

~ OCTOBER 2017 NEWSLETTER ~

Monthly Summary

Global stock markets climbed steadily higher in October. U.S. stocks are at record highs and emerging markets are up over 30% year to date. Large cap growth stocks, particularly technology companies, outperformed. After a period of strong gains and with valuations stretched, many strategists are calling for a stock market correction. It is important to remember that, historically, stock market downturns over 5% occur a few times a year, and 10% corrections tend to occur annually. Market volatility has been noticeably subdued. That said, attempts to time the market and avoid losses are rarely successful. Fixed income returns were modest for the month as interest rates rose and the yield curve continued to flatten, favoring credit sensitive sectors with higher coupons.

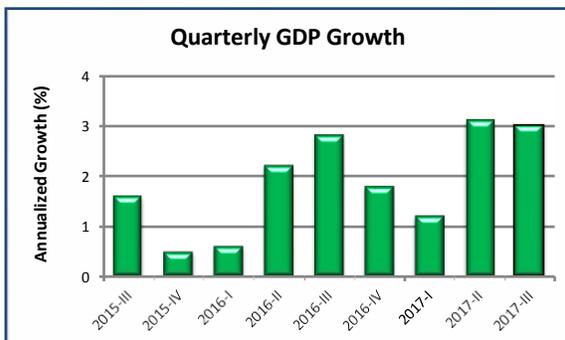
During the third quarter, economic growth accelerated in Europe and Japan. Annualized growth in the U.S. was a healthy 3%, roughly in line with the prior quarter. The most recent U.S. employment report was positive, but wage growth declined, a surprise in such a tight labor market. Central banks are navigating difficult waters including balance sheet unwinding (U.S. Federal Reserve), the economic effects of Brexit (Bank of England), and high debt levels (Bank of China). Jerome Powell, nominated to head the Federal Reserve, is expected to provide continuity and pro-growth policies. Inflation is below the desired level in many countries and the European Central Bank recently elected to continue quantitative easing for at least the next year after a disappointing inflation report. Monetary policy has been a key driver of the global recovery and should be closely watched.

Economic Data

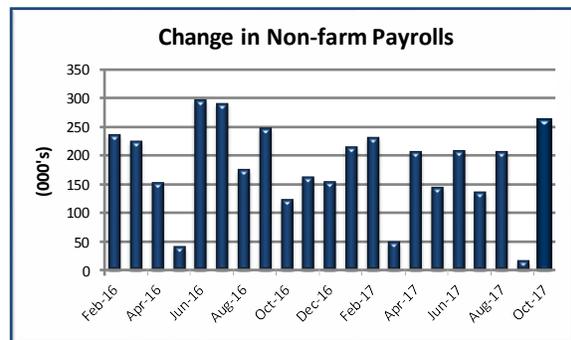
General	Prior	Current
GDP growth	3.1% (Q2)	3.0% (Q3)
Trade balance	-\$42.8B (Aug)	-\$43.5B (Sep)

Employment	Prior	Current
Initial jobless claims	234,000 (10/21)	229,000 (10/28)
Continuing claims	1.88MM (10/21)	1.90MM (10/28)
Change in non-farm payrolls	18,000 (Sep)	261,000 (Oct)
Unemployment rate	4.2% (Sep)	4.1% (Oct)
Average weekly hours	34.4 (Sep)	34.4 (Oct)

Consumer	Prior	Current
Consumer confidence index (Conference Board)	120.6 (Sep)	125.9 (Oct)
Retail sales growth	-0.1% (Aug)	1.6% (Sep)
Change in consumer credit	\$13.1B (Aug)	\$20.8B (Sep)



Data Source: U.S. Bureau of Economic Analysis

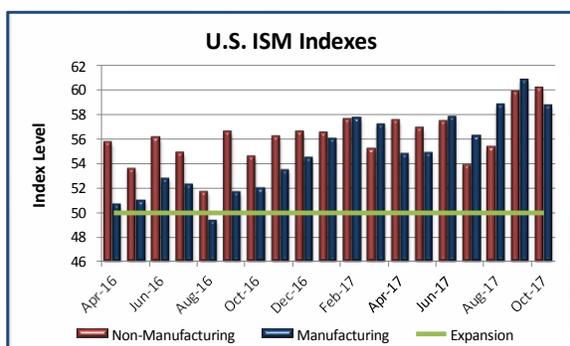


Data Source: U.S. Bureau of Labor Statistics

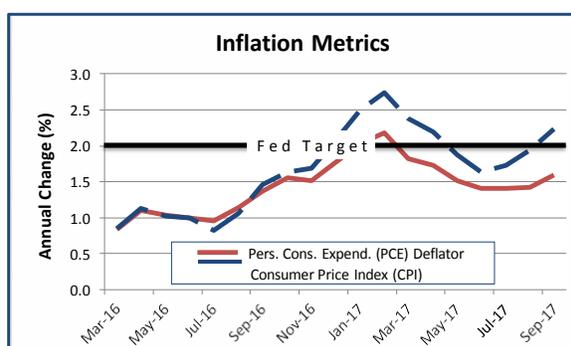
Manufacturing & Service	Prior	Current
ISM manufacturing index	60.8 (Sep)	58.7 (Oct)
ISM non-manufacturing index	59.8 (Sep)	60.1 (Oct)
Durable goods orders growth	2.0% (Aug)	2.2% (Sep)
Industrial production growth	-0.7% (Aug)	0.3% (Sep)
Capacity utilization	75.8% (Aug)	76.0% (Sep)

Real Estate	Prior	Current
New home sales	561,000 (Aug)	667,000 (Sep)
Existing home sales	5.4MM (Aug)	5.4MM (Sep)
S&P CoreLogic CS home price index (YoY)	5.9% (Jul)	6.1% (Aug)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.9%/1.7% (Aug)	2.2%/1.7% (Sep)
Producer price index/Core (YoY growth)	2.4%/1.9% (Aug)	2.6%/2.1% (Sep)



Data Source: Institute for Supply Management



Data Sources: U.S. Bureaus of Labor Stats. & Economic Analysis

Market Returns

	Oct 2017	YTD 2017
Fixed Income		
BBgBarc Aggregate Bond	0.1%	3.2%
BBgBarc Municipal Bond	0.2%	4.9%
BBgBarc Gbl Agg. ex. U.S.	-0.7%	7.9%
Alternatives		
Bloomberg Commodity	2.1%	-0.8%
DJ U.S. Real Estate	0.1%	7.2%

Data Source: Morningstar

	Oct 2017	YTD 2017
Domestic Equities		
Wilshire 5000	2.2%	16.2%
S&P 500	2.3%	16.9%
Russell 2000	0.9%	11.9%
International Equities		
MSCI EAFE (Developed)	1.5%	21.8%
MSCI EM (Emerging)	3.5%	32.3%

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