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Market Monitor



- Including dividends, the S&P 500 posted its 12 th straight monthly gain and reached 11 new all-time highs in October, capping its 50th record-setting closing high this year.
- U.S. oil prices rose 4.7% in October, rising to an 8-month high of \$54.38/barrel.
- Foreign equity markets continued to outperform the U.S. in October and year-to-date.

Stocks posted strong gains in October, with all three major domestic equity indices registering their best monthly gains since February, as investors embraced improved prospects for tax cuts, robust economic data and outsized corporate profits. Relative to the two other primary U.S. benchmarks, the Dow Industrials posted the strongest October gain, adding 972-points for a 4.44% total return. The NASDAQ Composite advanced 3.62% last month, finishing October at a new record high for the 62 time this year, while extending its year-to-date gain to over 26%. Investor sentiment was boosted by an advance report showing the economy expanded at a 3% annualized pace during the third quarter, topping projections for a 2.6% increase. Together with the 3.1% expansion during the second quarter, it is the strongest two-quarter GDP growth since 2014. The third quarter earnings reporting season is nearly two-thirds complete, with 71% of S&P 500 reporting companies announcing results above analysts' projections. This compares favorably to a 68% beat-rate average over the past three years. Finally, the S&P 500 is trading at 18.8X its next 12-month estimated earnings, which S&P Dow Jones Indices notes is a 15% valuation premium to its 16.3X average since 2000.

Within the S&P 500, 7 of its 11 major sectors advanced in October, led by Technology (+7.76%), Utilities (+3.90%) and Materials (+3.87%). Telecom (-7.62%) and Consumer Staples (-1.40%) declined the most last month. On a YTD basis, Technology (+37.24%), Materials (+20.30%) and Healthcare (+19.39%) remain this year's best performing sectors, while Telecom (-11.95%) and Energy (-7.25%) once again are the only sectors that remain negative in 2017. Large cap stocks, as measured by the S&P 500, performed best in October, widely outperforming small and mid cap companies. Small cap companies, as measured by the Russell 2000 Index, rose 0.85% last month, while the Russell Mid Cap Index gained 1.67%. Large cap stocks also gained the most year-to-date, up 16.91% versus 13.60% for mid caps and 11.89% for small caps. Growth stocks outperformed value stocks in October, with the Russell 1000 Growth Index up 3.87%, while the Russell 1000 Value Index rose 0.73%. The outperformance in growth stocks continued to widen in 2017, with growth shares advancing 25.40% YTD, while value stocks trailed with an 8.70% YTD gain.

In international equities, the MSCI EAFE Index, a broad performance measure of global developed markets outside the U.S. and Canada, underperformed relative to domestic equities in October, rising 1.52%. In U.S dollar denominated performance, Japan's Nikkei 225 Index advanced 7.12%. Also in contrast, the MSCI Emerging Markets Index outperformed the U.S., posting a 3.51% gain last month and 32.26% YTD. The MSCI All Country World Index excluding the U.S. rose 1.89% in October and 23.92% YTD.

Turning to bonds, prices on benchmark 10-year U.S. Treasury notes declined in October, sending its yield down 4.6 basis points to end the month at 2.38%. The Bloomberg Barclays U.S. Municipal Bond Index gained 0.24% last month, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index. The Aggregate Bond Index, a broader measure of U.S. investment grade bonds, rose just 0.06%. At the other end of the credit risk spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, gained 0.42% in October, extending its YTD gain to 7.45%.

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