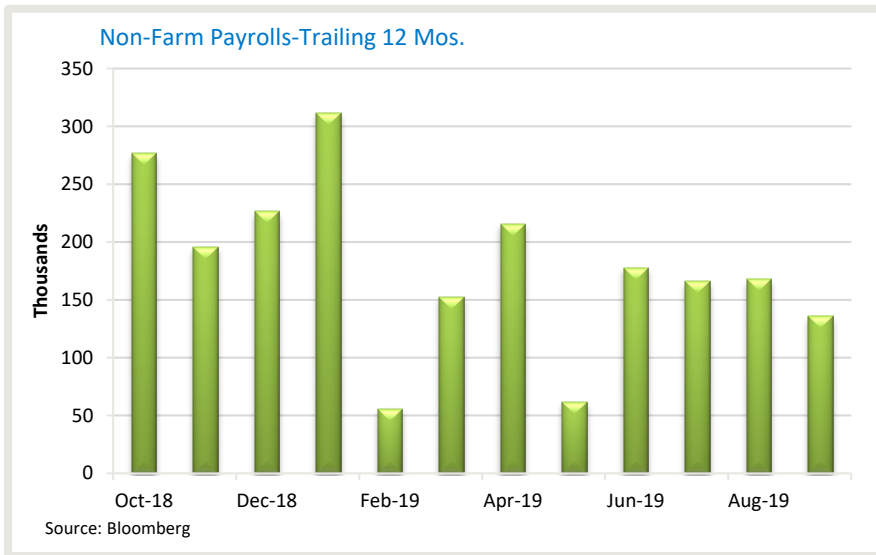


# Weekly Market Review

October 14, 2019

## Chart of the Week



## Weekly Highlights

- **Jobless claims in the US fell to 210,000 in October**, declining by 10,000 for the week ended October 5. Applications for jobless benefits help gauge layoffs, currently standing close to a 50-year low. Claims were higher in Michigan and Ohio, states largely affected by weakness in manufacturing. This jobless claims report augmented the “Goldilocks” jobs report from the prior week, showing the economy added 136,000 jobs in the month of September. The manufacturing industry lost about 2,000 jobs in September. Unemployment stood at 3.50%.
- **The Consumer Price Index (CPI) was flat for the month of September at 1.70%**, following a 0.10% increase in August. According to the Bureau of Labor Statistics, increases for food and shelter were offset by decreases in energy costs as well as used vehicles. Many believe this indicator could pave the way for another interest rate cut by the Federal Reserve (the Fed) at the end of October. In monitoring futures trades on the Fed’s policy rate, the CME Group pegged the probability of an October rate cut at 84%.
- **The Federal Open Market Committee (FOMC) minutes from the September meeting were released**, and the trade war and impacts of tariffs were among the Fed’s chief concerns. Equities rode a roller coaster to close the week amid conflicting reports of progress on US/China trade talks in Washington.

## Talking Points

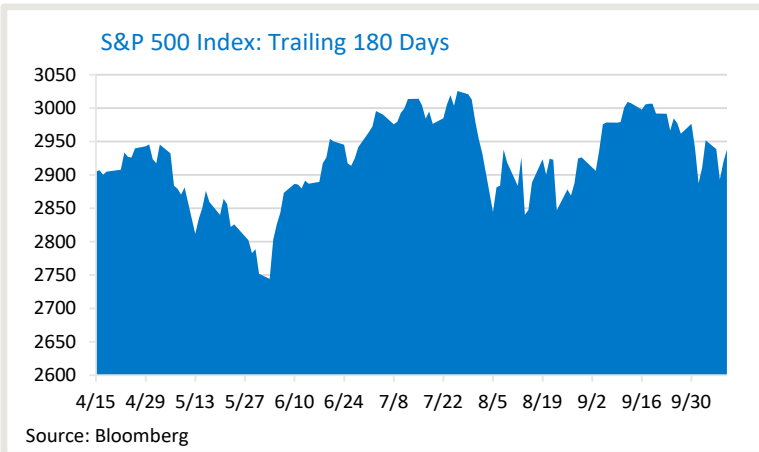
- **US equities rallied** at the end of a week of speculation on trade talks between the US and China, up between 1%-2%. Non-US equities also rose, with most major indices up 1%-2%.
- **The yield on the 10-Year U.S. Treasury Note jumped** to more than 1.70% to close the week with hopes of progress in US/China trade talks. The 3-month/10-year Treasury curve was positive, a change from the inverted yield curve that historically has been a recession indicator.
- **The US dollar finished weaker** against a basket of currencies, reflecting both rising expectations of a Fed rate cut later this month and optimism over a limited trade deal with China to close the week.
- **Gold fell** about 2% on the week as of Friday’s trading.
- **Oil prices soared** upon the news of an alleged missile attack on an Iranian tanker. Brent crude and WTI futures rose between 1.50%-2.00%.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,970.27	18.26	0.62%	18.5%
<b>Dow Industrials</b>	26,816.59	242.87	0.91%	15.0%
<b>Nasdaq</b>	8,057.04	74.56	0.93%	21.4%
<b>Russell 2000</b>	1,511.90	11.20	0.75%	12.1%
<b>Euro Stoxx Index</b>	391.61	11.39	3.00%	16.0%
<b>Shanghai Composite</b>	2,973.66	41.49	1.41%	19.2%
<b>MSCI ACWI</b>	514.07	-0.78	-0.15%	12.8%

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

	Last Price	Change	% Chg.	YTD %
<b>MSCI EM</b>	996.50	-0.08	-0.01%	3.2%
<b>10-Year US Treas.</b>	1.75	24 bps	NM	NM
<b>Bloomberg Cmdts. Idx.</b>	78.83	0.90	1.15%	2.8%
<b>Gold</b>	\$1,487.96	-\$17.38	-1.16%	16.0%
<b>Crude Oil</b>	\$54.80	\$1.95	3.69%	13.6%
<b>Dollar Index</b>	98.34	-0.48	-0.48%	2.2%
<b>VIX Index</b>	15.58	-1.46	-8.57%	-38.7%



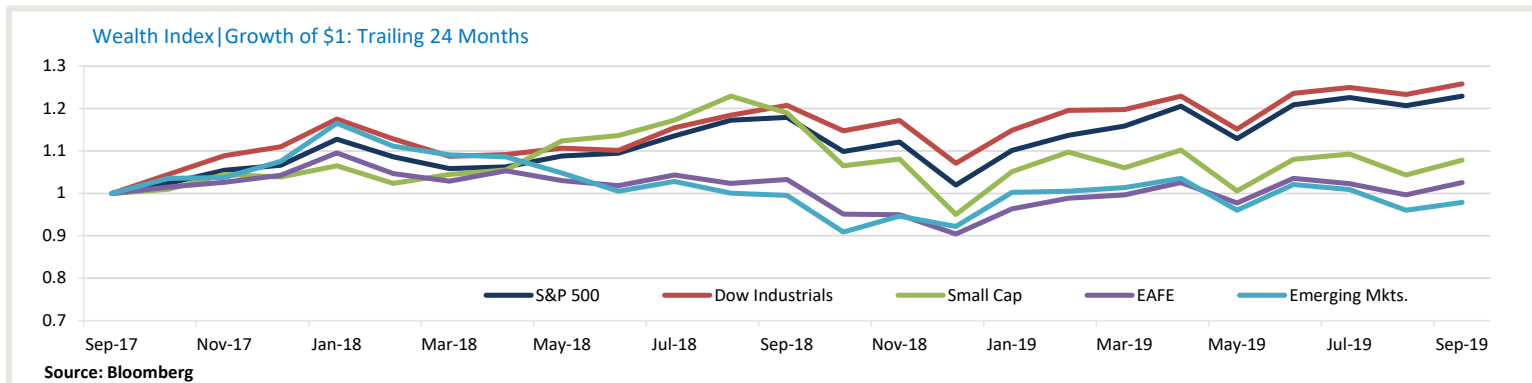
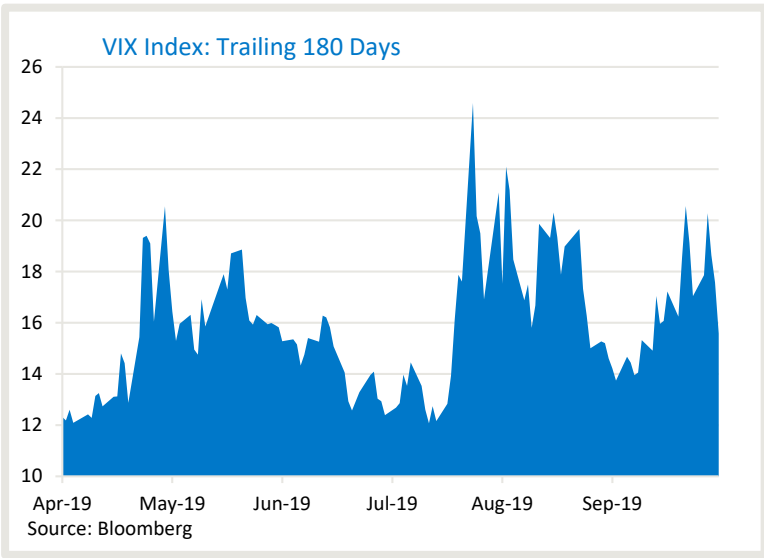
	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	0.45%	0.65%	0.82%	13.64%	18.16%	22.17%
	0.39%	0.51%	0.70%	15.76%	19.55%	24.97%
<b>S</b>	0.85%	0.75%	0.64%	9.95%	12.11%	14.07%

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	0.99%	21.1%
<b>Consumer Staples</b>	7.5	-0.86%	19.7%
<b>Energy</b>	4.4	1.01%	0.9%
<b>Financials</b>	12.8	0.80%	16.0%
<b>Health Care</b>	13.6	-0.28%	3.9%
<b>Industrials</b>	9.3	1.54%	19.5%
<b>Information Technology</b>	22.3	1.25%	31.6%
<b>Materials</b>	2.7	1.85%	13.5%
<b>Real Estate</b>	3.2	-0.60%	26.2%
<b>Communication Services</b>	10.4	0.77%	21.2%
<b>Utilities</b>	3.6	-1.41%	20.8%

Source: Bloomberg



## The Economy and Markets

### Macro View: Beta Shifts, P/E, and a New “New Normal”?

We learned in Finance 101 that beta is a metric designed to gauge sensitivity. A stock with a beta of 1.50 relative to the S&P 500 Index should, on average, gain or lose \$1.50 for every \$1 gained or lost by the index. Growth stocks, which often have relatively high price-to-earnings ratios, tend to have beta values greater than 1.0, whereas value stocks generally have lower P/E ratios and show beta values below 1.0. Thus, conventional wisdom dictates that growth stocks should lead the charge during equity rallies, and value should serve as the safe haven through drawdowns, right?

