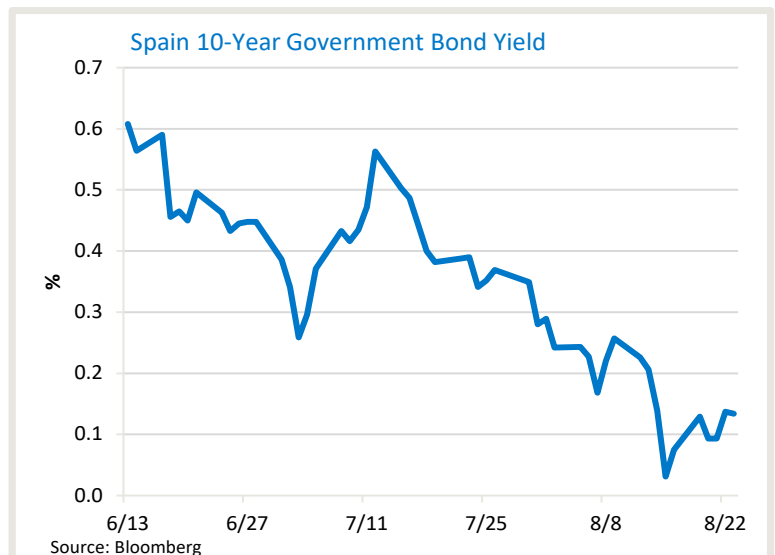
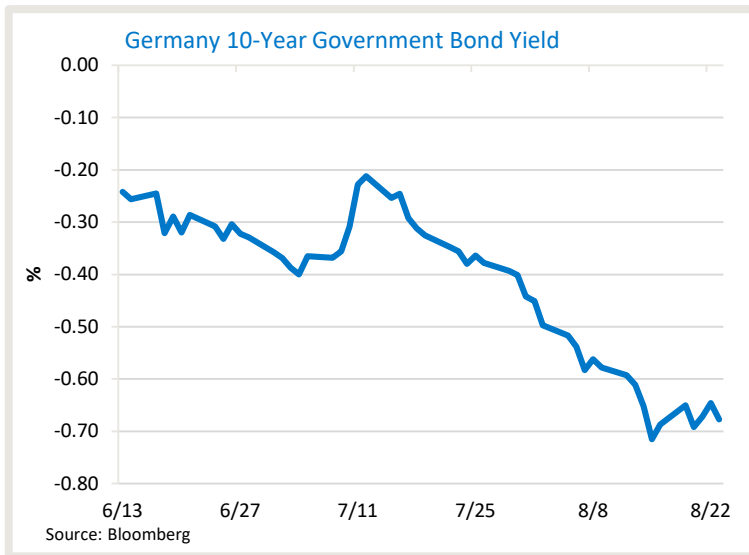
## Eurozone

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	-0.68	-1 bps	NM	NM
Greece 10-Yr. Govt.	1.94	1 bps	NM	NM
Italy 10-Yr. Govt.	1.31	7 bps	NM	NM
Spain 10-Yr. Govt.	0.13	-6 bps	NM	NM
Belgium 10-Yr. Govt.	-0.32	-5 bps	NM	NM

Source: Bloomberg  
Basis points (bps)

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	-0.38	-4 bps	NM	NM
Ireland 10-Yr. Govt.	-0.05	-9 bps	NM	NM
Portugal 10-Yr. Govt.	0.16	-6 bps	NM	NM
Netherlands 10-Yr. Govt.	-0.54	-3 bps	NM	NM
U.K. 10-Yr. Govt.	0.48	-2 bps	NM	NM

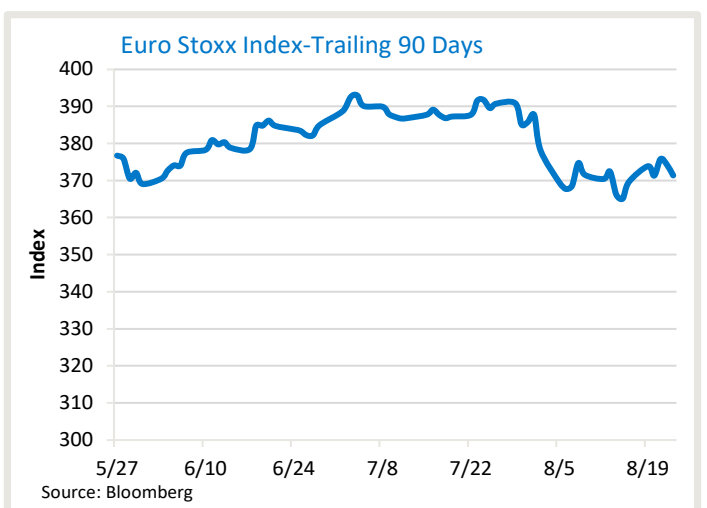
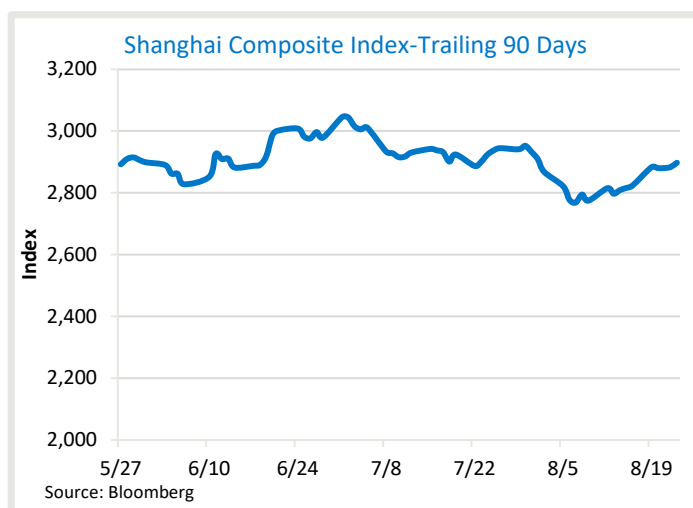
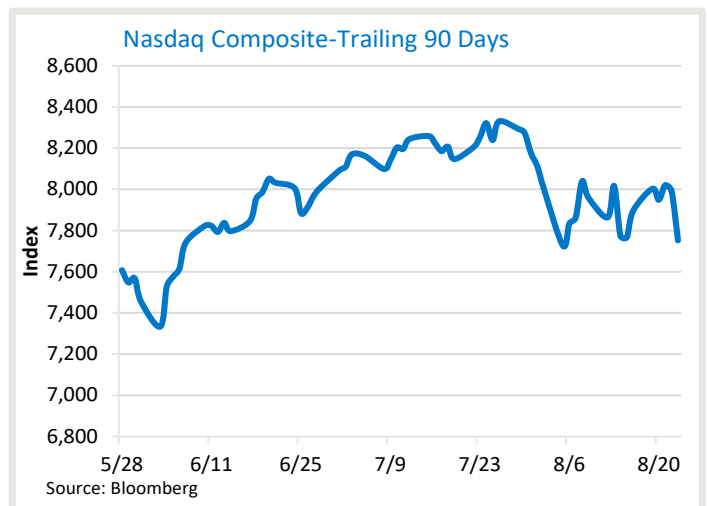
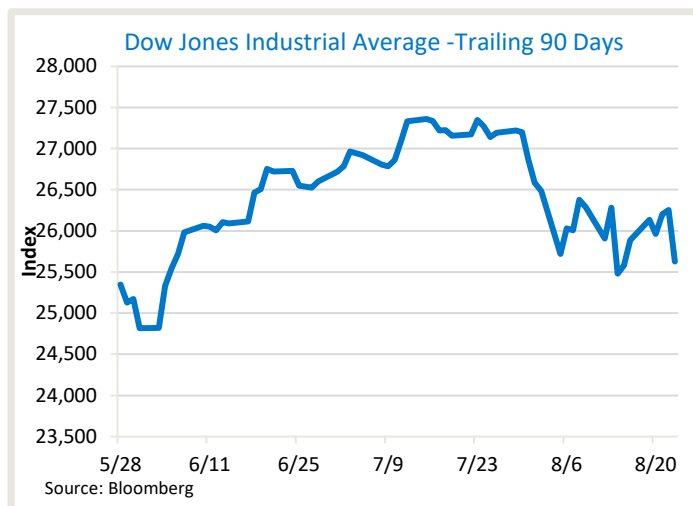


## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	<b>2,847.11</b>	<b>-41.57</b>	<b>-1.44%</b>	<b>13.57%</b>	<b>Swiss Market Index</b>	<b>9,744.98</b>	<b>16.59</b>	<b>0.17%</b>	<b>15.61%</b>
<b>Dow Industrials</b>	<b>25,628.90</b>	<b>-257.11</b>	<b>-0.99%</b>	<b>9.87%</b>	<b>CAC 40 Index (France)</b>	<b>5,326.87</b>	<b>26.08</b>	<b>0.49%</b>	<b>12.60%</b>
<b>Nasdaq Composite</b>	<b>7,751.77</b>	<b>-144.23</b>	<b>-1.83%</b>	<b>16.83%</b>	<b>DAX Index (Germany)</b>	<b>11,611.51</b>	<b>48.77</b>	<b>0.42%</b>	<b>9.97%</b>
<b>MSCI ACWI</b>	<b>508.91</b>	<b>5.23</b>	<b>1.04%</b>	<b>11.7%</b>	<b>Irish Overall Index</b>	<b>5,749.46</b>	<b>-23.81</b>	<b>-0.41%</b>	<b>4.92%</b>
<b>MSCI EM</b>	<b>975.66</b>	<b>5.39</b>	<b>0.56%</b>	<b>1.0%</b>	<b>Nikkei 225</b>	<b>20,710.91</b>	<b>292.10</b>	<b>1.43%</b>	<b>3.48%</b>
<b>S&amp;P/TSX (Canada)</b>	<b>16,037.58</b>	<b>-112.21</b>	<b>-0.69%</b>	<b>11.97%</b>	<b>Hang Seng Index</b>	<b>26,179.33</b>	<b>445.11</b>	<b>1.73%</b>	<b>1.29%</b>
<b>Mexico IPC</b>	<b>39,862.07</b>	<b>522.52</b>	<b>1.33%</b>	<b>-4.27%</b>	<b>Shanghai Composite</b>	<b>2,897.43</b>	<b>73.60</b>	<b>2.61%</b>	<b>16.18%</b>
<b>Brazil Bovespa</b>	<b>97,667.50</b>	<b>-2138.29</b>	<b>-2.14%</b>	<b>11.13%</b>	<b>Kospi Index (S. Korea)</b>	<b>1,948.30</b>	<b>21.13</b>	<b>1.10%</b>	<b>-4.54%</b>
<b>Euro Stoxx 600</b>	<b>371.36</b>	<b>1.73</b>	<b>0.47%</b>	<b>9.98%</b>	<b>Taiwan Taiex Index</b>	<b>10,538.11</b>	<b>117.22</b>	<b>1.12%</b>	<b>8.33%</b>
<b>FTSE 100</b>	<b>7,094.98</b>	<b>-22.17</b>	<b>-0.31%</b>	<b>5.45%</b>	<b>Tel Aviv 25 Index</b>	<b>1,595.05</b>	<b>41.84</b>	<b>2.69%</b>	<b>8.96%</b>
<b>IBEX 35 (Spain)</b>	<b>8,649.50</b>	<b>-20.90</b>	<b>-0.24%</b>	<b>1.28%</b>	<b>MOEX Index (Russia)</b>	<b>2,660.74</b>	<b>45.54</b>	<b>1.74%</b>	<b>12.30%</b>

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





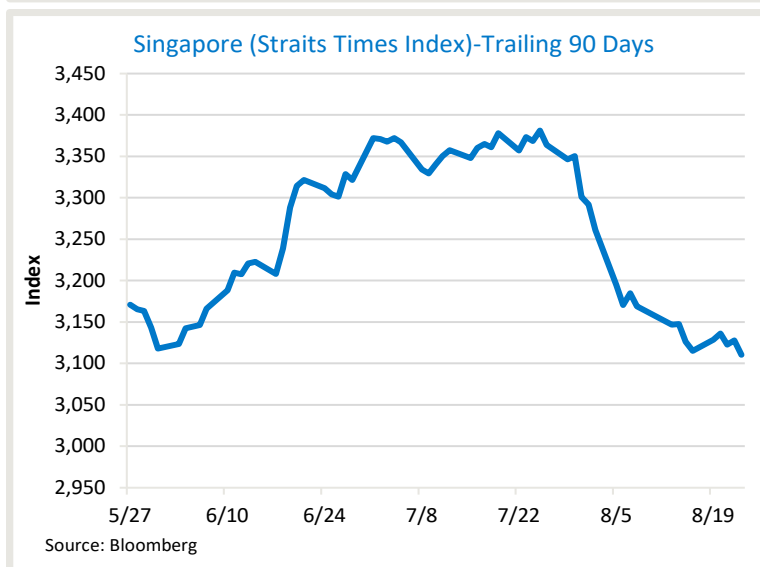
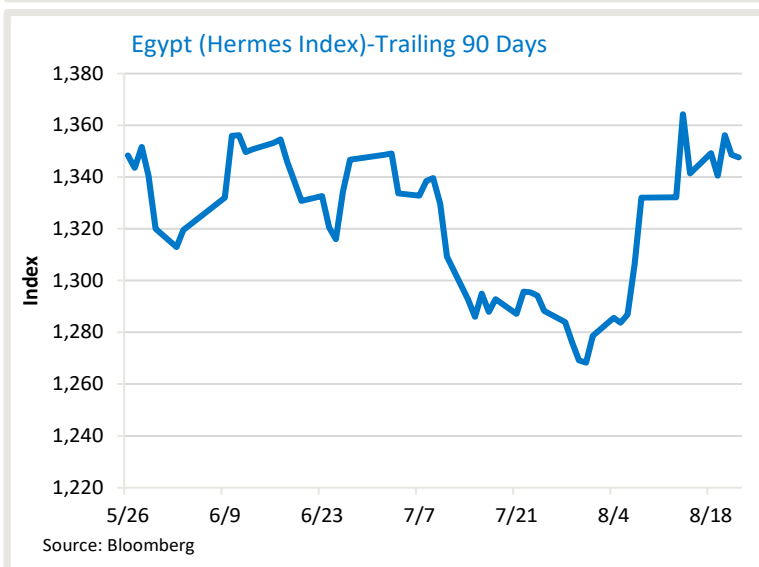
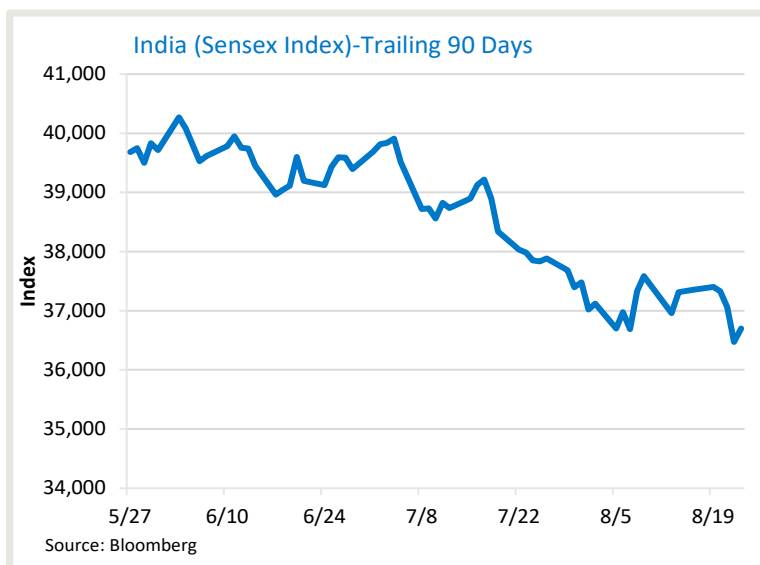
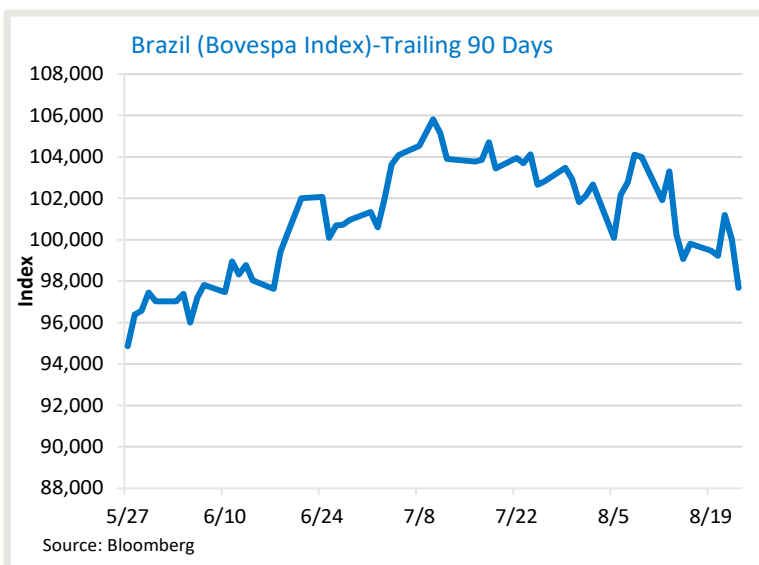
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	39,862.07	522.52	1.3%	-4.3%
Brazil (Bovespa Index)	97,667.50	-2138.29	-2.1%	11.1%
MOEX Index (Russia)	2,660.74	45.54	1.7%	12.3%
Czech Republic (Prague)	1,045.55	10.09	1.0%	6.0%
Turkey (Istanbul)	97,149.06	1414.87	1.5%	6.4%
Egypt (Hermes Index)	1,347.54	6.09	0.5%	5.5%
Kenya (Nairobi 20 Index)	2,477.66	-62.29	-2.5%	-12.6%
Saudi Arabia (TASI Index)	8,445.66	-104.57	-1.2%	7.9%
Lebanon (Beirut BLOM Index)	804.47	-6.73	-0.8%	-17.6%
Palestine	520.98	-10.19	-1.9%	-1.6%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	26,179.33	445.11	1.7%	1.3%
India (Sensex 30)	36,701.16	-649.17	-1.7%	1.8%
Malaysia (KLCI Index)	1,609.33	10.11	0.6%	-4.8%
Singapore (Straits Times Index)	3,110.35	-4.68	-0.2%	1.4%
Thailand (SET Index)	1,646.68	15.28	0.9%	5.3%
Indonesia (Jakarta)	6,255.60	-31.06	-0.5%	1.0%
Pakistan (Karachi KSE 100)	31,350.01	2585.38	9.0%	-15.4%
Vietnam (Ho Chi Minh)	992.45	12.45	1.3%	11.2%
Sri Lanka (Colombo)	5,898.47	3.96	0.1%	-2.5%
Cambodia (Laos)	769.55	2.94	0.4%	-8.0%



