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At-A-Glance

- The S&P 500 recorded its best one-quarter performance of 2016.
- The MSCI Emerging Markets Index posted its biggest quarterly return since 2012.
- Oil posted its biggest monthly gain since April, after OPEC agreed to cut oil production for the first time in eight years. WTI crude oil futures rose 6.47% last month, extending its YTD gain to 30.24%.

The S&P 500 posted its seventh consecutive monthly gain, its longest winning streak since June 2014, while a surge in technology shares drove the index to its fourth straight quarterly gain. Technology sector companies rallied nearly 13% during the quarter, beating the S&P 500 by the widest margin since the bull market began in March 2009. As risk appetites increased during the quarter, shifting away from traditional safer havens such as utilities, market strategists said the rotation into sectors more dependent on growth suggests an overall improved outlook on the U.S. economy. The rebound in riskier sectors stands in contrast to quiet market conditions during much of the early summer. After reaching a new all-time in early July, S&P 500 equities traded 43-days without out a move of 1% or greater, the longest period since July 2014. Nevertheless, weaker-than-forecast economic data on manufacturing and services activity, together with softening home sales, have raised concerns that the pace of fourth quarter growth could slow. Even so, the Federal Reserve's decisions to hold rates steady in July and September helped lift investor sentiment during the quarter.

Small-cap U.S. companies outperformed both large- and mid-cap stocks during the month, quarter and year-todate (YTD). The Russell 2000 Index, a broad measure of small-cap equity performance, rallied 1.11% last month, and gained 9.05% and 11.46% respectively during the quarter and YTD. Mid-cap stocks rose 0.20% in September, while advancing 4.52% in the third quarter and 10.26% so far this year. Growth-oriented stocks outperformed value stocks during the month and quarter, while value stocks continued to outperform YTD. The Russell 1000 Growth Index rose 0.37% in September, gained 4.58% during the quarter and returned 6.00% YTD. The Russell 1000 Value Index declined 0.21% last month, gained 3.48% in the third quarter and advanced 10.00% YTD.

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Market Monitor

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MORE MONEY - 9 of the 10 highest paying bachelor degrees by salary potential for college graduates in 2016 were engineering degrees, including Petroleum Engineering and Systems Engineering (source: PayScale.com).

BLAME IT ON LOW OIL PRICES - Saudi Arabia is projecting a sovereign budget deficit in 2016 that will be equal to 13% of the size of the Saudi economy (source: Financial Times).

HERE AT HOME - At the depths of the global housing crisis that began in 2008, the United States had a budget deficit in fiscal year 2009 that was equal to 9.8% of the size of the American economy (source: OMB).

Within the S&P 500, seven of the 11 major sector groups posted third quarter gains, led by Technology (+12.86%), Financials (+4.59%), and Industrials (+4.14%). Utilities (-5.91%), Telecom (-5.60%), and Consumer Staples (-2.63%) fell the most during the quarter. Real Estate (-2.09%), which became its own sector within the S&P 500 on September 17th , also lagged last quarter. All 11 sectors advanced on a YTD basis, with Energy (+18.72%), Telecom (+17.86%), and Utilities (+16.13%) the best performers, followed by Technology (+12.51%). Healthcare (+1.37%) and Financials (+1.40%) are up the least this year.

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, outperformed domestic equities in September and during the quarter, while trailing YTD. The MSCI EAFE rose 1.23% last month, rose 6.43% in the third quarter and gained just 1.73% YTD. Continuing to benefit from low U.S. interest rates, the MSCI Emerging Markets Index outperformed domestic markets in all three time periods, gaining 1.29%, 9.03%, and 16.02% respectively. Emerging markets posted their best quarter since 2012.

Turning to bonds, after two positive quarters, U.S. Treasuries, as measured by the Barclays U.S. Government Bond Index, declined 0.25% in the third quarter, trimming its YTD gain to 4.96%. Treasury note prices were quiet in September, and eased during the quarter. The yield on 10-year Treasury notes gained 12.4 basis points in the third quarter, ending at 1.595%.

Investment grade bonds of all types, as measured by the Barclays U.S. Aggregate Bond Index, fell 0.06% last month, modestly reducing third quarter and YTD gains to 0.46% and 5.80% respectively. Higher-rated corporate bonds outperformed Treasuries last quarter, with the Barclays U.S. Corporate Investment Grade Bond Index gaining 1.41% and returning 9.20% YTD. At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, which measures returns of below-investment grade corporate bonds, gained 0.67% in September, capping the third quarter with a 5.55% return. High yield bonds have surged 15.11% YTD. The Barclays Municipal Bond Index lost 0.50% in September and 0.30% last quarter, reducing its YTD gain to 4.01%.

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