Ask most active value managers why they have underperformed, and the answer is likely to be some version of the value style being out of favor relative to growth during this market cycle. And, that is fair. After all, we are in the longest-running bull market to date, now at more than ten years. It fits the traditional model of thinking...except for the fact that Q42018 was the S&P 500 Index's worst quarter since 2011, and these high P/E names trounced the low P/E names during this downturn.

The real kicker? An exhibit published by Todd Asset Management, LLC illustrates that when dividing the S&P 500 Index into quintiles by P/E, from December 31, 2018, to June 30, 2019, the stocks with the lowest average P/E ratios actually had the highest average beta at 1.09; stocks in the quintiles with a higher average P/E had beta values below 1.0!

In other words, beginning in Q42018 and extending through mid-2019, high P/E stocks actually have been less sensitive to market movements than low P/E stocks. Meaning, expensive growth stocks have shifted to becoming viewed as the safe haven!

Is up the new down? Have investors forgotten the pain of 2008? Doubtful, given the plethora of daily headlines flashing recession warning lights. Rather than blindly clinging to traditional adages, and in the spirit of being open to regime changes and shifting paradigms, perhaps investors need to ask better questions. For instance, is it now more appropriate to view companies like Apple, Amazon, and Netflix as consumer fixtures than as boom/bust, high-flying tech names?

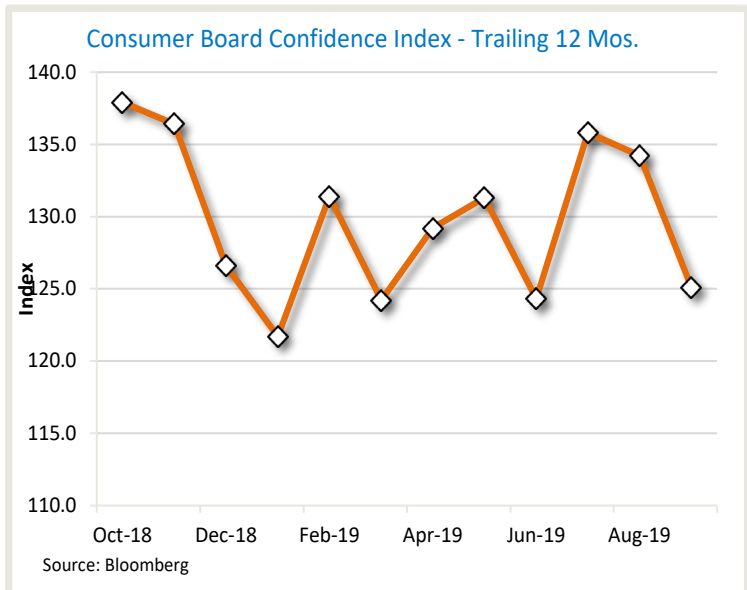
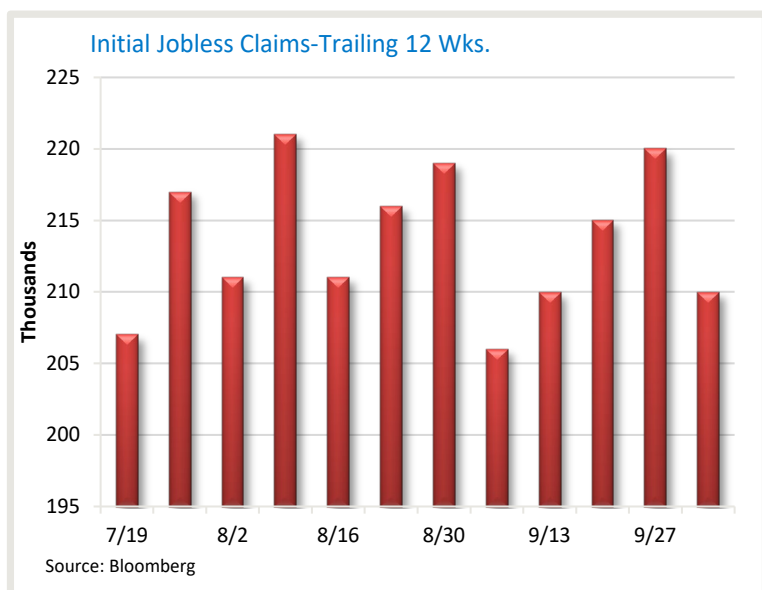
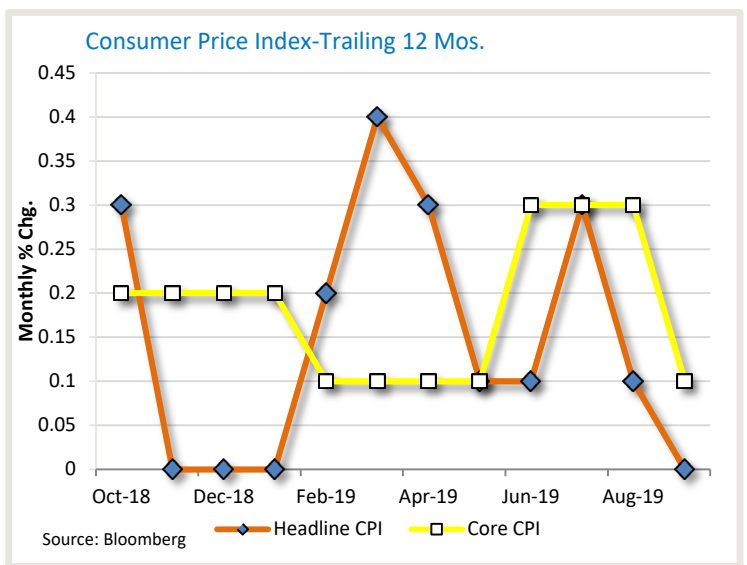
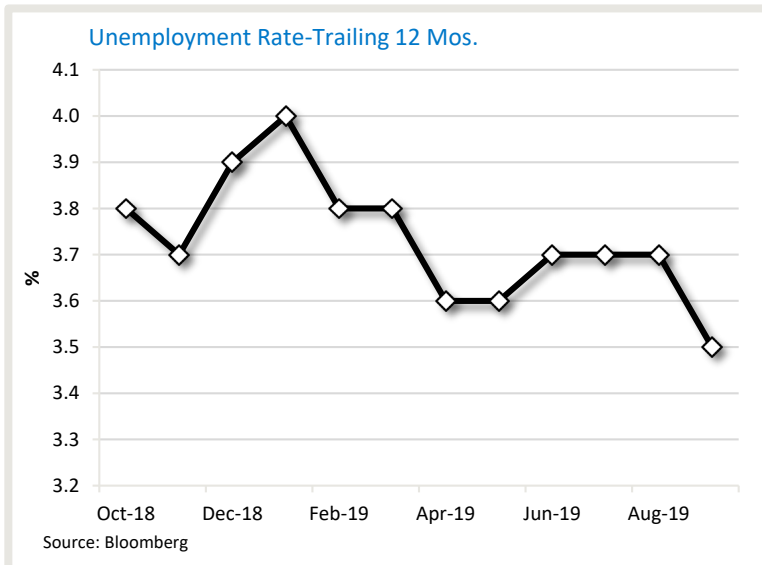
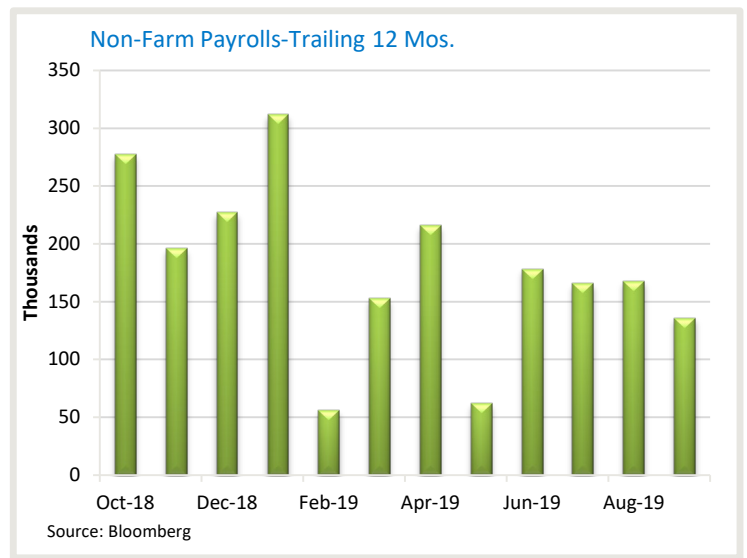
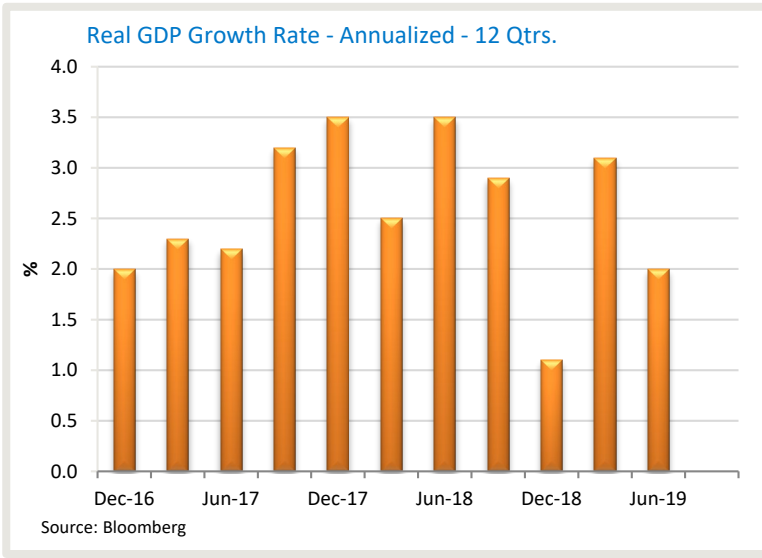
Further clouding matters are hot-button political concerns such as impeachment proceedings, China's stumbling growth rate—6.20% in the second quarter, its slowest in more than 27 years—all shrouded in the 15-month trade war (trade concerns and impacts of tariffs had 28 mentions in the Federal Open Market Committee (FOMC) September meeting minutes). Analysis from Ned Davis Research shows that equity markets, quite remarkably, have risen in the year following midterm elections, in a trend that has repeated each and every midterm cycle since 1934, with an average trough-to-peak gain of +46.91%. Although 2018-2019 has not yet reached that performance threshold, the S&P 500 Index did rally to an all-time high in 2019. Studies suggest that a reason for this trend is that presidents preserve stimulus programs for the end of their term in order to boost the economy and improve their reelection chances. In yet another departure from historical norms, however, President Trump employed tax cuts relatively early in his term. Thus, speculation ran rampant that President Trump's August round of tariffs was meant, in part, to pressure Jerome Powell, Chair of the Federal Reserve (the Fed), to facilitate more aggressive rate cuts to boost markets, culminating with his tweet: “My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?”