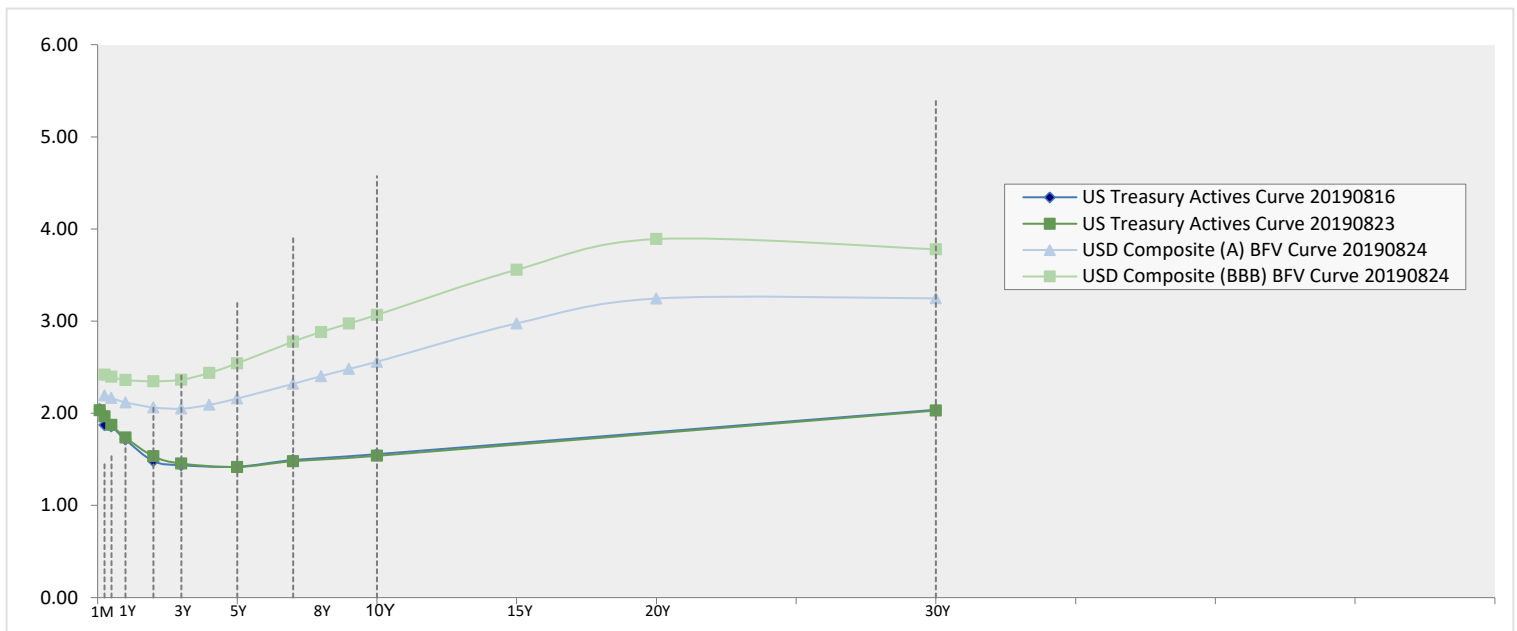


## Interest Rates

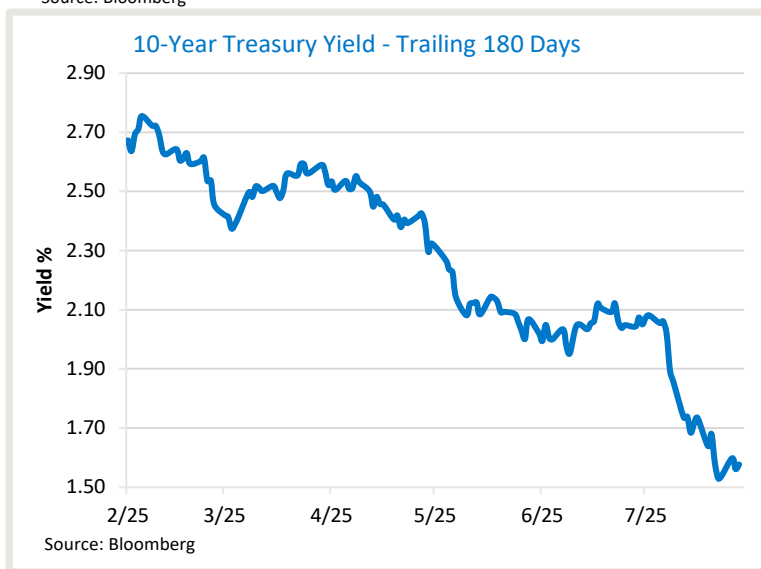
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.53%	-1 bps	NM	NM	Prime Rate	5.25%	0.00	NM	NM
5-Yr. U.S. Treasury	1.41%	0 bps	NM	NM	Fed Funds Rate	2.25%	0.00	NM	NM
10-Yr. U.S. Treasury	1.53%	-1 bps	NM	NM	Discount Rate	2.75%	0.00	NM	NM
30-Yr. U.S. Treasury	2.03%	3 bps	NM	NM	LIBOR (3 Mo.)	2.13%	0 bps	NM	NM
German 10-Yr. Govt.	-0.68%	-1 bps	NM	NM	Bond Buyer 40 Muni	2.60%	5 bps	NM	NM
France 10-Yr.	-0.38%	-4 bps	NM	NM	Bond Buyer 40 G.O.	3.07%	NA	NM	NM
Italy 10-Yr.	1.31%	7 bps	NM	NM	Bond Buyer 40 Rev.	3.55%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.59%	-13 bps	NM	NM					

