Weekly VANTAGE POINT

Nov 6-10, 2017 Recap

Dow, S&P Snap Eight-Week Winning Streak

November 13, 2017 – U.S. stocks finished slightly mixed last Friday, with the S&P 500 and Dow Industrials posting their first weekly losses in more than two months and the NASDAQ Composite ended a run of six straight weekly gains. Investors turned skittish after Republicans made little progress towards passing tax cuts with the Senate version differing from the House version, especially regarding the timing for corporate tax cuts. This, in turn, triggered weakness in small cap stocks, which would benefit the most from a corporate rate cut. Most losses occurred on Thursday and Friday, after all three major U.S. equity indices closed at new record highs on Wednesday. Trading volume was relatively slow, as many banks were closed for Veterans Day.

In key economic data, new claims for unemployment benefits rose by 10,000 last week to 239,000, while the less volatile four-week average is at 231,000, notably lower than 256,000 at this time last year. The pace of wholesale activity growth slowed in September, as inventories rose by 0.3% from a 0.8% gain in August, while wholesale sales rose 1.3%, down from a 1.9% increase the month prior. The University of Michigan's preliminary reading of consumer sentiment for November unexpectedly fell by the most in a year, falling to 97.8 from 100.7. Despite the pullback, the reading was the second-highest since the beginning of the year. Lastly, consumer credit surged to a record in September, rising the most in almost a year (+$20.8B) to $3.79 trillion.

For the week, the S&P 500 and NASDAQ Composite both declined by 0.14%, while the Dow Industrials lost 0.50%. Small caps in the Russell 2000 Index slumped, falling 1.29% for a third week of declines. Within the S&P 500, Financials (-2.64%), Telecom (-1.35%) and Materials (-1.21%) fell the most, while Real Estate (+3.28%), Consumer Staples (+2.09%) and Energy (+1.34%) led among gainers. U.S. crude oil prices extended gains for a fifth week, up 1.97% to end at $57.74/barrel. Gold futures also climbed higher last week, rising 0.45% to end the week at $1,275.47/oz. The U.S. Dollar Index weakened by 0.58%, ending the week at 94.391, while Treasury prices retreated, sending the yield on 10-year Treasury bonds up 6.6 basis points to 2.399%.

What We're Reading

Last Minute Requests on Tax Cuts ↗

Saudi King Won't Relinquish Throne↗

BlackRock: No Need for Hysteria ↗

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Week's Economic Calendar

Monday, Nov 13: Treasury Budget;

Tuesday, Nov 14: Small Business Optimism, Producer Prices;

Wednesday, Nov 15: Consumer Prices, Retail Sales, Empire State Mfg., Business Inventories;

Thursday, Nov 16: Jobless Claims, Philly Fed Business Outlook, Import/Export Prices, Housing Market Index;

