Global Economy

Common measures of US economic health continue to be positive, with 3Q-17 real gross domestic product (GDP) initially estimated at 3.0%. Surveys around consumer sentiment and manufacturing ended at multi-year highs, and retail sales posted the best month-over-month results in two and a half years. That said, Core PCE, the Federal Reserve's preferred measure of price inflation, remained depressed at just 1.3% on a year-over-year basis. The latest meeting minutes acknowledged that recent inflation weakness may stem from "the influence of developments that could prove more persistent."

The unemployment rate dropped to a 17-year low of 4.1% in October, with nonfarm payrolls increasing by 261,000. With revisions adding another 90,000 jobs to the initial August and September reports, the negative impact of hurricanes Harvey and Irma has been somewhat neutralized. The participation rate fell to 62%, and this measure of workforce supply has been flat year-over-year. Given that over 40% of new hires are coming from lower-paying leisure and hospitality positions, average hourly earnings disappointed with a reported year-over-year increase of just 2.4%.

The Federal Open Market Committee (FOMC) made no changes to target rates in October, however, the process of balance sheet normalization officially began with the $10 billion reduction in US Treasury (UST) and Agency MBS holdings. The Committee's most recent "dots plot" projected another 25 basis point (bps) hike by the end of the year, and the market has seemingly adopted this view with the probability of a December adjustment rising to over 90%.

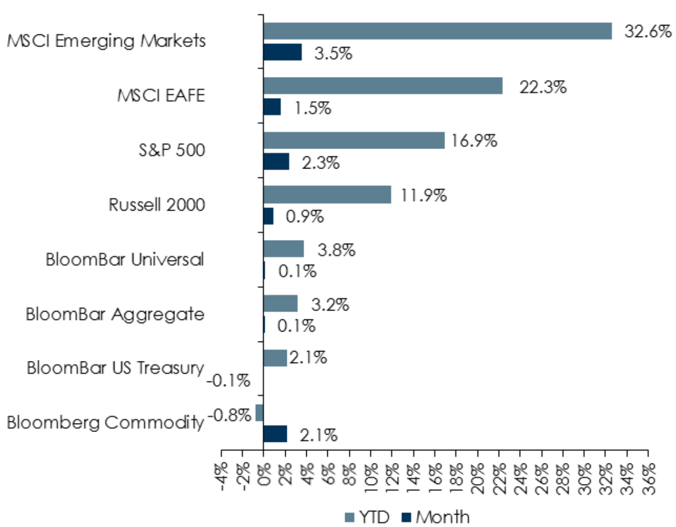
The European Central Bank (ECB) announced plans to roll back purchases of bonds beginning in January by 50% but expects to continue its quantitative easing program until at least September of next year. China's 19th Party Congress met in October, with President Xi consolidating power as many predicted. No clear successor was identified, leading some to speculate that Xi's rein may extend beyond convention.

	Current	Dec-16
US GDP (%)	3.00	1.90
US Unemployment (%)	4.10	4.70
CPI (Core) (%)	1.70	2.10
Fed Funds (%)	1.00 – 1.25	0.50 – 0.75
10 Year UST Yld (%)	2.38	2.45
S&P 500 Div Yld (%)	1.93	2.09
S&P 500 P/E (Trailing)	21.68	20.61
Gold/oz.	$1,270.50	$1,151.70
Oil (Crude)	$54.38	$53.72
Gasoline (Natl Avg)	$2.60	$2.39
USD/Euro	$1.16	$1.05
USD/GBP	$1.33	$1.23
Yen/USD	¥113.64	¥116.96

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

The equity surge continued in October, with markets strong across the globe. In the US, the S&P 500 set a new record, surpassing the prior mark of 242 days without a 3% pullback. In Japan, the Nikkei had a 16 day streak of increasing stock prices, setting a new 21 year high in the process.

There was wide dispersion in the large cap sectors, with IT gaining +7.7% for the month (up 35.7% YTD) and Telecom down -8.69% (down -16.1% YTD). In small cap, returns were generally muted, with the Russell 2000 up 0.9% and sector returns ranging from Utilities (+3.9%) to Energy (-3.1%).

In the international markets, the emerging countries raced ahead once again, outpacing the developed markets. The MSCI Emerging Markets index was up +3.5% for the month, with most countries participating in the rally. Mexico (down -7.5%), Pakistan (down -7.5%) and Colombia (down -9.0%) were notable exceptions.

The MSCI EAFE index was up moderately in comparison at +1.5%. Japan (+4.6%) and Singapore (+5.0%) led the way, with Switzerland the significant laggard, down -1.7%.

Real estate was down for the second consecutive month, with both the FTSE NAREIT U.S. Real Estate index (-0.5%) and the FTSE EPRA/NAREIT Developed index (-0.2%) recording modest declines. The Alerian MLP index (-4.1%) reversed course in October, even as oil moved upward (+5.2%) amid lower stockpiles and decreased US rig count.

Higher inflation expectations played a role in other commodities, with gold down -0.9% for the month, and the broader Bloomberg Commodity index up 2.1%.

