MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / FEBRUARY 2018

February Summary

The S&P 500 index declined in February for the first time in 16 months. A streak of this duration is unprecedented dating back to 1970! Considering this record, and the minimal volatility that went along with it, it is little wonder why investors felt shell shocked by an 8.5% decline over just six trading days to start the month. While gut wrenching, the decline should be considered within the broader context of previous market gains. January's gain of 5.7% established 2018 as the strongest annual start for U.S. stocks in nearly 30 years. Likewise, despite February's overall loss of 3.7%, the S&P 500 finished the first two months of 2018 in the positive camp by 1.8%, hardly a catastrophe.

Hints of inflation and a corresponding rise in interest rates were the culprits behind the stock market's new bout with volatility. More specifically, January wage inflation of 3.9% was a post recession high, and the yield on the 10 year U.S. Treasury Note rose to a four year high. Higher interest rates can translate into lower asset prices, and inflation erodes the purchasing power of money over time. Both can also be an indication of an accelerating economy. While economic expansion is a positive, investors often become concerned about the potential for restrictive monetary policy. For this reason, investors have now migrated to the paradoxical mindset that good news is bad and vice versa.

As for other economic news, the picture is generally positive, but somewhat mixed. The labor market remains quite positive, including initial jobless claims recently hitting a 49 year low. At the same time, some weakness has surfaced in housing, manufacturing, and consumer spending. Likewise an exploding trade deficit has been a drag on U.S. GDP growth. Importantly, rising trade deficits merely reflect strong growth relative to global trading partners. That's not a bad thing and neither are

Economic Data

General	Prior	Current
GDP growth	3.2% (Q3)	2.5% (Q4)
Trade balance	-$50.4B (Nov)	-$53.1B (Dec)
Employment	**Prior**	**Current**
Initial jobless claims	220,000 (2/17)	210,000 (2/24)
Continuing claims	1.87MM (1/20)	1.93MM (2/17)
Change in non-farm payrolls	160,000 (Dec)	200,000 (Jan)
Unemployment rate	4.1% (Dec)	4.1% (Jan)
Average weekly hours	34.5 (Dec)	34.3 (Jan)
Consumer	**Prior**	**Current**
Consumer confidence index (Conference Board)	124.3 (Jan)	130.8 (Feb)
Retail sales growth	0.0% (Dec)	-0.3% (Jan)
Change in consumer credit	$31.0B (Nov)	$18.5B (Dec)
Manufacturing & Service	**Prior**	**Current**
ISM manufacturing index	59.3 (Dec)	59.1 (Jan)
ISM non-manufacturing index	56.0 (Dec)	59.9 (Jan)
Durable goods orders growth	2.6% (Dec)	-3.7% (Jan)
Industrial production growth	0.4% (Dec)	-0.1% (Jan)
Capacity utilization	77.7% (Dec)	77.5% (Jan)
Real Estate	**Prior**	**Current**
New home sales	643,000 (Dec)	593,000 (Jan)
Existing home sales	5.6MM (Dec)	5.4MM (Jan)
S&P CoreLogic CS home price index (YoY)	6.1% (Nov)	6.3% (Dec)
Inflation	**Prior**	**Current**
Consumer price index/Core (YoY growth)	2.1%/1.8% (Dec)	2.1%/1.8% (Jan)
Producer price index/Core (YoY growth)	2.6%/2.3% (Dec)	2.7%/2.5% (Jan)

