Weekly
VANTAGE POINT

Aug 28-Sep 1, 2017 Recap

Best Week of the Year for NASDAQ Composite

September 5, 2017 – U.S. stocks advanced for a sixth straight day on Friday, as investors took solace that a weak August payrolls report would likely prompt the Federal Reserve to hold off raising interest rates in September. Nonfarm payrolls rose by 156,000, shy of economists' 180,000 consensus forecast, while revisions for the prior two months subtracted 41,000 jobs. Payroll wages rose just 0.1%, below projections and down from a 0.3% July increase, while separate data showed the unemployment rate inched higher to 4.4% from 4.3%. Investors' disappointment with the jobs reports was offset by a jump in consumer sentiment, which rose to a three-month high, as well as separate readings of manufacturing activity that expanded last month. The ISM factory index climbed from 56.3 to 58.8 in August, the fastest pace of expansion in six years.

In other key economic data last week, second quarter GDP growth was upwardly revised from 2.6% to 3.0%, the fastest pace of economic growth in two years. Consumer spending was key in the GDP revision, rising from 2.8% to 3.3%. Home prices rose more than expected last month, with prices revised higher for May. National home prices rose 5.8% from a year ago, the most since June 2014. Wholesale inventories rose more than expected last month, while retail inventories declined slightly. Personal incomes rose 0.4% in July, the most since February and followed an unchanged reading in June. Lastly, construction spending contracted in July, falling to the lowest level since October 2016.

For the week, the S&P 500 rose 1.43%, the Dow Industrials gained 0.80% and the NASDAQ Composite surged 2.73%, its best week of the year, closing at an all-time high. Small caps were also top performers, with the Russell 2000 Index posting a weekly gain of 2.66%. Within the S&P 500, 8 of its 11 major sector groups posted gains last week, led by Healthcare (+2.98%), Technology (+2.23%) and Materials (+1.94%). Telecom (-1.28%), Utilities (-0.57%) and Financials (-0.01%) lagged. U.S. crude oil prices declined by 1.2% for a second week of losses, while gasoline prices fell for the first time in nearly two weeks. Gasoline prices rose by 25% in August amid shortages caused by Hurricane Harvey. The U.S. Dollar Index strengthened slightly, finishing at 92.814. Treasury prices were unchanged last week, holding the yield on 10-year Treasury notes to 2.167%

What We're Reading

More North Korean Provocations ↗

Fed Should be Cautious on Rates ↗

Hurricane Irma Reaches Category 5 Status ↗

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Week's Economic Calendar

Monday, Sept 4: Labor Day; U.S. Markets closed;

Tuesday, Sept 5: Final July Durable Goods Orders, Factory Orders;

Wednesday, Sept 6: U.S. Trade Deficit, PMI Services Index, ISM Non-Mfg.;

Thursday, Sept 7: Jobless Claims, Worker Productivity & Costs;

Friday, Sept 8: Wholesale Trade.