In the September FOMC meeting, the Fed initiated the second rate cut of 2019, again by the standard increment of 25 basis points, due to trade uncertainty and slowing global growth. (Keep in mind that each rate cut becomes a proportionately larger decrease, as shaving 25 basis points from the 1.75%-2.00% range is a greater cut in relative terms than 25 bps from the 4.25%-4.50% ranges we saw at the dawn of the financial crisis in 2007.) This begets another possible shift investors may not be prepared for, namely: Is the market overly optimistic in pricing in future rate cuts? Have we grown dependent on easy money in this “lower for longer” era? According to a Yahoo Finance report, the CME Group estimates the odds of a third rate cut in late-October 2019 at 84%. That said, in September's FOMC meeting, the Fed's policymakers were divided three ways on interest rates: The majority favored the most recent rate cut, but a separate group wanted a cut of 50 basis points, whereas a third faction wanted no rate cut at all.

So, is this shift in beta norms from 2018-2019 merely noise, or is it the canary in the coal mine signaling yet another “New Normal”? The result remains to be seen and is likely somewhere between—an indicator, perhaps, that the prudent investor would be well served to question some longstanding assumptions rather than assuming history is destined to repeat itself.

Beau Noeske, CFA | VP, Senior Investment Analyst

## Economic Data



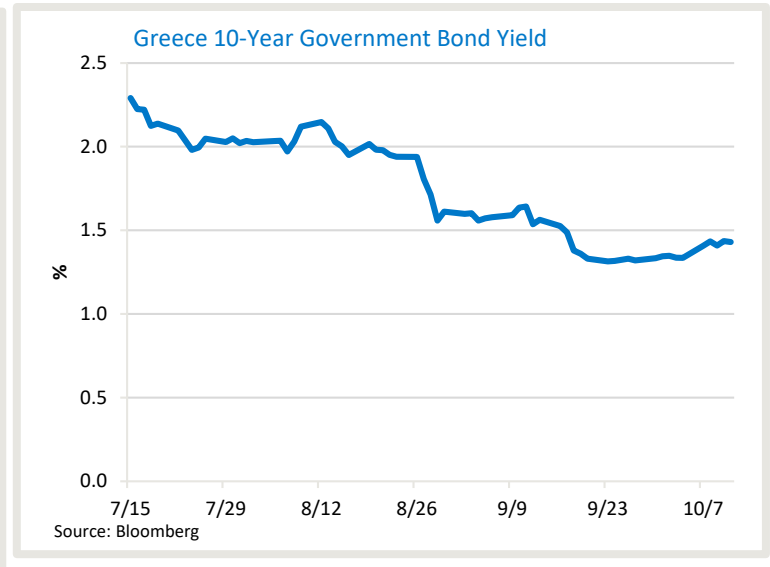
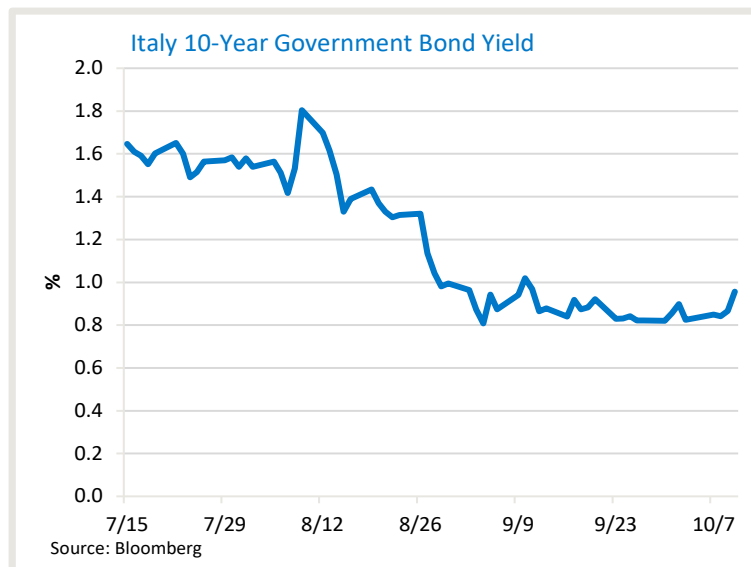
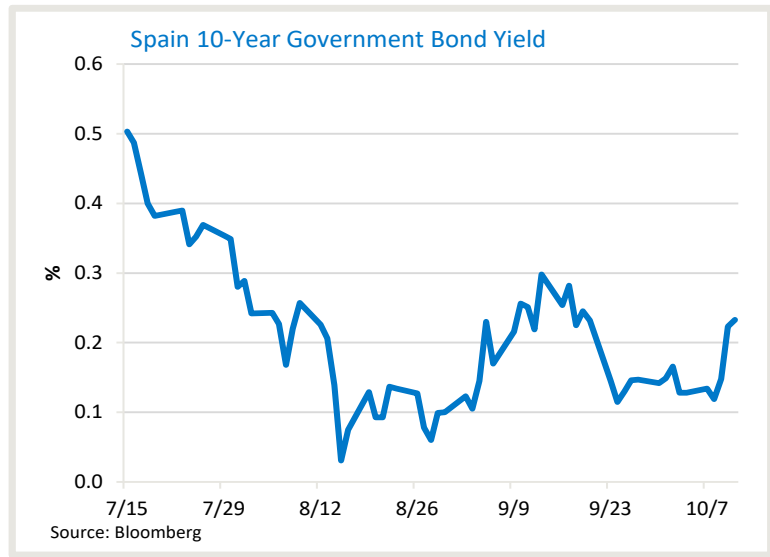
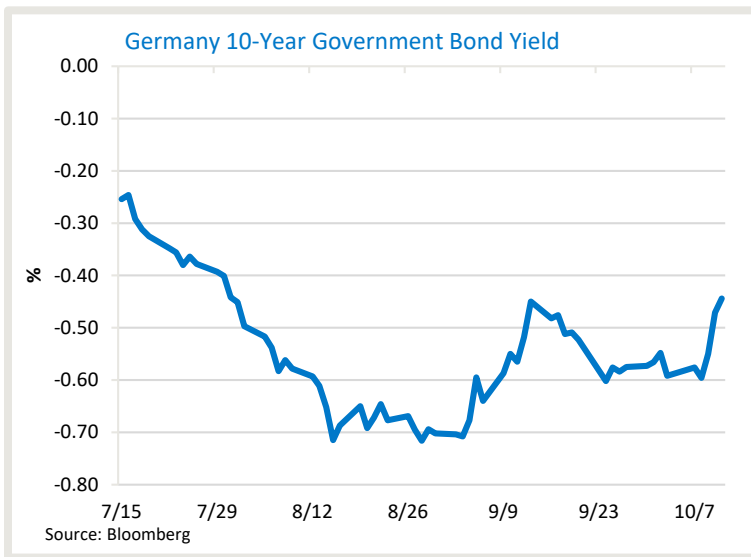
## Eurozone

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	-0.44	-15 bps	NM	NM
Greece 10-Yr. Govt.	1.43	-10 bps	NM	NM
Italy 10-Yr. Govt.	0.94	-12 bps	NM	NM
Spain 10-Yr. Govt.	0.23	-11 bps	NM	NM
Belgium 10-Yr. Govt.	-0.15	-11 bps	NM	NM

Source: Bloomberg  
Basis points (bps)

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	-0.13	-12 bps	NM	NM
Ireland 10-Yr. Govt.	0.03	-8 bps	NM	NM
Portugal 10-Yr. Govt.	0.20	-7 bps	NM	NM
Netherlands 10-Yr. Govt.	-0.31	-14 bps	NM	NM
U.K. 10-Yr. Govt.	0.70	-26 bps	NM	NM

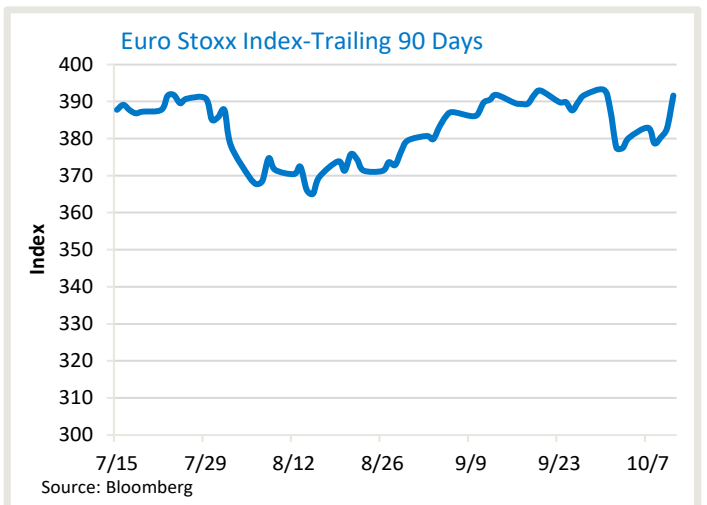
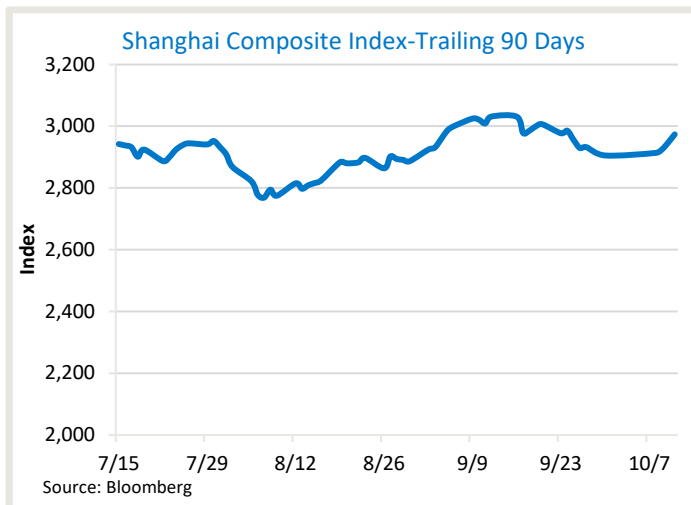
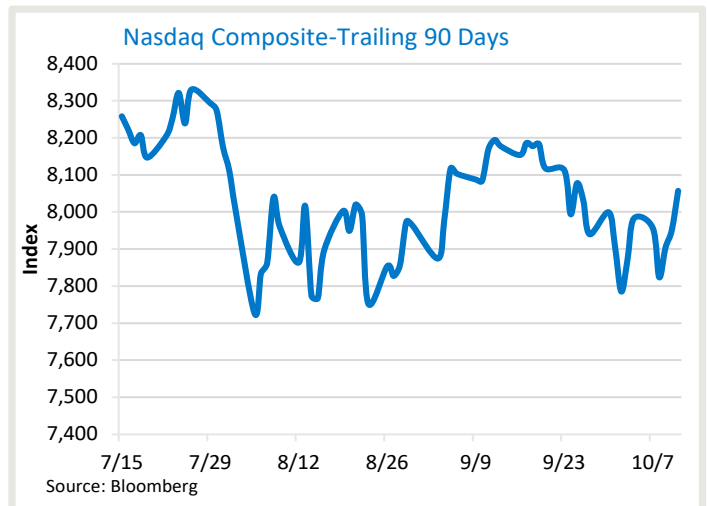
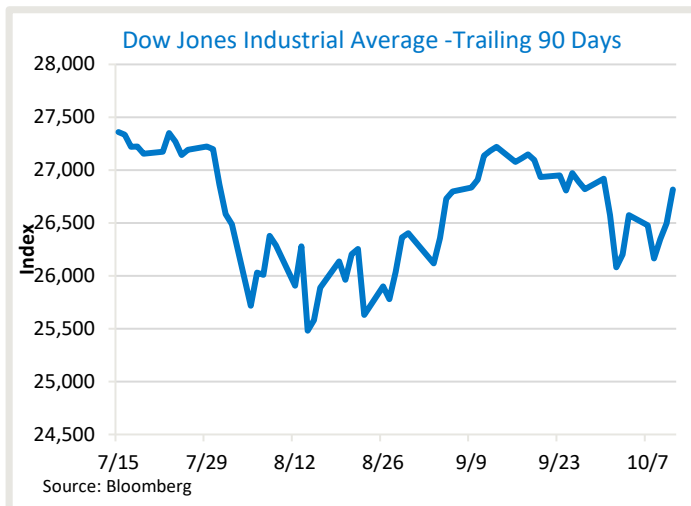


## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
S&P 500	2,970.27	18.26	0.62%	18.49%	Swiss Market Index	10,017.39	189.67	1.93%	18.84%
Dow Industrials	26,816.59	242.87	0.91%	14.96%	CAC 40 Index (France)	5,665.48	177.16	3.23%	19.76%
Nasdaq Composite	8,057.04	74.56	0.93%	21.43%	DAX Index (Germany)	12,511.65	498.84	4.15%	18.49%
MSCI ACWI	514.07	-0.78	-0.15%	12.8%	Irish Overall Index	6,448.59	306.54	4.99%	17.68%
MSCI EM	996.50	-0.08	-0.01%	3.2%	Nikkei 225	21,798.87	388.67	1.82%	8.91%
S&P/TSX (Canada)	16,415.16	-34.19	-0.21%	14.61%	Hang Seng Index	26,308.44	198.13	0.76%	1.79%
Mexico IPC	43,214.60	-202.30	-0.47%	3.78%	Shanghai Composite	2,973.66	41.49	1.41%	19.24%
Brazil Bovespa	103,831.90	1280.60	1.25%	18.14%	Kospi Index (S. Korea)	2,044.61	12.70	0.63%	0.17%
Euro Stoxx 600	391.61	11.39	3.00%	15.98%	Taiwan Taiex Index	10,889.96	-4.52	-0.04%	11.95%
FTSE 100	7,247.08	91.70	1.28%	7.71%	Tel Aviv 25 Index	1,611.46	8.57	0.53%	10.08%
IBEX 35 (Spain)	9,273.80	312.00	3.48%	8.59%	MOEX Index (Russia)	2,708.07	15.52	0.58%	14.30%

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



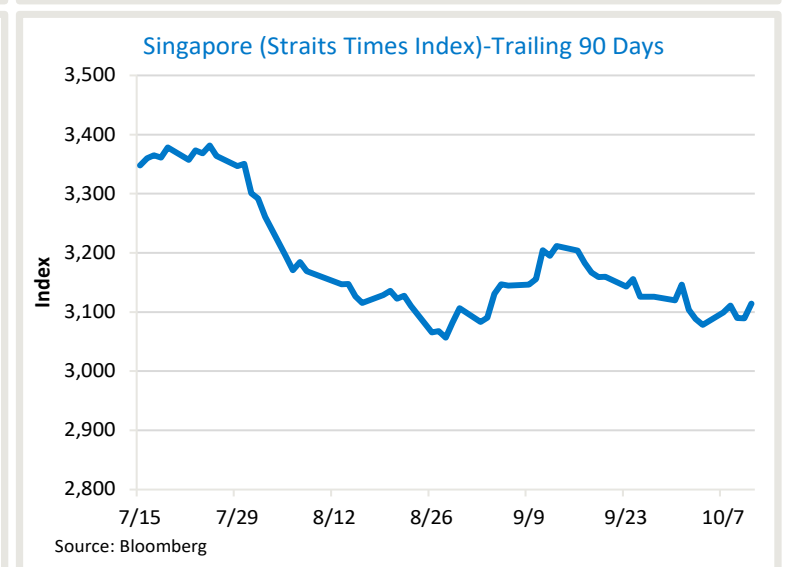
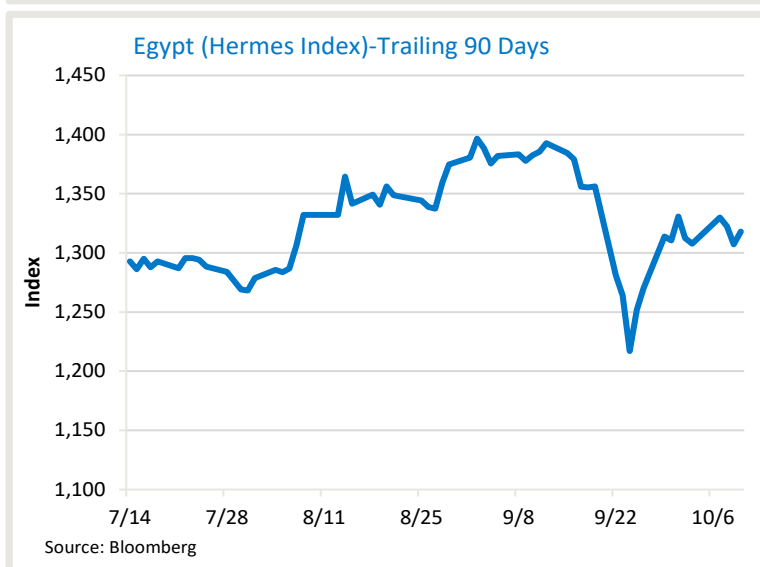
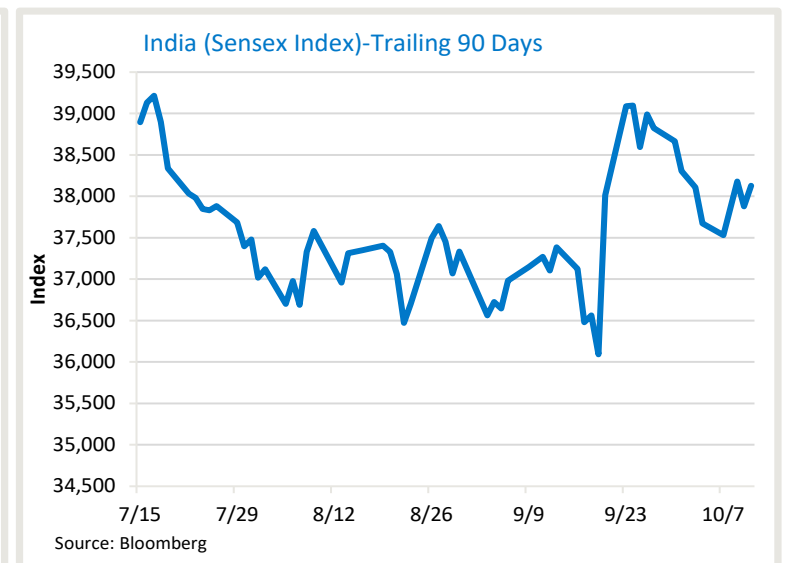
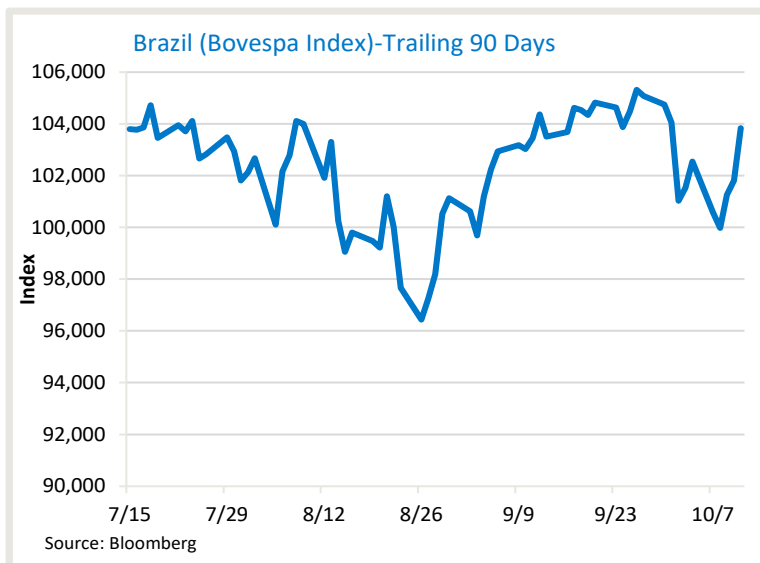
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	43,214.60	-202.30	-0.5%	3.8%
Brazil (Bovespa Index)	103,831.90	1280.60	1.2%	18.1%
MOEX Index (Russia)	2,708.07	15.52	0.6%	14.3%
Czech Republic (Prague)	1,013.55	8.99	0.9%	2.7%
Turkey (Istanbul)	99,027.81	-4435.68	-4.3%	8.5%
Egypt (Hermes Index)	1,318.07	10.34	0.8%	3.2%
Kenya (Nairobi 20 Index)	2,455.27	16.30	0.7%	-13.4%
Saudi Arabia (TASI Index)	7,695.48	-225.67	-2.8%	-1.7%
Lebanon (Beirut BLOM Index)	784.13	1.98	0.3%	-19.7%
Palestine	515.96	-0.83	-0.2%	-2.5%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	26,308.44	198.13	0.8%	1.8%
India (Sensex 30)	38,127.08	0.00	0.0%	5.7%
Malaysia (KLCI Index)	1,556.84	-0.83	-0.1%	-7.9%
Singapore (Straits Times Index)	3,113.97	35.61	1.2%	1.5%
Thailand (SET Index)	1,626.00	20.04	1.2%	4.0%
Indonesia (Jakarta)	6,105.80	44.55	0.7%	-1.4%
Pakistan (Karachi KSE 100)	34,475.69	1442.37	4.4%	-7.0%
Vietnam (Ho Chi Minh)	991.84	4.25	0.4%	11.1%
Sri Lanka (Colombo)	5,834.66	144.76	2.5%	-3.6%
Cambodia (Laos)	728.20	-5.28	-0.7%	-12.9%

