



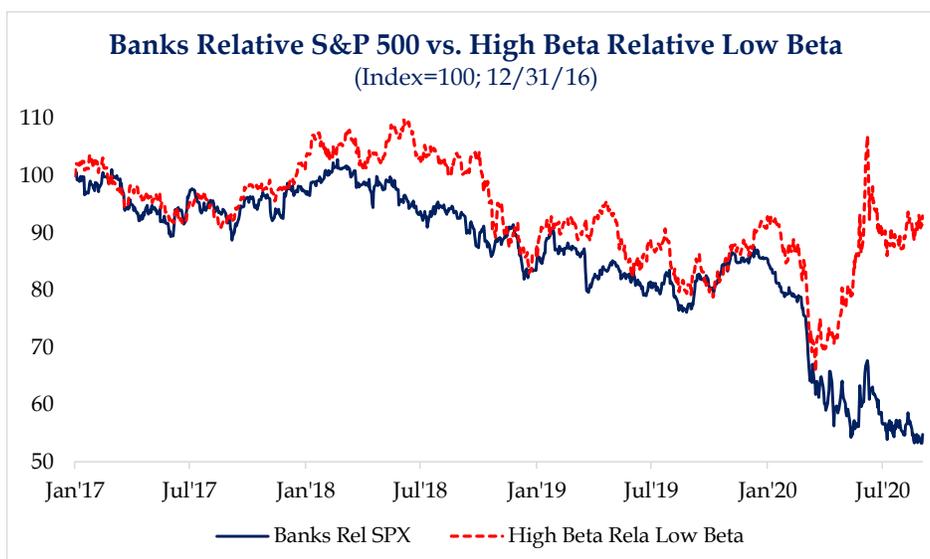
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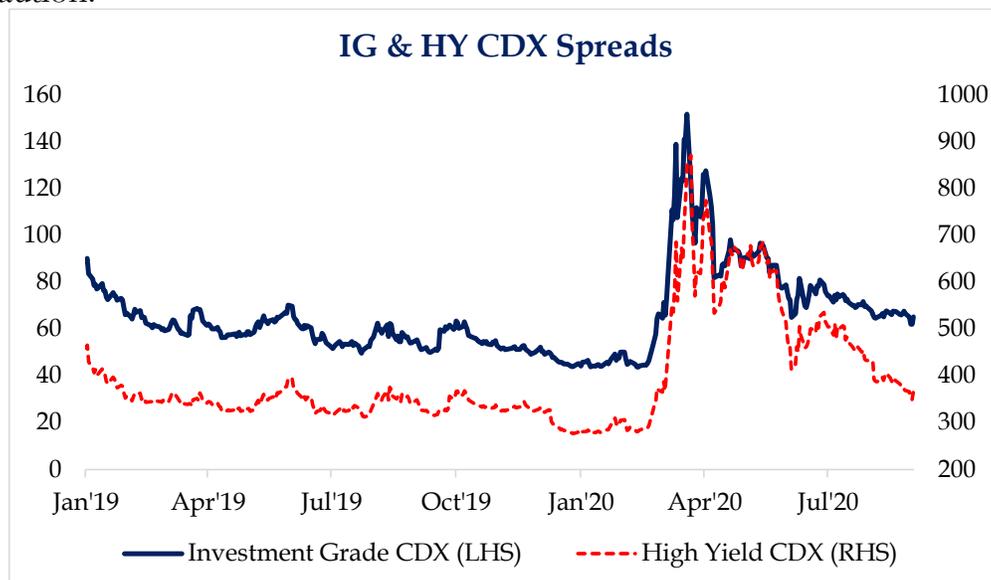
Weakness From Banks Hinders High Beta

Within the S&P High Beta Index, the Financials account for a roughly 30% weight. As a result, this led to High Beta being an outperformer on the day versus the market and its Low Beta peers. What remains frustrating is the inconsistency from the sector, and more specifically, the banks. Until something changes, the continued weakness from the Financials will hinder High versus Low Beta, a key barometer for risk appetite.



Credit Bears Watching

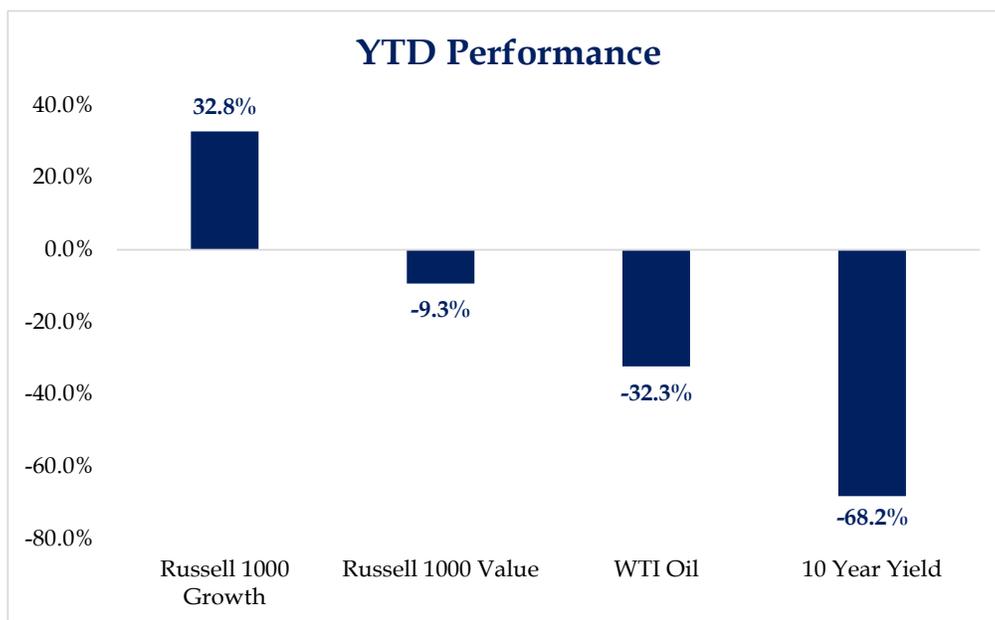
Following a sharp move lower by the broad market and an especially ugly day for Technology and Growth, it remains key to evaluate credit for clues on how serious of a move lower this could evolve into. Extensive stress exhibited by IG and HY CDS spreads widening over coming days and weeks would warrant caution.



Please see the Appendix for important disclosures.

Real Economy Reflected In Value Shares

Growth shares are having a fantastic year. However, value shares, more closely aligned to the current state of the real economy, have not fared as well. Financials and Energy account for nearly 30% of the weighting in the Russell 1000 Value. Without a material catalyst to get bond yields, more importantly the 2/10s curve, steeper/higher or oil prices to rebound further it would appear that yesterday's relative outperformance to growth shares is a blip and not a trend change.



Unprecedented Outperformance, Time For a Breather?

Although the relative outperformance for value over growth during yesterday's sell off was impressive it's important to keep things in perspective. One day does not change a trend and as eluded to in the point above the macro backdrop for value to work is not present at this point in time. There have been multiple blips during the past decade for growth's outperformance of value but they have been head fakes every time.



APPENDIX – IMPORTANT DISCLOSURES

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