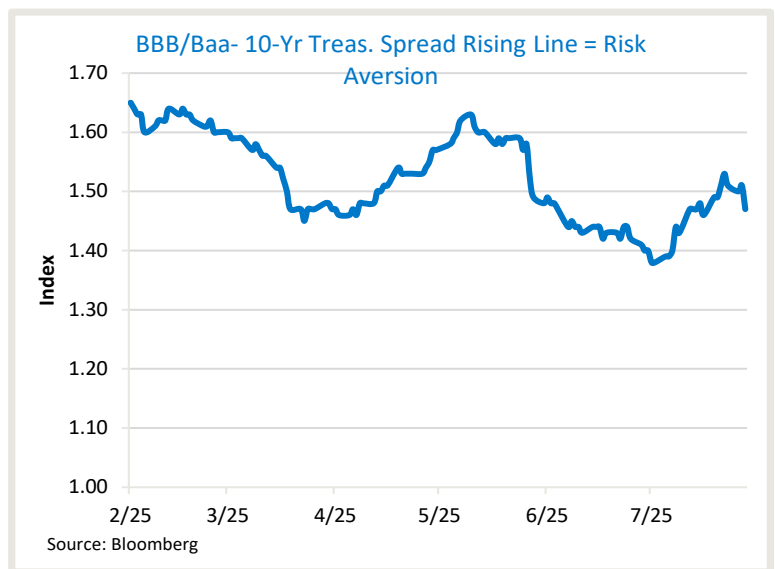
Source: Bloomberg



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Source: Bloomberg

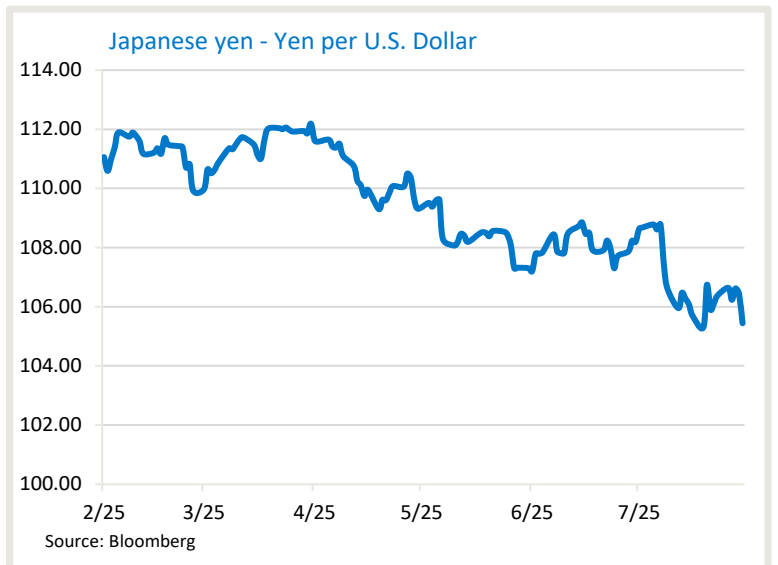
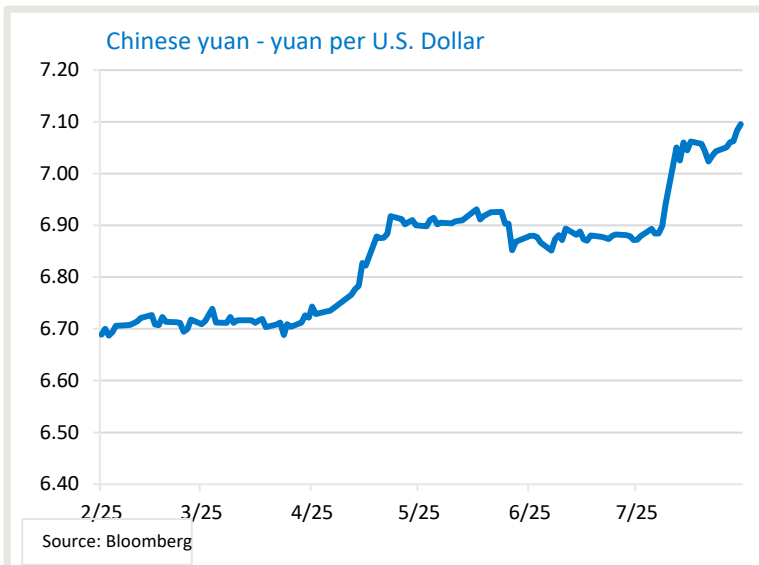
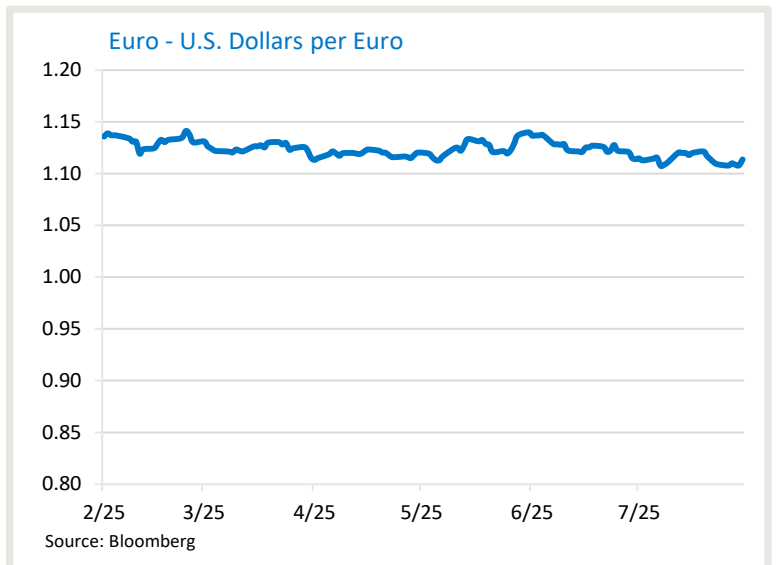
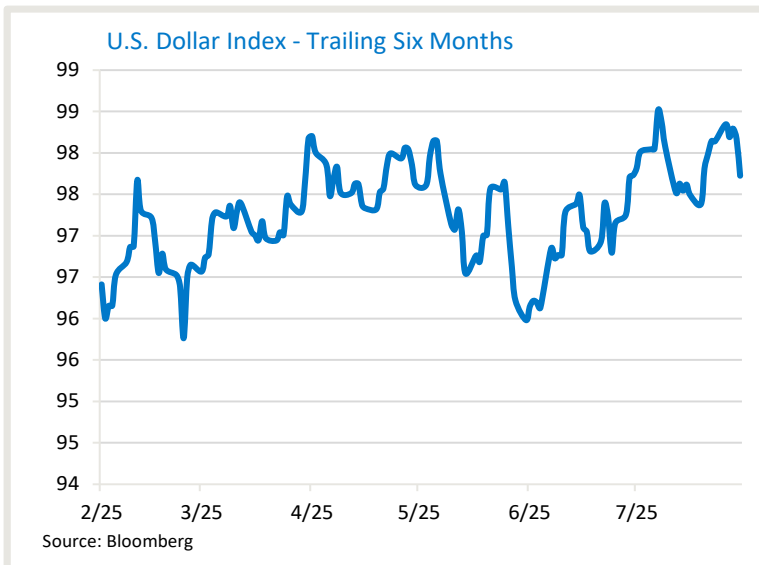
## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>97.71</b>	<b>-0.420</b>	<b>-0.43%</b>	<b>1.61%</b>
<b>Euro</b>	<b>1.11</b>	<b>0.005</b>	<b>0.41%</b>	<b>-2.89%</b>
<b>Japanese Yen</b>	<b>105.34</b>	<b>-0.940</b>	<b>0.89%</b>	<b>4.03%</b>
<b>British Pound</b>	<b>1.23</b>	<b>0.013</b>	<b>1.08%</b>	<b>-3.72%</b>
<b>Canadian Dollar</b>	<b>1.33</b>	<b>0.002</b>	<b>-0.14%</b>	<b>2.63%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>7.10</b>	<b>0.053</b>	<b>-0.74%</b>	<b>-3.06%</b>
<b>Swiss Franc</b>	<b>0.98</b>	<b>-0.003</b>	<b>0.29%</b>	<b>0.68%</b>
<b>New Zealand Dollar</b>	<b>0.64</b>	<b>-0.004</b>	<b>-0.64%</b>	<b>-4.93%</b>
<b>Brazilian Real</b>	<b>4.13</b>	<b>0.117</b>	<b>-2.84%</b>	<b>-6.03%</b>
<b>Mexican Peso</b>	<b>19.90</b>	<b>0.230</b>	<b>-1.16%</b>	<b>-1.20%</b>

