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Ahh…October! What a month to be a sports fan, any sport's fan. Baseball, Football, Basketball, Hockey, and even NASCAR - October has all the bases covered (ba-da-chh!). This year, October has the potential to be even sweeter than your average October as there are three possibilities for a "sports equinox" to occur. A sports equinox is when all four major US leagues (MLB, NFL, NBA, and NHL) play at least one game on the same day; and such an occurrence this October would be just the 17th on record. Of course, the most notable of sporting events to fall in the month of October is the World Series. The playoffs are already underway, and as the games unfold over the next few weeks, it will ultimately be the team that wins the most games that will be named the 2017 champ.

This concept of outperformance (or winning) leading to a top rank (champion), is intuitive to all of us, sports fan or not. After all, there is a reason people are more likely to put money on teams with winning records versus losing records. Past leadership is often a positive indication of future outperformance, and that is not only true of competitive sports. In fact, this is the same logic we strive to apply within our portfolios through Relative Strength investing.

Relative Strength is nothing more than a means of ranking securities based on comparative performance. Said another way, we can compare the daily price movement of two or more securities and identify the securities that are "winning" or outperforming others. We then aim to invest in the areas of the market with the highest Relative Strength rankings. Just as sports teams may rotate in and out of favor (look no further than the Astros, which after nearly a decade of defeat have made it through the first round of the playoffs getting one step closer to the World Series), so too can asset classes, sectors, and even individual stocks. The beauty of the Relative Strength process is that as areas of the market begin to underperform, they will fall lower in the rankings, and true laggards will be sold out of the portfolio. In short, the process helps us adapt to ever-changing markets.

Moving forward into the last quarter of 2017, we know the following "stats" to be true of the market:

- Volatility remains at historic lows, and US stocks continue to move to new highs.
- Domestic Equities remain the top ranked asset class, although after notable improvement this year, International Equities come in at a close second. The other major asset classes (Fixed Income, Cash, Commodities, and Currencies) all sit well below the equity groups as they have for much of the year.
- Within US Equities, we find sectors like Technology, Financials, Industrials and Basic Materials atop the leaderboard, each offering additional upside potential.
- While Large Cap stocks (names like Apple, Microsoft, Facebook, and Amazon) have been responsible for a big portion of the major market index gains so far this year, Small and Mid Cap stocks have picked up momentum over the last several weeks.
- Interest Rates have rebounded off of their lows from September, but remain well below highs set early in the year. This relative instability has pointed toward opportunity in "non-traditional" areas of the bond market. Convertibles and International Bonds are the current leaders in this space.

We will continue to monitor your portfolios, and make any necessary changes as leadership changes within the market. If you would like to become more familiar with my investment process and the tools I use to identify market leadership across major asset classes and within asset classes, please contact me at your convenience.

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.

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