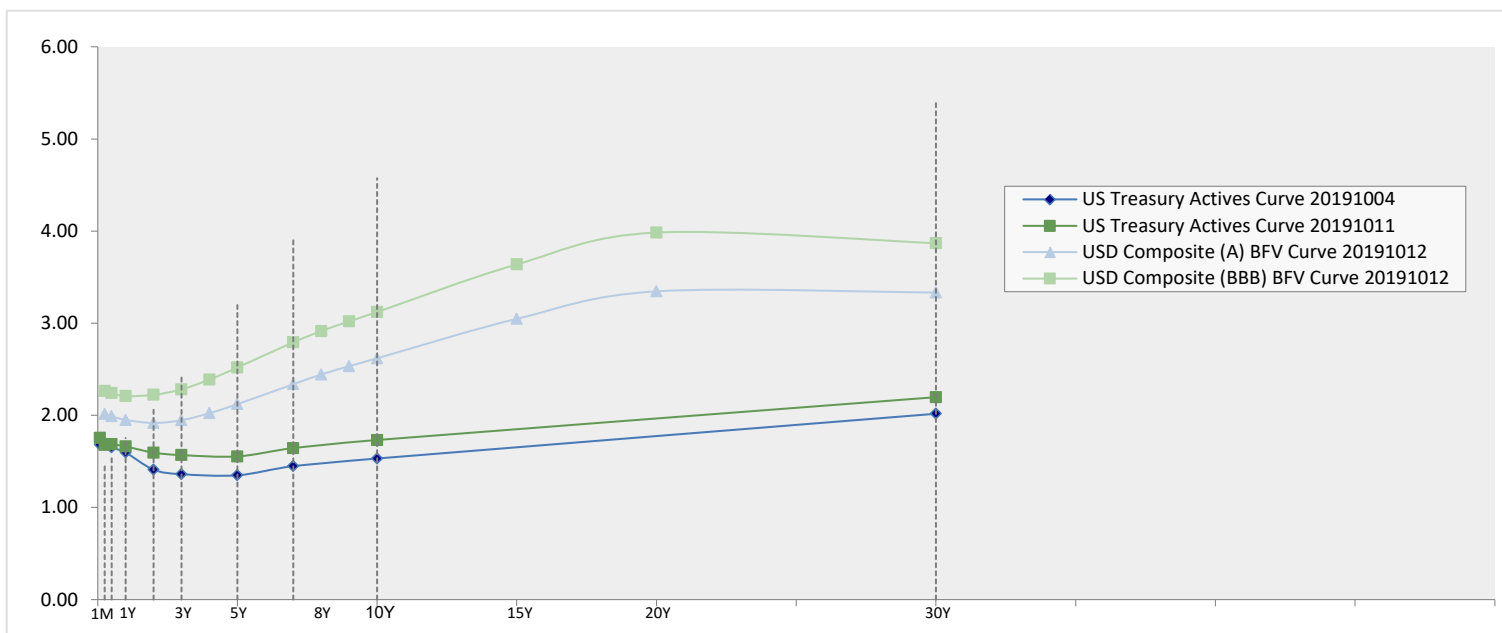


## Interest Rates

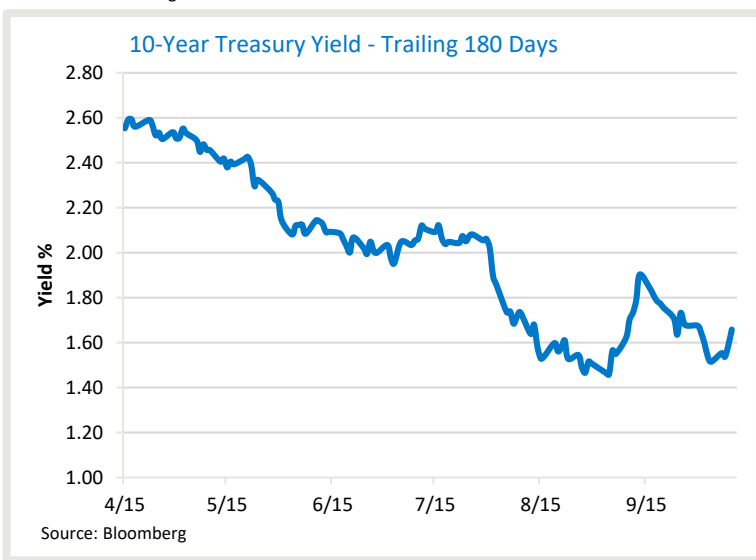
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	1.59%	-4 bps	NM	NM	Prime Rate	5.00%	0.00	NM	NM
5-Yr. U.S. Treasury	1.58%	25 bps	NM	NM	Fed Funds Rate	2.00%	0.00	NM	NM
10-Yr. U.S. Treasury	1.75%	24 bps	NM	NM	Discount Rate	2.50%	0.00	NM	NM
30-Yr. U.S. Treasury	2.22%	20 bps	NM	NM	LIBOR (3 Mo.)	1.99%	-4 bps	NM	NM
German 10-Yr. Govt.	-0.44%	-15 bps	NM	NM	Bond Buyer 40 Muni	2.59%	1 bps	NM	NM
France 10-Yr.	-0.13%	-12 bps	NM	NM	Bond Buyer 40 G.O.	2.59%	NA	NM	NM
Italy 10-Yr.	0.94%	-12 bps	NM	NM	Bond Buyer 40 Rev.	3.07%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.60%	3 bps	NM	NM					

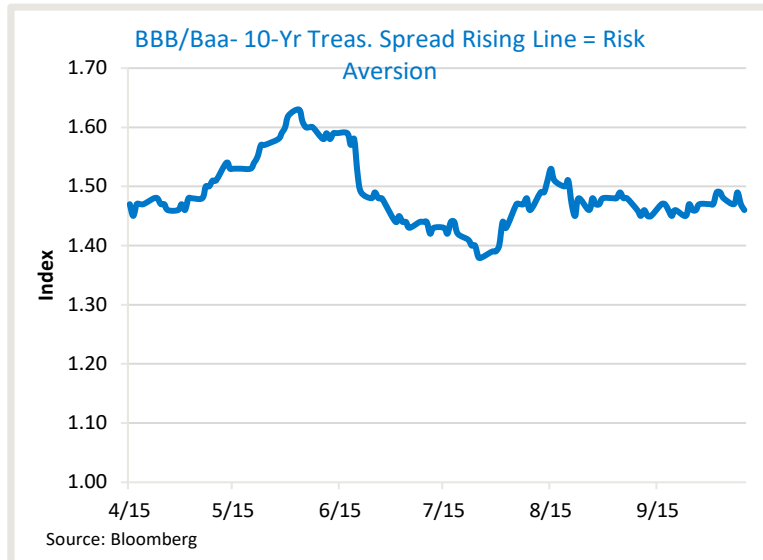
Source: Bloomberg



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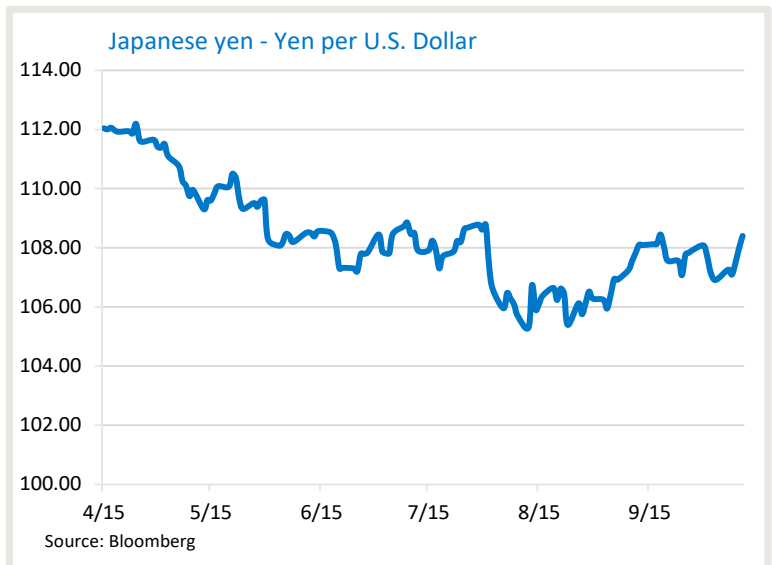
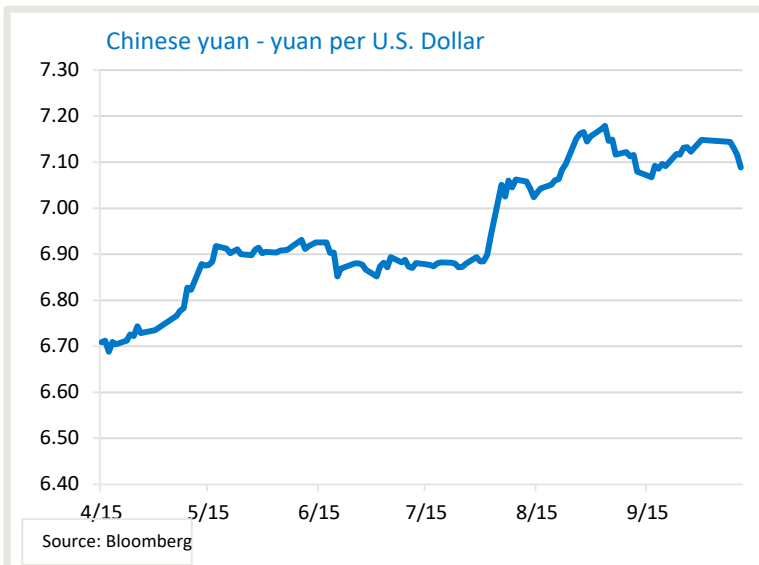
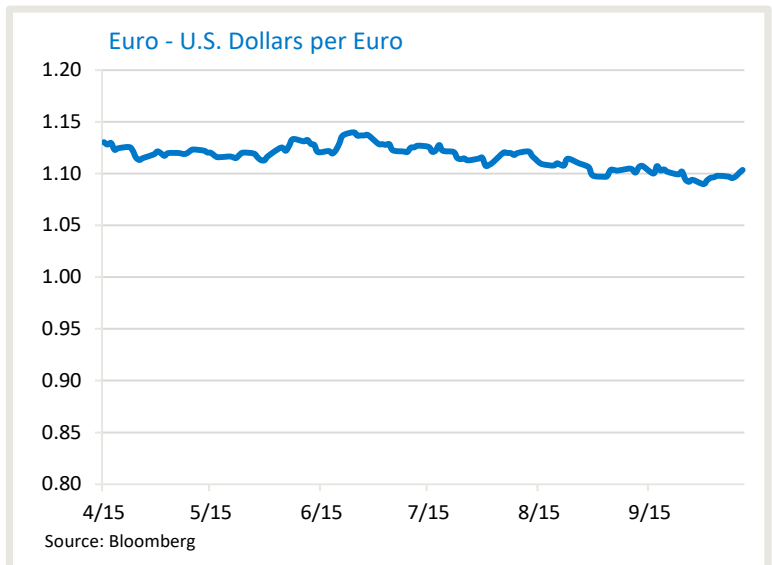
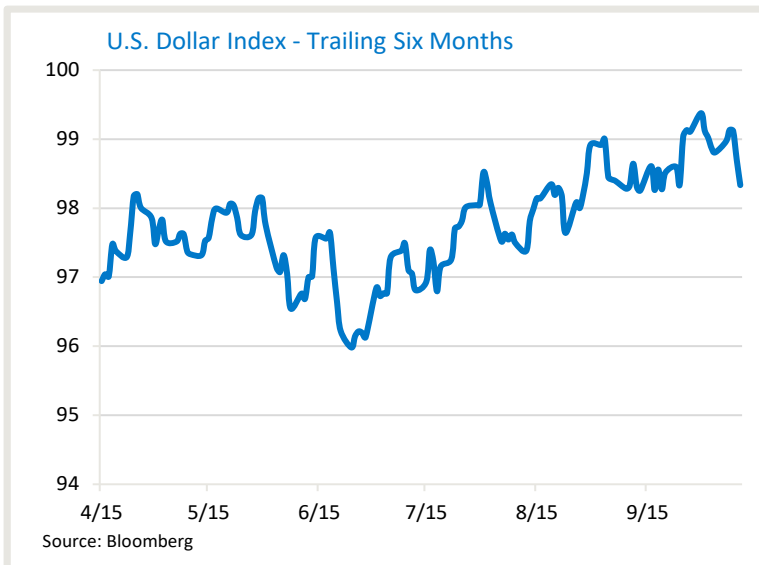
## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>98.35</b>	<b>-0.475</b>	<b>-0.48%</b>	<b>2.25%</b>
<b>Euro</b>	<b>1.10</b>	<b>0.006</b>	<b>0.52%</b>	<b>-3.76%</b>
<b>Japanese Yen</b>	<b>108.40</b>	<b>1.460</b>	<b>-1.35%</b>	<b>1.19%</b>
<b>British Pound</b>	<b>1.26</b>	<b>0.031</b>	<b>2.54%</b>	<b>-0.86%</b>
<b>Canadian Dollar</b>	<b>1.32</b>	<b>-0.011</b>	<b>0.83%</b>	<b>3.28%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>7.09</b>	<b>-0.060</b>	<b>0.85%</b>	<b>-2.96%</b>
<b>Swiss Franc</b>	<b>1.00</b>	<b>0.001</b>	<b>-0.14%</b>	<b>-1.51%</b>
<b>New Zealand Dollar</b>	<b>0.63</b>	<b>0.001</b>	<b>0.21%</b>	<b>-5.74%</b>
<b>Brazilian Real</b>	<b>4.11</b>	<b>0.054</b>	<b>-1.32%</b>	<b>-5.74%</b>
<b>Mexican Peso</b>	<b>19.33</b>	<b>-0.176</b>	<b>0.91%</b>	<b>1.61%</b>