Source: Bloomberg

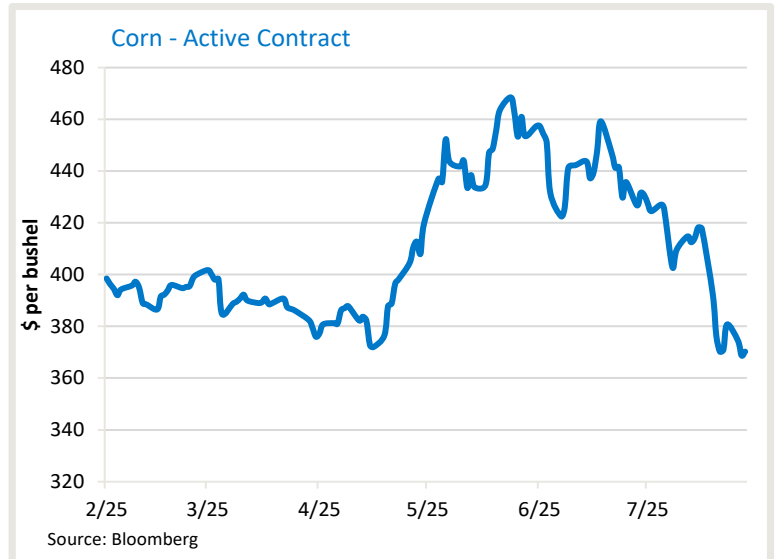
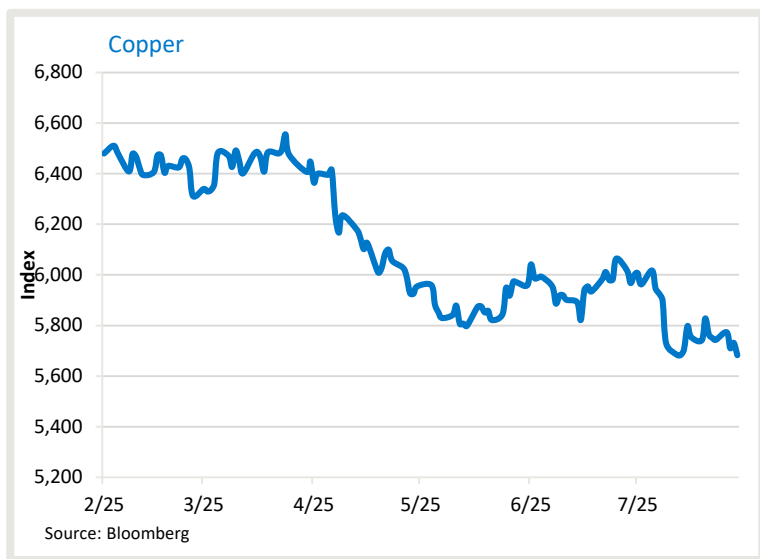
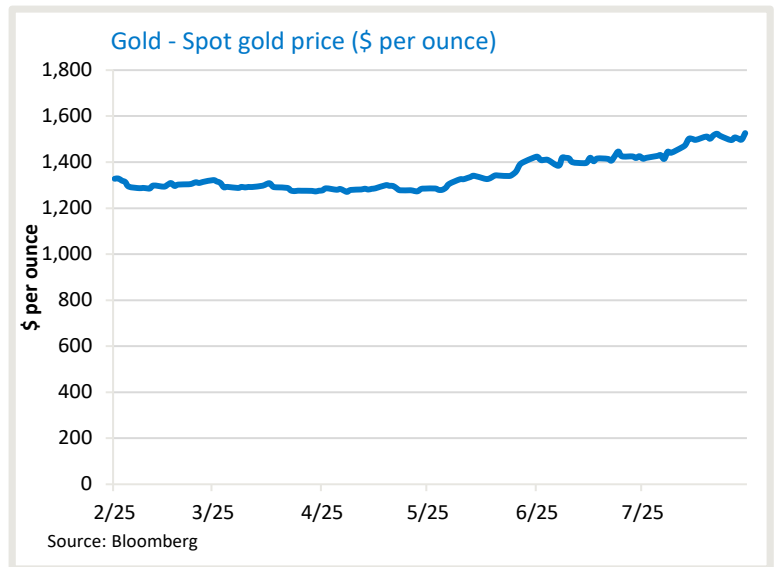
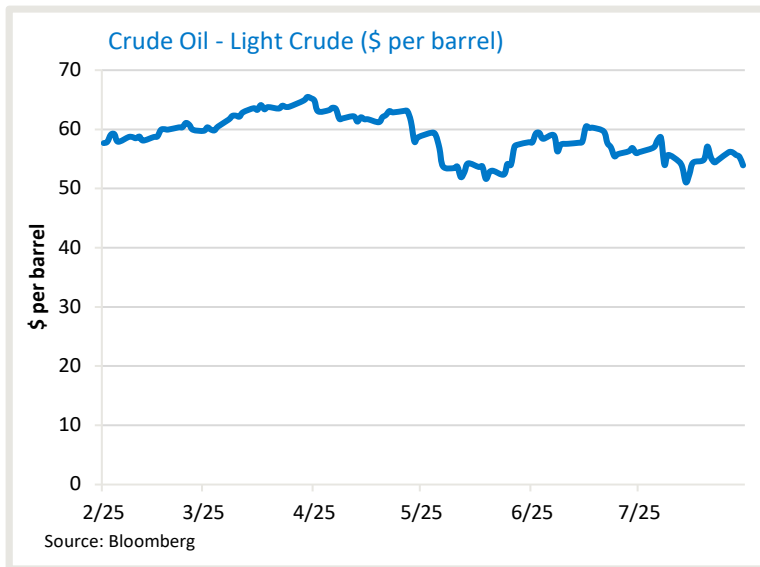


## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	76.07	-0.71	-0.92%	-0.85%	Platinum Spot	\$857.49	\$8.48	1.00%	7.79%
Crude Oil	\$53.90	-\$0.89	-1.62%	12.24%	Corn	367.75	-13.00	-3.41%	-7.48%
Natural Gas	\$2.16	-\$0.04	-1.73%	-20.66%	Wheat	477.75	0.25	0.05%	-11.94%
Gasoline (\$/Gal.)	\$2.60	-\$0.03	-0.95%	15.29%	Soybeans	856.50	-23.25	-2.64%	-8.42%
Heating Oil	181.04	-0.07	-0.04%	6.56%	Sugar	11.47	-0.17	-1.46%	-8.46%
Gold Spot	\$1,526.49	\$12.61	0.83%	19.00%	Orange Juice	98.30	-2.70	-2.67%	-24.88%
Silver Spot	\$17.42	\$0.31	1.79%	12.42%	Aluminum	1,766.00	-26.00	-1.45%	-4.33%
					Copper	5,683.00	-61.00	-1.06%	-4.73%

Source: Bloomberg; % change is based on price.