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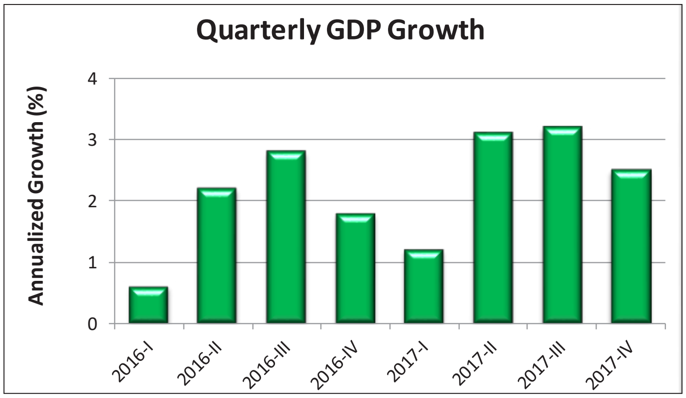
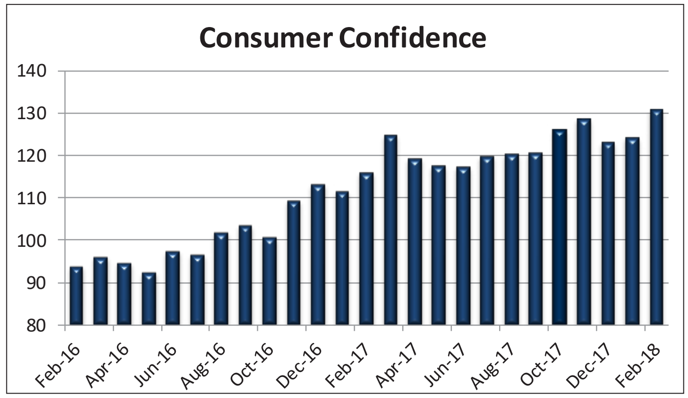
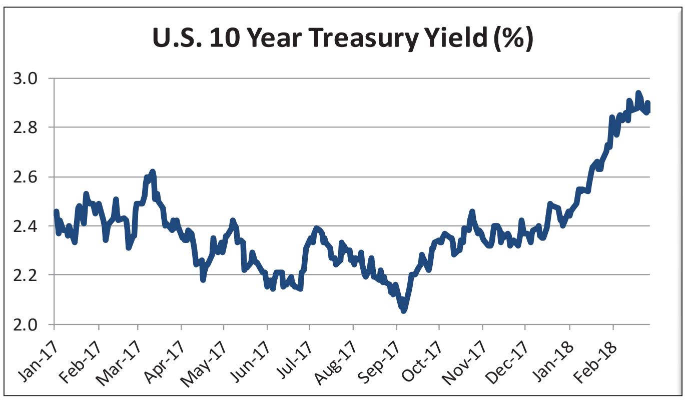
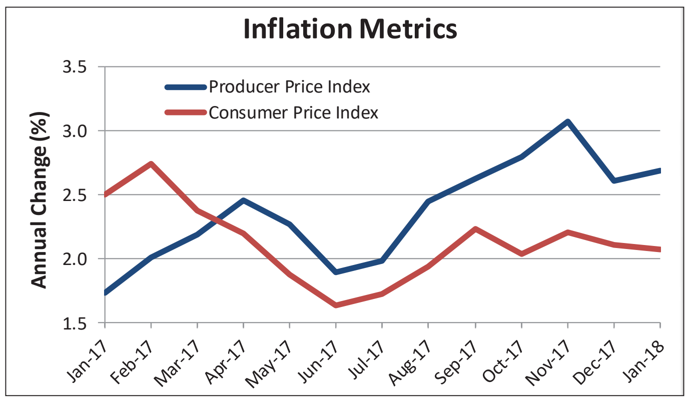
trade deficits for that matter. Allowing each economy to do what it does best, the law of comparative advantage, as economists call it, drives the most efficient use of global resources. This, in turn, fosters global growth and higher living standards. For this reason, the Trump administration's late February move to initiate tariffs on primary metal imports was greeted unfavorably by investors.









Market Returns

	Feb 2018	YTD 2018
Cash and Fixed Income		
Barclays Aggregate Bond	-0.9%	-2.1%
Barclays Municipal Bond	-0.3%	-1.5%
Barclays Gbl Agg. ex. U.S.	-0.8%	2.2%
Alternatives		
Bloomberg Commodity	-1.7%	0.2%
DJ US Real Estate	-6.7%	-9.3%

	Feb 2018	YTD 2018
Domestic Equities		
Wilshire 5000	-3.7%	1.4%
S & P 500	-3.7%	1.8%
Russell 2000	-3.9%	-1.4%
International Equities		
MSCI EAFE (Developed)	-4.5%	0.3%
MSCI EM (Emerging)	-4.6%	3.3%

Disclaimers

Disclaimers: Source for economic data: Bloomberg. Source for market returns: Morningstar. This commentary was written by Robert Lamberti, CFA, VP and Co-CIO and Daniel Cohen, Senior Investment Analyst at Summit Equities, Inc. and Summit Financial Resources, Inc. Source of performance: Morningstar®. Indices are unmanaged and cannot be invested into directly. The investment and market data in this newsletter is not an offer to sell or purchase any security or commodity. Past performance does not guarantee future results. The *Bloomberg Barclays U.S. Aggregate Bond Index* is a market capitalization-weighted index comprising Treasury securities, Government agency bonds, mortgage backed bonds, corporate bonds, and some foreign bonds traded in the U.S. *The Bloomberg Barclays Municipal Bond Index* covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The *Bloomberg Barclays Global Aggregate Ex U.S. Index* measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities. The *Bloomberg Commodity Index* measures the performance of the commodity sector representing an unleveraged, long-only investment in commodity futures that is broadly diversified, and primarily liquidity weighted. The *Dow Jones U.S. Real Estate Index* measures the performance of the real estate sector of the U.S. equity market. It includes companies in the following industries: real estate holding and development and Real Estate Investment Trusts. The *Wilshire 5000 Total Market Index* measures the performance of all U.S. headquartered equities with readily available price data. It is market capitalization-weighted and is designed to track the overall performance of the U.S. stock market. The *S&P 500 Index* is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. 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. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The *MSCI EAFE Index* (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. 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. Information throughout this Newsletter or any other statement(s) regarding markets or other financial information are obtained from sources which we and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the reader. Opinions expressed are subject to change without notice and are not intended to be investment advice or a guarantee of future performance. Consult your financial professional before making any investment decision. Securities and Investment Advisory Services offered through Summit Equities, Inc. Member FINRA/SIPC, and Financial Planning Services offered through Summit Equities, Inc.'s affiliate Summit Financial Resources, Inc. 4 Campus Drive, Parsippany, NJ 07054. Tel. 973-285-3600, Fax: 973-285-3666.

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