Source: Bloomberg

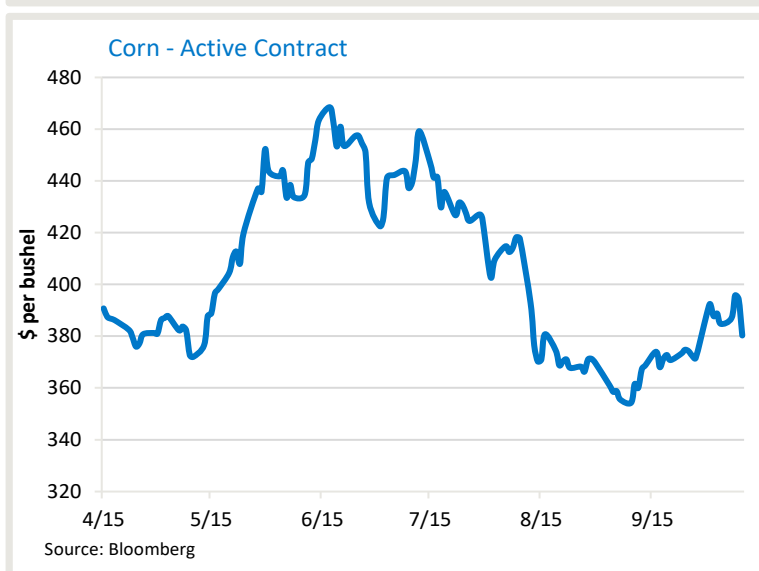
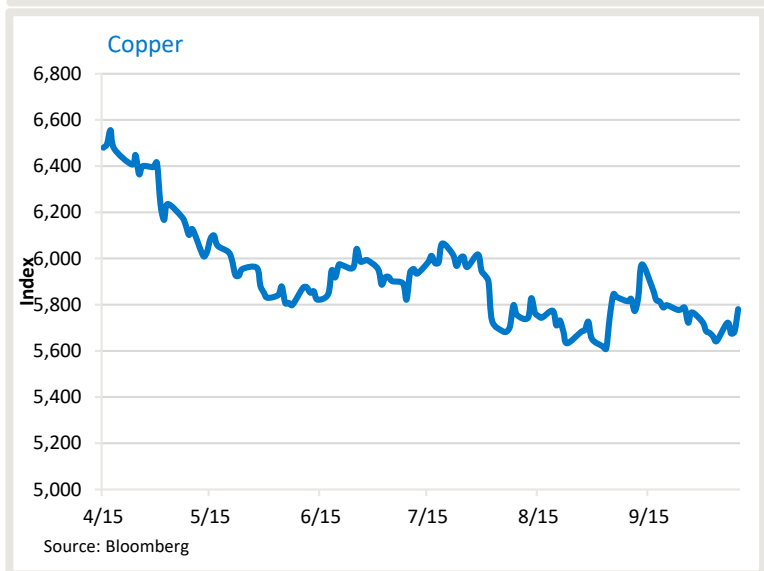
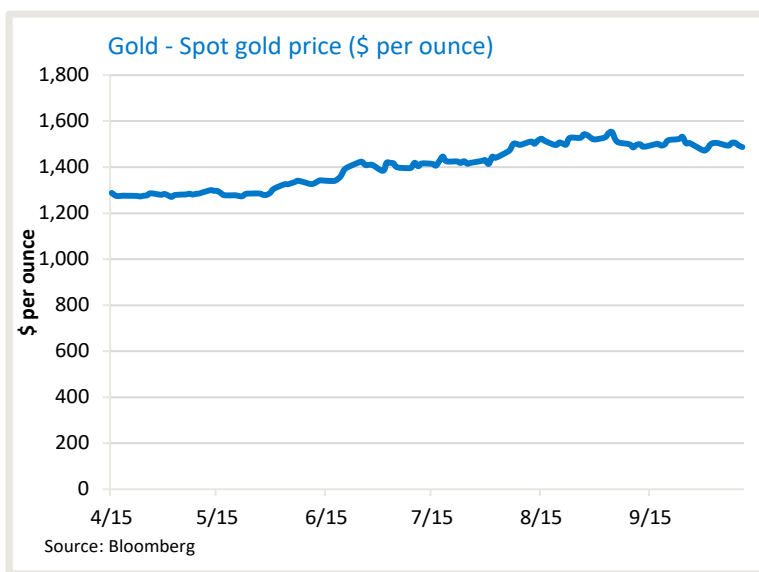
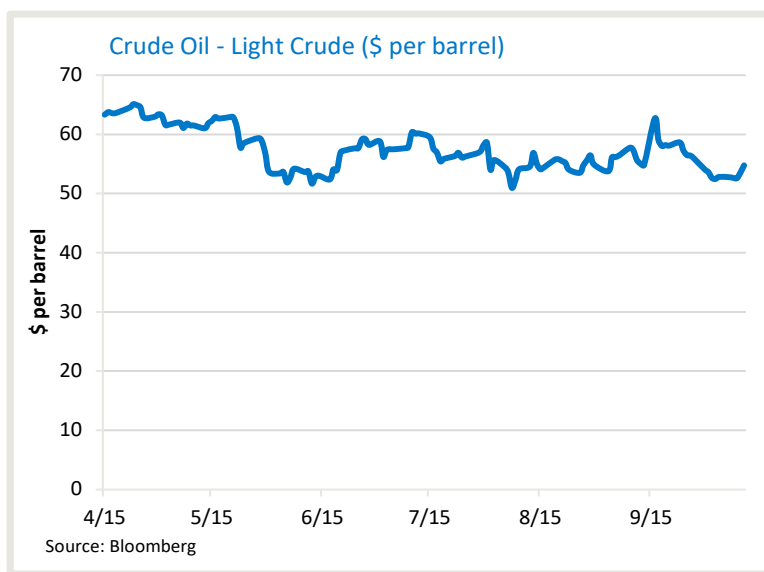


## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	78.83	0.90	1.15%	2.76%	Platinum Spot	\$894.44	\$15.43	1.75%	12.54%
Crude Oil	\$54.78	\$1.95	3.69%	13.56%	Corn	397.75	13.00	3.38%	0.06%
Natural Gas	\$2.23	-\$0.13	-5.31%	-20.44%	Wheat	508.00	17.50	3.57%	-6.36%
Gasoline (\$/Gal.)	\$2.64	-\$0.02	-0.64%	17.01%	Soybeans	936.00	19.75	2.16%	0.08%
Heating Oil	195.65	6.17	3.26%	13.71%	Sugar	12.41	-0.35	-2.74%	-5.63%
Gold Spot	\$1,487.64	-\$17.38	-1.16%	15.97%	Orange Juice	97.40	-2.65	-2.65%	-25.56%
Silver Spot	\$17.54	-\$0.01	-0.06%	13.18%	Aluminum	1,753.00	34.00	1.98%	-5.04%
					Copper	5,781.00	138.00	2.45%	-3.08%

Source: Bloomberg; % change is based on price.