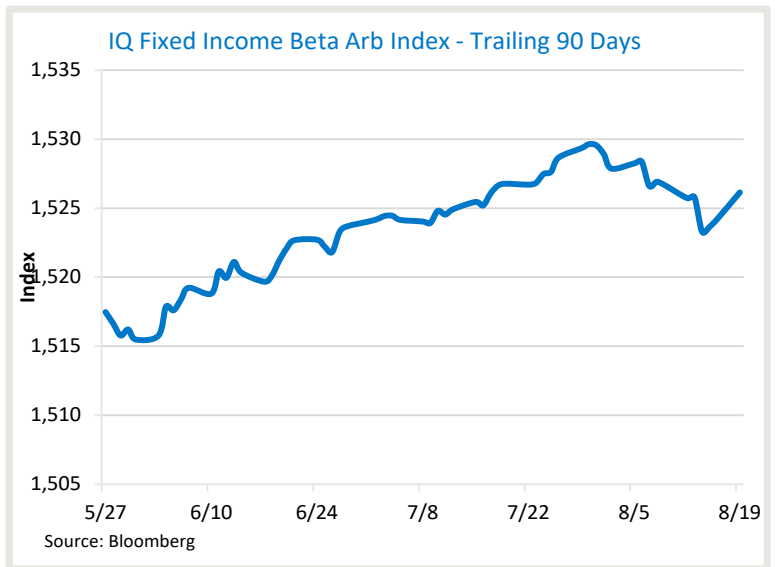
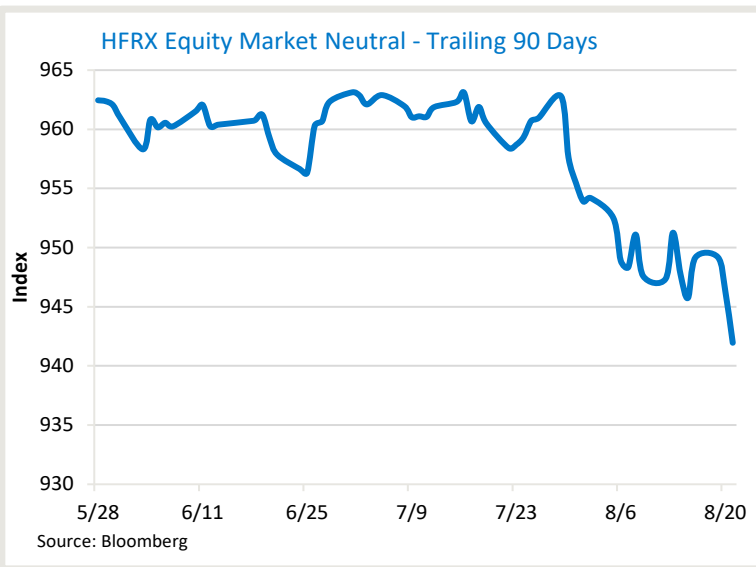
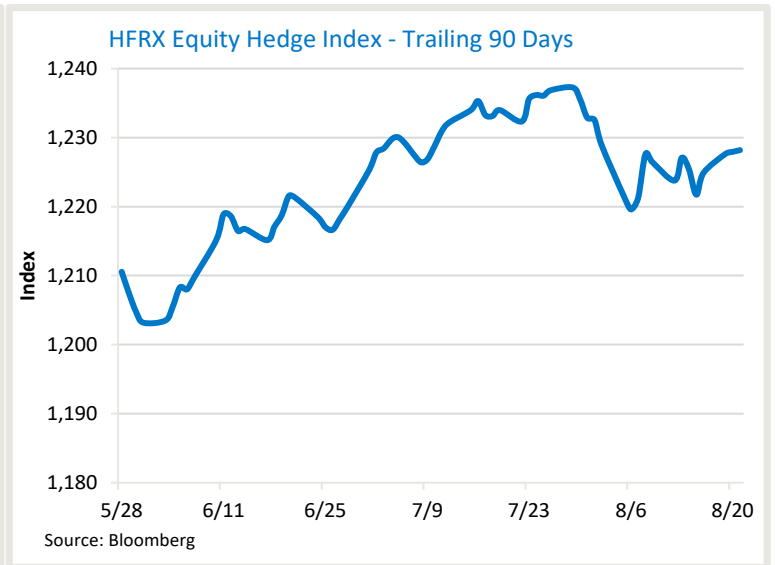
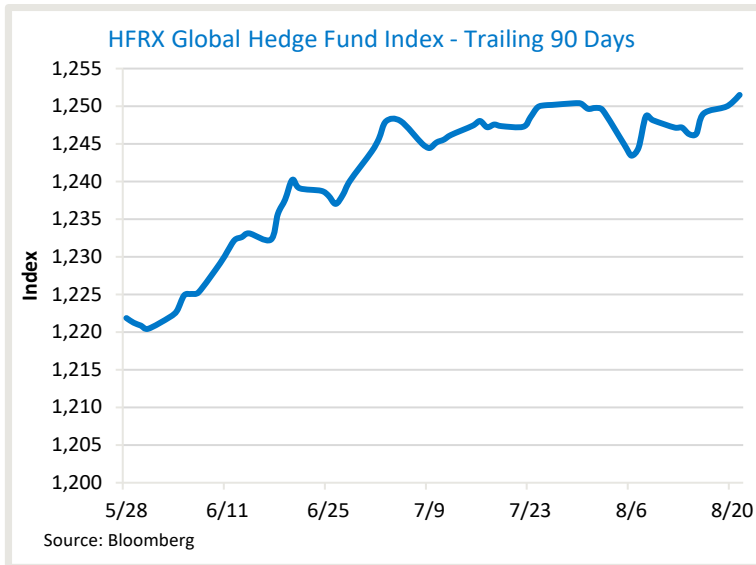