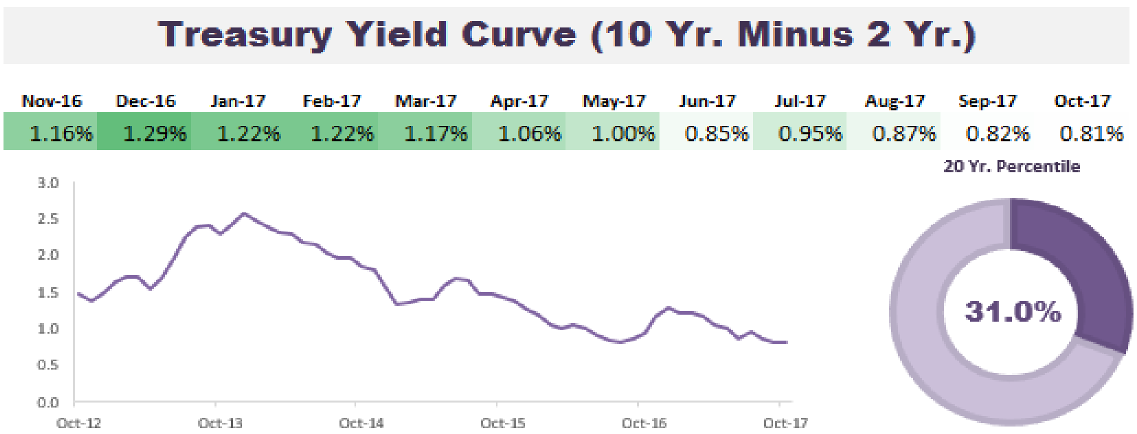
Friday, Nov 17: Housing Starts, e-Commerce Retail Sales.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-0.50%	0.19%	7.22%	18.52%	24.55%	9.96%
S&P 500	-0.14%	0.37%	6.42%	17.33%	21.59%	10.50%
NASDAQ Composite	-0.14%	0.41%	8.87%	26.58%	31.08%	14.55%
Russell 3000	-0.25%	0.15%	6.62%	16.57%	21.44%	10.22%
MSCI EAFE	-0.40%	-0.09%	4.26%	21.67%	24.74%	6.17%
MSCI Emerging Markets	0.22%	0.86%	7.22%	33.39%	31.81%	6.64%
Bonds						
Barclays Agg Bond	-0.40%	-0.24%	-0.11%	2.95%	2.01%	2.36%
Barclays Municipal	0.24%	0.36%	0.41%	5.30%	3.40%	3.25%
Barclays US Corp High Yld	-0.77%	-0.78%	1.13%	6.62%	9.09%	5.33%
Commodities						
Bloomberg Commodity	0.49%	1.30%	4.76%	0.50%	4.98%	-8.83%
S&P GSCI Crude Oil	2.32%	4.69%	16.86%	5.98%	25.92%	-9.73%
S&P GSCI Gold	0.66%	0.56%	-0.97%	10.94%	0.68%	3.27%

Chart of the Week:: Continued Growth Expected, Despite Below-Average Spread

Chart 1



Sources: Tower Square Investment Management, Federal Reserve Bank of St. Louis.

Chart 1 illustrates the difference (spread) between the yields of the 10-Year and 2-Year Treasury notes, which is often referred to as the "10-Year/2-Year spread." The metric is usually an early and reliable predictor of an upcoming recession.

Under normal conditions, the 10-Year/2-Year spread is positive, as investors demand a higher risk-premium for longer-term bonds. Yield spreads are usually wider early in an economic recovery, and narrow as growth sets in. As the onset for a recession becomes more likely, spreads tend to move toward zero or turn negative. This occurs because in periods when economic growth slows, inflation decreases and demand for credit declines, pushing long-term rates lower.

Over the last 40 years, the average 10-Year/2-Year spread has stood at 0.97%, and for the last 20 years the historical average is 1.30%. The last month-end reading of 0.81% is below average - the spread has only been this low 31% of the time over the last 20 years. This is consistent with the current stage of the economy, which may be characterized as continuing a late-cycle expansion when spreads typically are lower. We believe the recent spread levels indicate continued growth.

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Glossary

*The **Barclays U.S. Treasury: U.S. TIPS Index** includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.*

*The **Bloomberg Barclays US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly*

*The **Bloomberg Barclays U.S. Corporate (Investment Grade) Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US private-sector industrial, utility and financial issuers. Certificates of deposit are also included. Launched in July 1973, securities included must be rated investment grade (Baa3/BBB-/BBB- or higher). Eligible senior and subordinated corporate securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 10.75 years. The index is unhedged and rebalances monthly.*

*The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.*

*The **Bloomberg Barclays US Municipal Bond Index** covers the USD-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. Many of the subindicies of the Municipal Index have historical data to January 1980. In addition, several subindicies based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly*

*The **Bloomberg U.S. Treasury Floating Rate Bond Index** is a rules-based, market value-weighted index engineered to measure the performance of floating rate U.S. Treasury bonds. The index inception date is January 31, 2014—the first month-end following the U.S. Treasury's issuance of a floating rate bond. Historical performance and characteristics are available from January 31, 2014, when floating rate notes were offered and first traded, the first new Treasury security since the introduction of Treasury-Inflation-Protected Securities (TIPS) in 1997.*

*The **Bloomberg Barclays US Convertible Bond > $500MM Index** is designed to represent the market of US convertible securities, such as convertible bonds, with outstanding issue sizes greater than $500 million.*

*The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.*

*The **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Introduced in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.*

*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The SMCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy , Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.*

*The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.*

*The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index*

*The **NASDAQ-100 Index** includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization.*

*The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

*The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

*The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.*

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

***West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts*

*The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008*