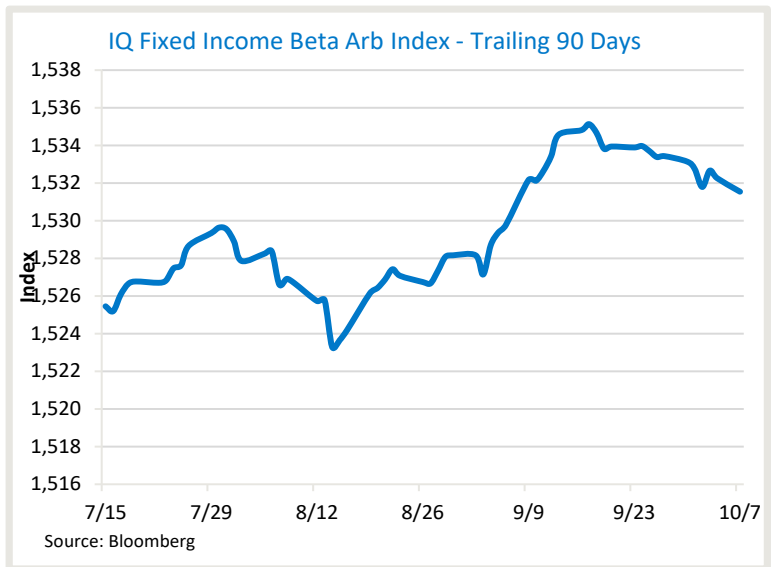
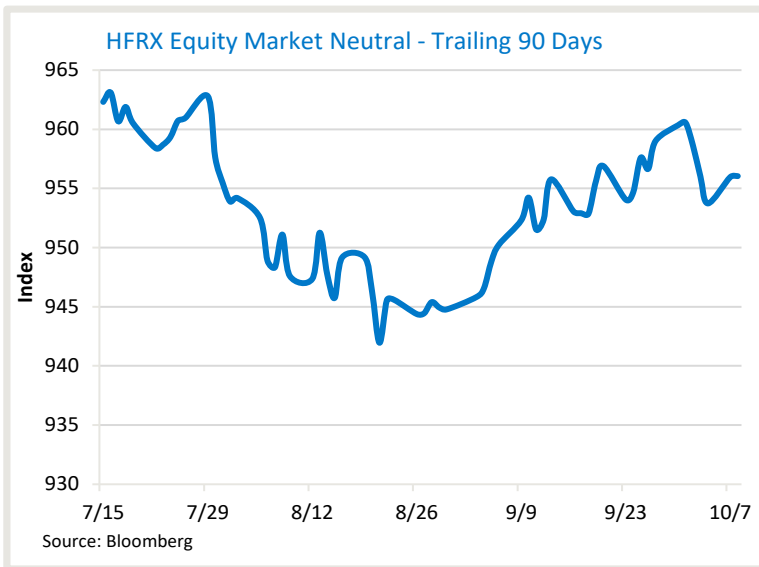
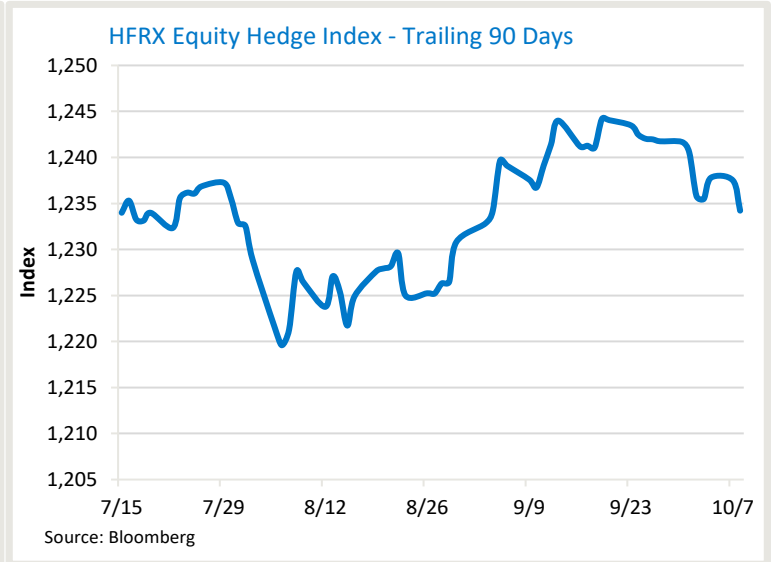
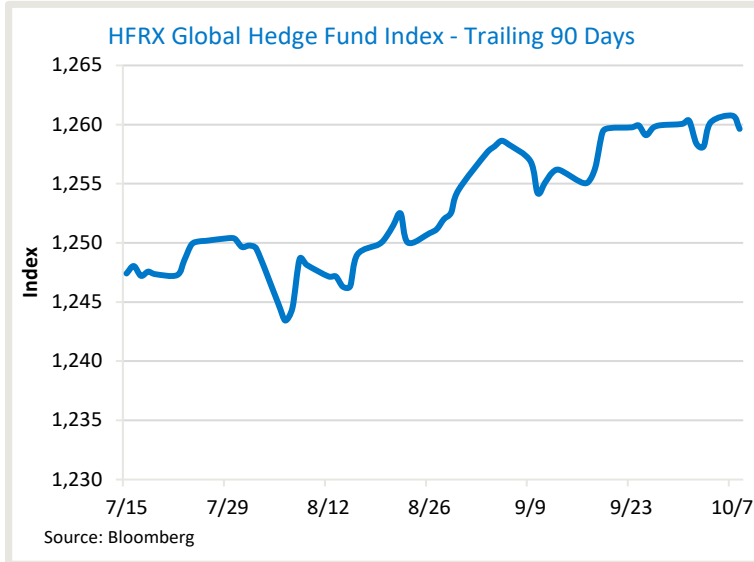


## Alternative Investments

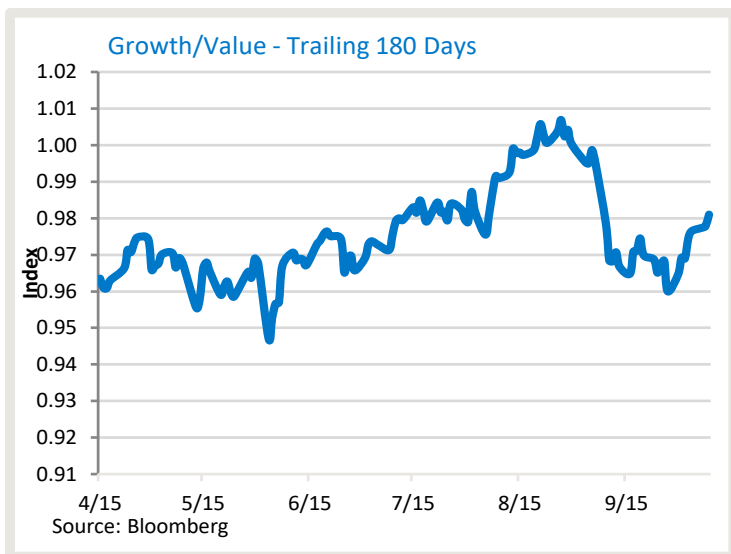
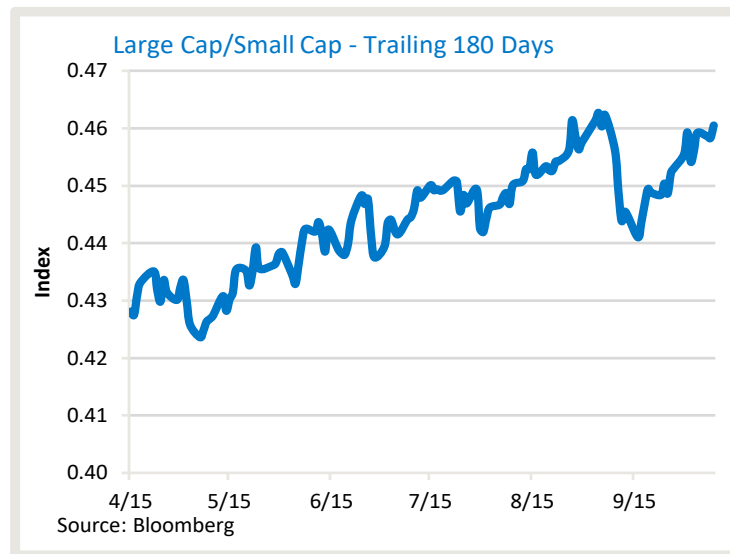
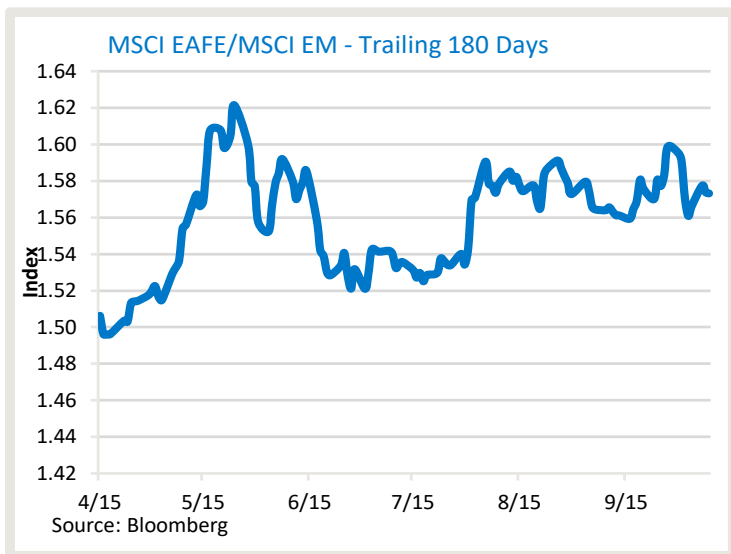
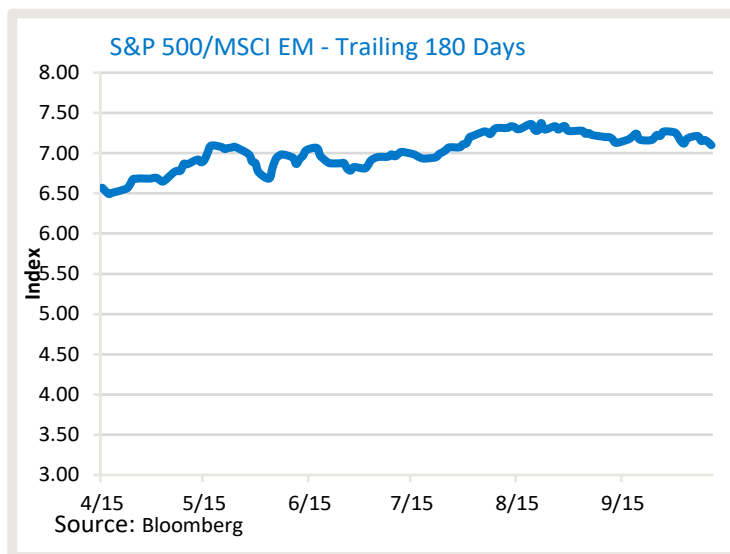
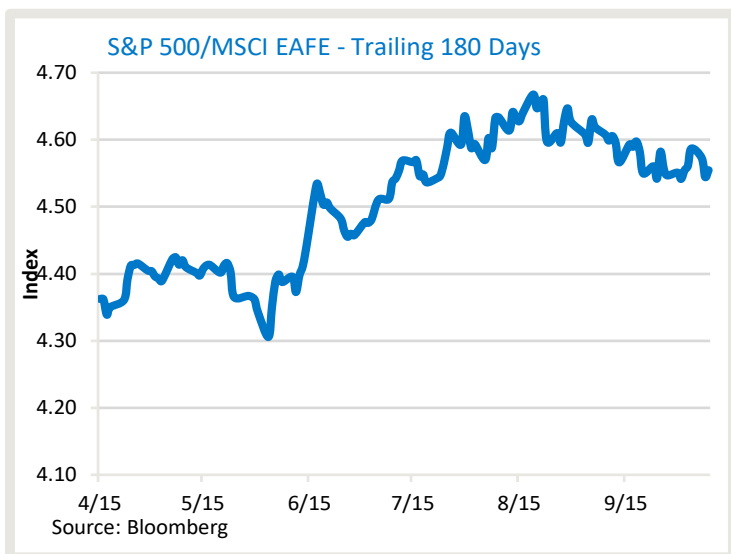
### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1259.01	-1.18	-0.09%	5.81%	HFRX Special Situation Index	1249.57	1.38	0.11%	3.87%
HFRX Equity Market Neutral	959.64	5.91	0.62%	-1.34%	HFRX Merger Arbitrage Index	1789.45	-2.44	-0.14%	-1.55%
HFRX Equity Hedge Index	1236.89	-0.91	-0.07%	7.45%	HFRX Convertible Arbitrage Index	811.81	0.45	0.06%	3.07%
HFRX Event-Driven Index	1545.10	1.49	0.10%	5.02%	HFRX Macro CTA Index	1173.33	-5.46	-0.46%	4.20%
HFRX Absolute Return Index	1087.12	0.32	0.03%	2.74%	IQ Fixed Income Beta Arb Index	1531.11	-1.14	-0.07%	4.69%