## Alternative Investments

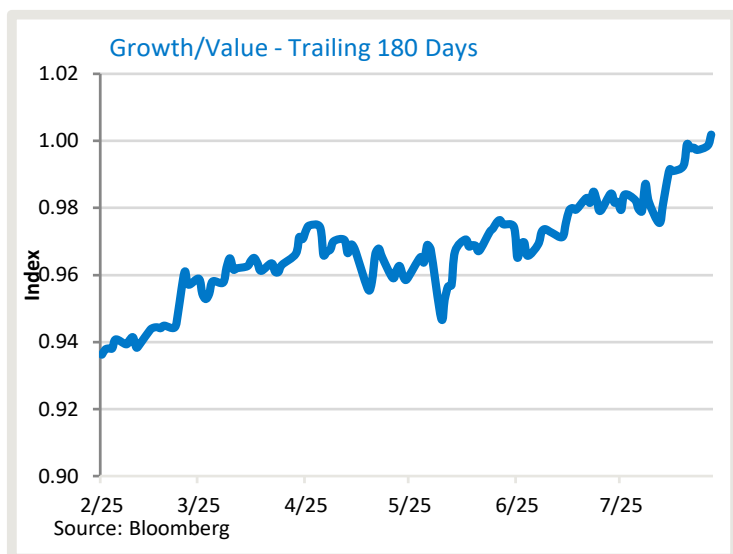
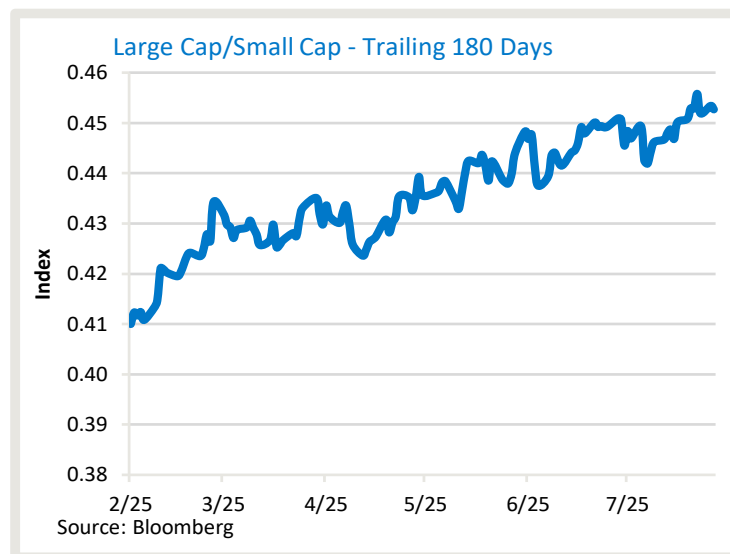
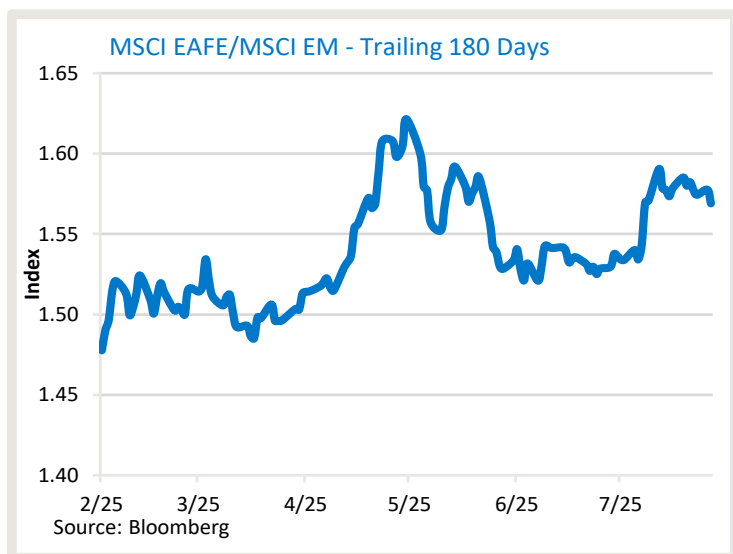
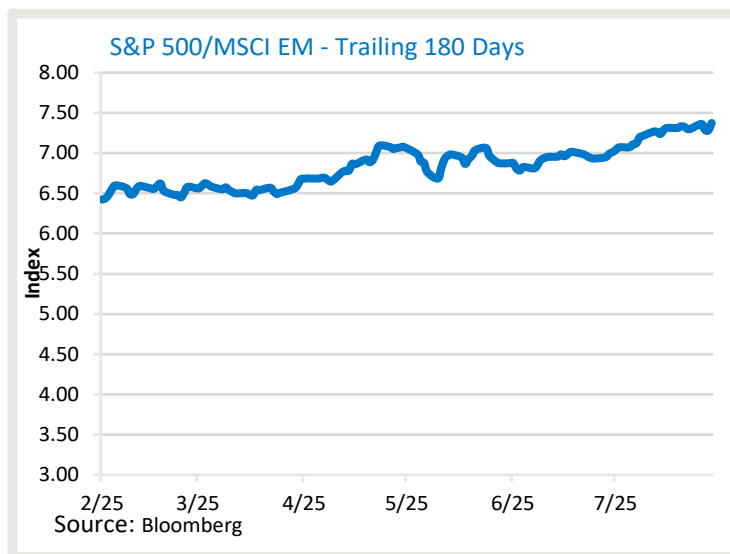
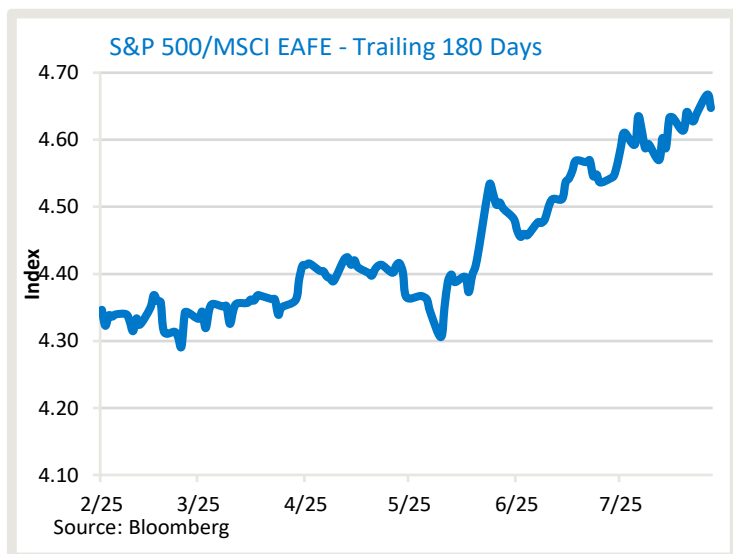
### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1252.48	3.47	0.28%	5.26%	HFRX Special Situation Index	1230.96	6.13	0.50%	2.32%
HFRX Equity Market Neutral	945.56	-3.60	-0.38%	-2.79%	HFRX Merger Arbitrage Index	1781.24	1.45	0.08%	-2.00%
HFRX Equity Hedge Index	1229.58	4.68	0.38%	6.82%	HFRX Convertible Arbitrage Index	811.16	3.79	0.47%	2.98%
HFRX Event-Driven Index	1522.84	7.26	0.48%	3.51%	HFRX Macro CTA Index	1184.24	-0.03	0.00%	5.16%
HFRX Absolute Return Index	1081.24	1.21	0.11%	2.19%	IQ Fixed Income Beta Arb Index	1527.07	2.87	0.19%	4.41%