Global Markets (continued)

Amid the overall "risk-on" tone across markets, fixed income assets produced mixed results in October. The Bloombar Global Aggregate index gave back another -0.4% during the month, as US dollar strength subtracted 80 bps from the return of the underlying bonds.

With strong economic data and speculation regarding the potential nomination of a more "hawkish" Federal Reserve Chairperson, UST rates moved slightly higher across all maturities. Policy sensitive 2-year UST yields advanced steadily to 1.60%, as the market upgraded the FOMC's resolve to follow through with its projected path of policy normalization.

The Bloombar US Aggregate index returned +0.1% in October, with government-related issues lagging the primary market's other key sectors. IG corporate credit spreads finished 6 bps tighter, pushing through mid-2014 levels and establishing new 10-year lows. CMBS outperformed given the benefit of improving fundamentals and favorable capital market conditions. The Agency MBS complex posted a slight nominal loss given embedded interest rate sensitivity and the commencement of the Fed's escalating balance sheet reduction program.

The Bloombar US Corporate High Yield index is benefitting from robust demand for credit, advancing another 0.4% in October. Spreads for the category were tighter by 9 bps, and it was the B-rated cohort that captured the most benefit. Careful security selection is warranted with an index level yield-to-worst below of 5.45% and average prices above par.

Despite universal gains YTD given the attractiveness of higher local interest rates and steady/improving economic fundamentals, emerging market bond returns were quite bi-furcated in October. Spread tightening allowed US dollar denominated sovereigns and corporates to advance, but increasing yields and currency weakness hurt local issues.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	**Dec-16**
Japan	0.06	0.04
Germany	0.36	0.20
France	0.75	0.68
United Kingdom	1.33	1.24
Spain	1.45	1.38
Italy	1.82	1.81
United States	2.38	2.45
Mexico	7.26	7.42
Brazil	9.88	11.40

Source: Bloomberg

Indices Report (Periods Ending October 31, 2017)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	2.33	16.91	23.63	10.77	15.18	7.51	9.60
Russell 1000	2.29	16.78	23.67	10.58	15.18	7.61	9.87
Russell 1000 Growth	3.87	25.40	29.71	13.15	16.83	9.13	10.28
Russell 1000 Value	0.73	8.70	17.78	7.99	13.48	5.99	9.35
Russell 2500	1.55	12.72	24.68	9.58	14.45	8.08	11.73
Russell 2000	0.85	11.89	27.85	10.12	14.49	7.63	11.19
Russell 2000 Growth	1.55	18.62	31.00	10.51	15.36	8.16	11.53
Russell 2000 Value	0.13	5.81	24.81	9.67	13.58	7.04	10.76
Wilshire 5000 Cap Wtd	2.15	16.17	23.96	10.74	15.17	7.64	10.11
MSCI ACWI	2.10	20.22	23.86	8.51	11.40	4.26	9.34
MSCI ACWI ex US	1.89	23.91	24.20	6.20	7.77	1.38	9.11
MSCI EAFE	1.53	22.31	24.01	6.58	9.01	1.58	8.48
MSCI EAFE Local Currency	2.97	14.95	21.67	9.54	13.16	3.16	7.60
MSCI EAFE Growth	2.28	25.66	24.09	8.01	9.69	2.32	8.32
MSCI EAFE Value	0.78	19.16	23.89	5.06	8.27	0.77	8.55
MSCI Emerging Markets	3.51	32.64	26.91	6.08	5.21	0.93	12.65
Fixed Income							
BofA ML 1-3 Yr Treasury	-0.06	0.62	0.24	0.65	0.63	1.66	2.05
BloomBar US Aggregate	0.06	3.20	0.90	2.40	2.04	4.19	4.26
BloomBar Gov't Bond	-0.11	2.13	-0.62	1.65	1.26	3.52	3.61
BloomBar US Credit	0.34	5.43	3.18	3.62	3.07	5.45	5.47
BloomBar 10 Yr Municipal	0.22	5.51	2.23	3.24	3.17	4.97	4.75
BloomBar US Corp High Yield	0.42	7.45	8.92	5.56	6.27	7.82	9.52
Citigroup World Govt Bond	-0.54	5.81	0.23	0.79	-0.41	2.73	4.27
BloomBar Global Aggregate	-0.38	5.85	1.18	1.17	0.43	3.11	4.41
BloomBar Multiverse	-0.36	6.16	1.74	1.42	0.70	3.29	4.64
Real Assets							
NCREIF Property	0.00	5.08	6.90	9.83	10.35	6.23	9.01
NFI ODCE Net	0.00	4.72	6.69	9.83	10.56	4.08	7.29
FTSE NAREIT US Real Estate	-0.96	2.67	5.67	6.10	9.66	5.61	11.11
Bloomberg Commodity	2.14	-0.79	2.35	-9.54	-9.37	-6.93	-0.10
Cash and Equivalents							
US T-Bills 90 Day	0.09	0.66	0.72	0.35	0.24	0.45	1.29

Definitions

Bloomberg Barclays Capital Aggregate
The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index
The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr
The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index
This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index
The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index
The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II
The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index
The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is compromised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index
The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index
The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)
The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index
The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index
The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index
The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index
The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index
Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index
The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index
The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index
The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index
The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index
The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index
The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500
Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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