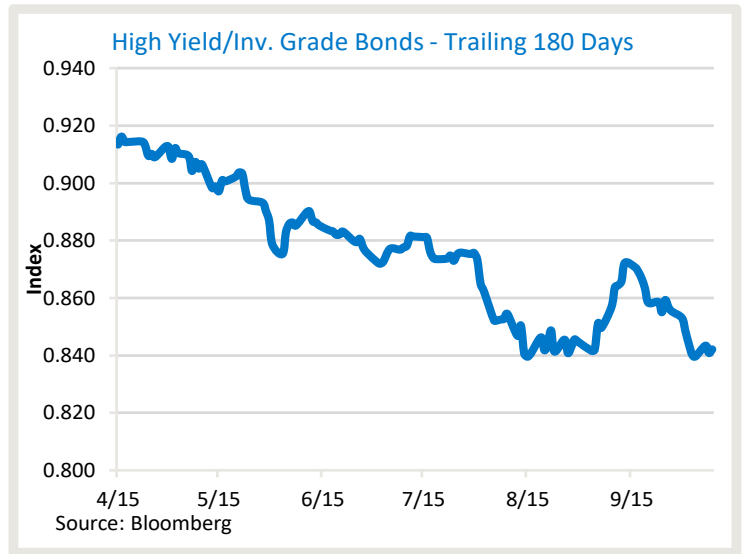
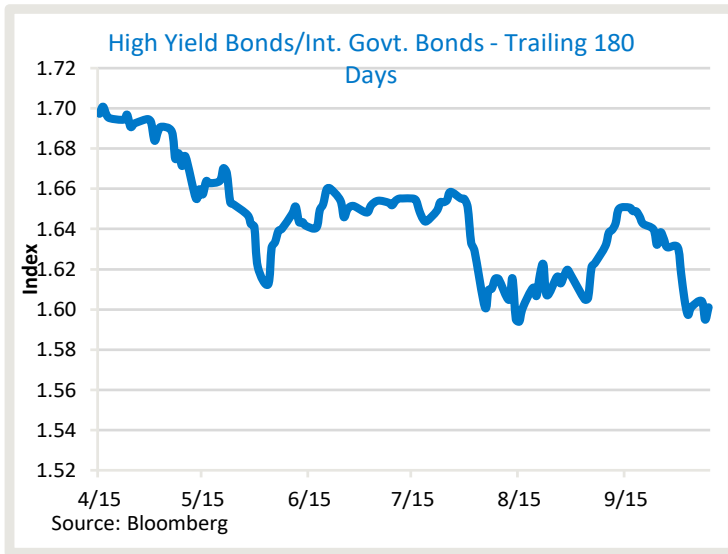
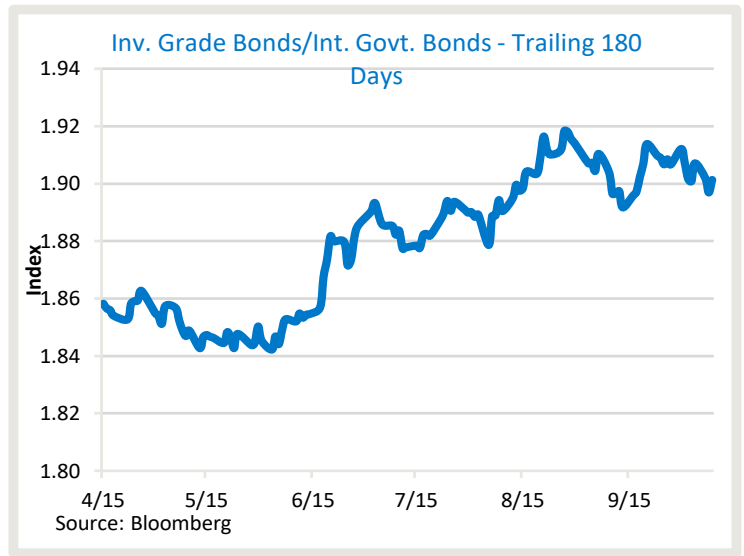
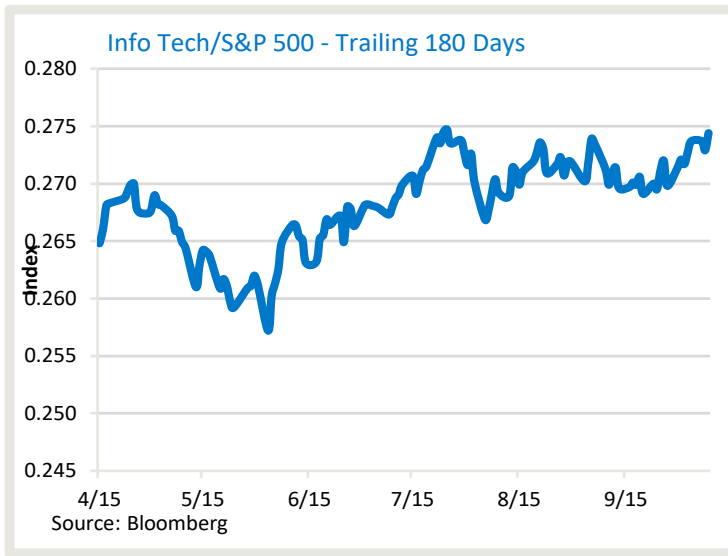
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			7/25	8/1	8/8	8/15	8/22	8/29	9/5	9/12	9/19	9/26	10/3	10/10
Equity	Domestic Equity	Large Cap (R200)	0.26%	-1.62%	-0.58%	-2.98%	2.63%	0.07%	1.73%	1.03%	-0.07%	-1.09%	-2.16%	1.10%
		Small Cap (R2000)	0.37%	-0.68%	-1.20%	-4.60%	3.03%	-0.62%	0.94%	4.26%	-0.86%	-1.80%	-3.06%	-0.07%
	Int'l. Equity	MSCI EAFE	0.66%	-1.28%	-2.53%	-2.66%	1.78%	0.11%	2.32%	1.68%	0.44%	-0.94%	-2.60%	0.86%
		MSCI Em. Mkts.	0.24%	-2.82%	-3.93%	-2.11%	1.26%	-0.57%	3.39%	1.93%	-0.56%	-0.72%	-1.69%	0.43%
Fixed Income	BarCap Agg. (AGG)	-0.10%	0.65%	0.79%	0.86%	-0.39%	0.63%	-0.42%	-1.00%	0.08%	0.44%	0.57%	-0.48%	
	High Yield (JNK)	0.31%	-0.52%	-0.36%	-0.53%	1.33%	0.33%	-0.27%	0.28%	0.07%	-0.17%	-1.37%	0.33%	
Commodities	Bloomberg Commodity Index	0.10%	-2.52%	0.04%	-0.44%	-0.37%	1.40%	0.70%	0.69%	1.06%	-0.96%	-1.14%	0.26%	
Alternatives	Hedge Funds (HFRX Global)	0.20%	-0.03%	-0.09%	-0.19%	0.49%	0.01%	0.49%	-0.22%	0.27%	0.03%	-0.13%	0.07%	
Asset Allocation	60/40*	0.21%	-0.69%	-0.61%	-1.58%	1.35%	0.18%	0.97%	0.75%	-0.04%	-0.54%	-1.30%	0.32%	
	48/32/20 (w/Alts.)**	0.21%	-0.56%	-0.51%	-1.30%	1.18%	0.15%	0.87%	0.55%	0.03%	-0.43%	-1.06%	0.27%	

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	0.99	1.02	1.05	1.05	1.04	1.10	1.15	1.05	1.05	1.07	0.88	1.03	0.94	1.08
Large Cap Growth	1.01	1.00	1.03	1.06	1.06	1.06	1.11	1.16	1.06	1.06	1.08	0.89	1.04	0.95	1.10
Large Cap Value	0.98	0.97	1.00	1.03	1.04	1.03	1.08	1.13	1.03	1.03	1.05	0.86	1.01	0.92	1.07
Mid Cap Core	0.95	0.94	0.97	1.00	1.00	0.99	1.05	1.09	1.00	1.00	1.01	0.84	0.98	0.89	1.03
Mid Cap Growth	0.95	0.94	0.97	1.00	1.00	0.99	1.04	1.09	1.00	0.99	1.01	0.83	0.98	0.89	1.03
Mid Cap Value	0.96	0.95	0.97	1.01	1.01	1.00	1.05	1.10	1.01	1.00	1.02	0.84	0.99	0.90	1.04
Small Cap Core	0.91	0.90	0.92	0.95	0.96	0.95	1.00	1.04	0.96	0.95	0.97	0.80	0.94	0.85	0.99
Small Cap Growth	0.87	0.86	0.88	0.91	0.92	0.91	0.96	1.00	0.92	0.91	0.93	0.76	0.90	0.81	0.94
Small Cap Value	0.95	0.94	0.97	1.00	1.00	0.99	1.05	1.09	1.00	1.00	1.01	0.84	0.98	0.89	1.03
Int'l. Developed	0.96	0.95	0.97	1.00	1.01	1.00	1.05	1.10	1.00	1.00	1.02	0.84	0.98	0.89	1.04
Emerging Markets	0.94	0.93	0.95	0.99	0.99	0.98	1.03	1.08	0.99	0.98	1.00	0.82	0.97	0.88	1.02
REITs	1.14	1.13	1.16	1.20	1.20	1.19	1.25	1.31	1.20	1.19	1.21	1.00	1.17	1.06	1.24
Commodities	0.97	0.96	0.99	1.02	1.02	1.01	1.07	1.12	1.02	1.02	1.04	0.85	1.00	0.91	1.05
Int. Bond	1.07	1.06	1.09	1.12	1.13	1.12	1.18	1.23	1.12	1.12	1.14	0.94	1.10	1.00	1.16
High Yield	0.92	0.91	0.94	0.97	0.97	0.96	1.01	1.06	0.97	0.96	0.98	0.81	0.95	0.86	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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