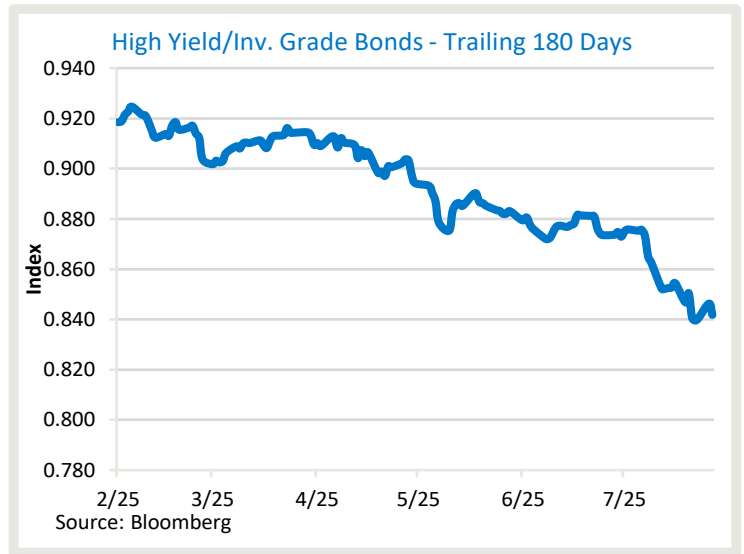
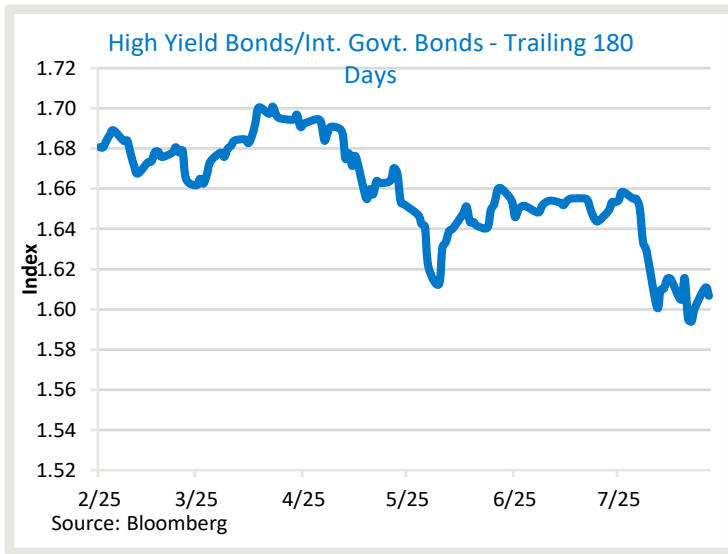
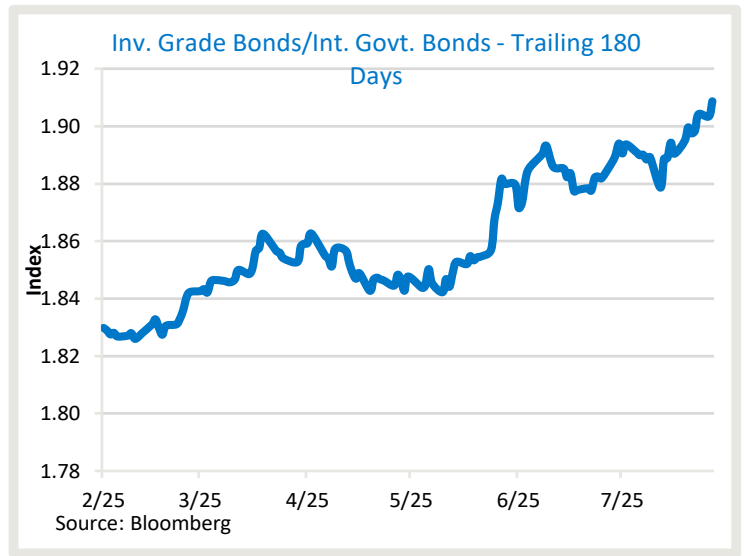
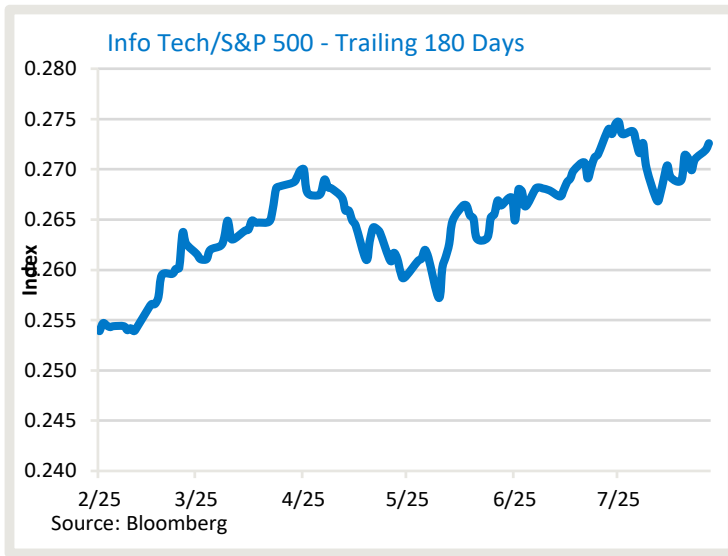
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			6/6	6/13	6/20	6/27	7/4	7/11	7/18	7/25	8/1	8/8	8/15	8/22
Equity	Domestic Equity	Large Cap (R200)	1.68%	1.82%	2.25%	-0.91%	2.44%	0.27%	-0.17%	0.26%	-1.62%	-0.58%	-2.98%	2.63%
		Small Cap (R2000)	1.21%	2.15%	1.80%	-1.08%	1.65%	-0.90%	-0.15%	0.37%	-0.68%	-1.20%	-4.60%	3.03%
	Int'l. Equity	MSCI EAFE	1.54%	1.36%	2.08%	-0.24%	1.87%	-1.54%	-0.69%	0.66%	-1.28%	-2.53%	-2.66%	1.78%
		MSCI Em. Mkts.	0.79%	1.93%	3.10%	0.10%	0.93%	-0.89%	-0.33%	0.24%	-2.82%	-3.93%	-2.11%	1.26%
Fixed Income	BarCap Agg. (AGG)	0.30%	0.34%	0.73%	-0.01%	0.14%	-0.80%	0.57%	-0.10%	0.65%	0.79%	0.86%	-0.39%	
	High Yield (JNK)	0.32%	0.58%	1.46%	-0.54%	0.13%	-0.57%	-0.06%	0.31%	-0.52%	-0.36%	-0.53%	1.33%	
Commodities	Bloomberg Commodity Index	-2.52%	0.65%	2.00%	1.29%	-1.23%	1.72%	-2.04%	0.10%	-2.52%	0.04%	-0.44%	-0.37%	
Alternatives	Hedge Funds (HFRX Global)	0.34%	0.62%	0.62%	-0.16%	0.79%	-0.20%	0.16%	0.20%	-0.03%	-0.09%	-0.19%	0.49%	
Asset Allocation	60/40*	1.02%	1.21%	1.65%	-0.44%	1.28%	-0.59%	0.01%	0.21%	-0.69%	-0.61%	-1.58%	1.35%	
	48/32/20 (w/Alts.)**	0.88%	1.09%	1.44%	-0.39%	1.18%	-0.51%	0.04%	0.21%	-0.56%	-0.51%	-1.30%	1.18%	

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	0.96	1.07	1.03	0.97	1.07	1.07	1.04	1.11	1.19	1.32	0.85	1.19	0.77	0.94
Large Cap Growth	1.04	1.00	1.11	1.07	1.01	1.12	1.12	1.08	1.15	1.24	1.37	0.89	1.24	0.80	0.98
Large Cap Value	0.94	0.90	1.00	0.96	0.91	1.00	1.00	0.98	1.04	1.12	1.24	0.80	1.12	0.72	0.88
Mid Cap Core	0.97	0.94	1.04	1.00	0.95	1.04	1.04	1.01	1.08	1.16	1.28	0.83	1.16	0.75	0.91
Mid Cap Growth	1.03	0.99	1.10	1.05	1.00	1.10	1.10	1.07	1.14	1.22	1.35	0.88	1.22	0.79	0.96
Mid Cap Value	0.93	0.90	1.00	0.96	0.91	1.00	1.00	0.97	1.03	1.11	1.23	0.80	1.11	0.72	0.88
Small Cap Core	0.93	0.90	1.00	0.96	0.91	1.00	1.00	0.97	1.03	1.11	1.23	0.80	1.11	0.72	0.88
Small Cap Growth	0.96	0.92	1.03	0.99	0.94	1.03	1.03	1.00	1.06	1.15	1.27	0.82	1.14	0.74	0.90
Small Cap Value	0.90	0.87	0.96	0.93	0.88	0.97	0.97	0.94	1.00	1.08	1.19	0.77	1.08	0.69	0.85
Int'l. Developed	0.84	0.80	0.89	0.86	0.82	0.90	0.90	0.87	0.93	1.00	1.10	0.72	1.00	0.64	0.79
Emerging Markets	0.76	0.73	0.81	0.78	0.74	0.81	0.81	0.79	0.84	0.90	1.00	0.65	0.90	0.58	0.71
REITs	1.17	1.12	1.25	1.20	1.14	1.25	1.25	1.22	1.29	1.40	1.54	1.00	1.39	0.90	1.10
Commodities	0.84	0.81	0.90	0.86	0.82	0.90	0.90	0.87	0.93	1.00	1.11	0.72	1.00	0.64	0.79
Int. Bond	1.30	1.25	1.39	1.34	1.27	1.40	1.40	1.36	1.44	1.55	1.72	1.11	1.55	1.00	1.22
High Yield	1.07	1.02	1.14	1.09	1.04	1.14	1.14	1.11	1.18	1.27	1.41	0.91	1.27	0.82	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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