

MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / OCTOBER 2017

October 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, strategists are calling for a stock market correction. It is important to remember that historically stock market downturns over 10% occur on a regular basis and daily price swings have averaged almost 1.5%. 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

elects 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 by investors.

Economic Data

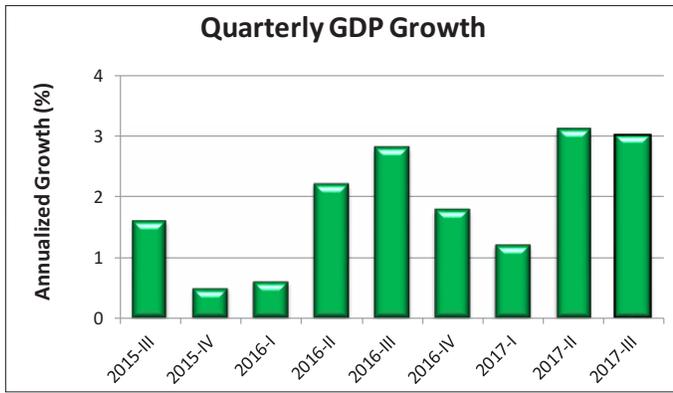
General	Prior	Current
GDP growth	3.1% (Q2)	3.0% (Q3)
Trade balance	-\$42.8B (Aug)	-\$43.5B (Sep)
Employment	Prior	Current
Initial jobless claims	234,000 (10/21)	229,000 (10/28)
Continuing claims	1.88MM (10/21)	1.90MM (10/28)
Change in non-farm payrolls	18,000 (Sep)	261,000 (Oct)
Unemployment rate	4.2% (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)
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)



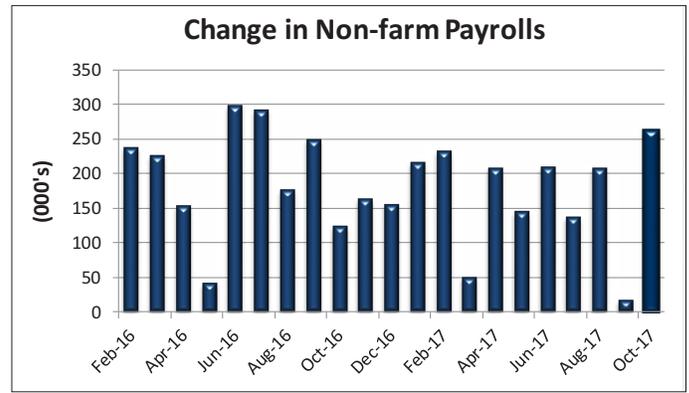
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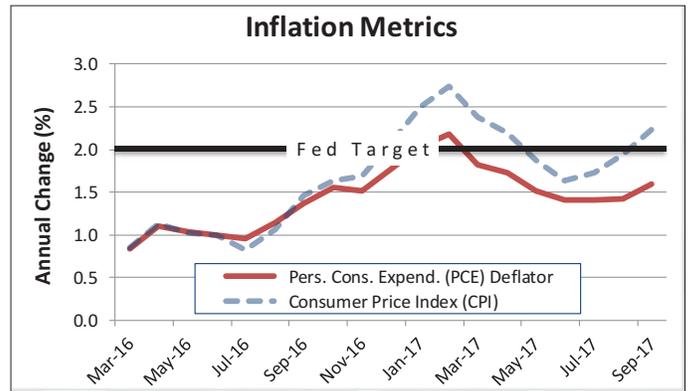
U.S. Bureau of Economic Analysis



U.S. Bureau of Labor Statistics



Institute for Supply Management



U.S. Bureau of Labor Statistics & Econ. Analysis

Market Returns

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

Morningstar

	October 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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