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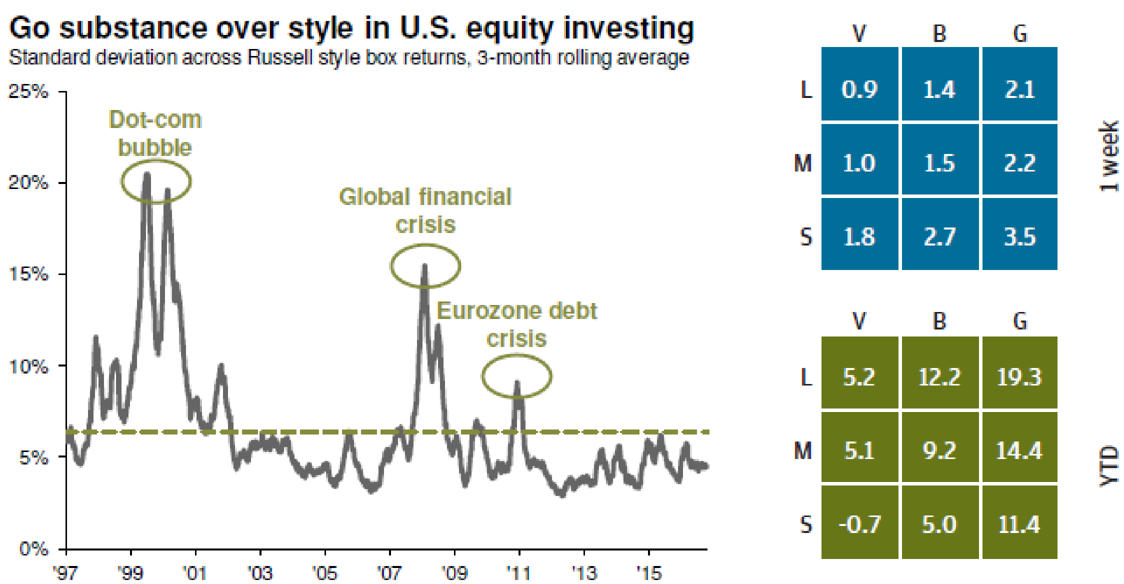
Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.80%	0.18%	3.99%	11.26%	19.39%	8.74%
S&P 500	1.43%	0.20%	2.43%	12.16%	16.49%	9.62%
NASDAQ Composite	2.73%	0.10%	3.30%	20.47%	24.54%	13.33%
Russell 3000	1.58%	0.26%	2.33%	11.48%	16.35%	9.17%
MSCI EAFE	0.57%	0.40%	2.79%	17.51%	17.49%	2.97%
MSCI Emerging Markets	0.64%	0.34%	9.43%	28.73%	25.30%	2.41%
Bonds						
Barclays Agg Bond	0.07%	-0.18%	1.14%	3.45%	0.33%	2.58%
Barclays Municipal	0.11%	-0.02%	1.26%	5.18%	0.97%	3.39%
Barclays US Corp High Yld	0.39%	0.06%	1.16%	6.12%	8.75%	4.79%
Commodities						
Bloomberg Commodity	2.04%	0.38%	3.32%	-2.35%	4.23%	-12.16%
S&P GSCI Crude Oil	-1.21%	0.13%	-2.21%	-11.97%	9.58%	-21.01%
S&P GSCI Gold	2.50%	0.62%	4.75%	15.52%	1.01%	1.10%

Chart of the Week: Substance Over Style

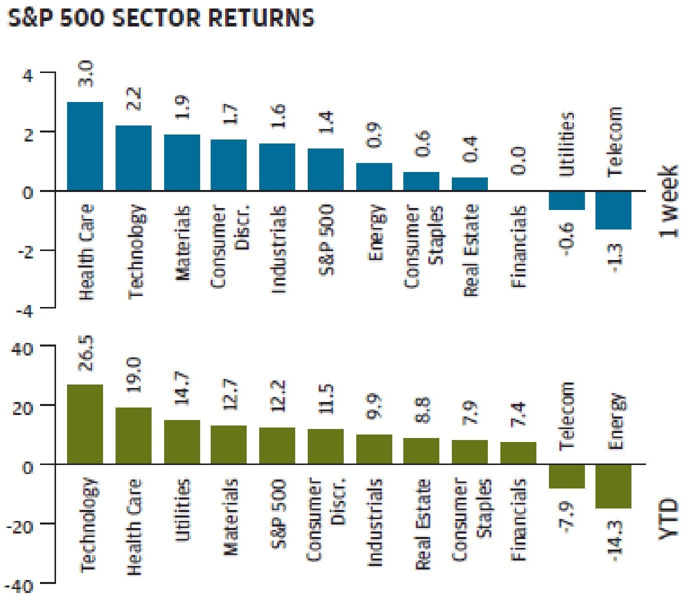
Chart 1



Source:Bloomberg, FactSet, J.P. Morgan Asset Management.

As the largest equity market in the world, the breadth and depth of the U.S. stock market can be intimidating, even for seasoned investors. The complexity of the market has led to a series of classification systems aimed at finding “the method behind the madness” and- late into the expansion and equity bull market- investors have become increasingly focused on "style boxes." While questions of small cap versus large cap or growth versus value seem like compelling ones, the benefits of any particular style box at any particular time are actually relatively muted, according to J.P. Morgan. As shown within Chart 1, the dispersion of returns among style boxes for equity indices is, perhaps surprisingly, quite low. Indeed, in only three major instances over the last 20 years – the dot-com bubble, the global financial crisis and the Eurozone debt crisis - has holding one style box over another paid off in a material way.

Chart 2



Source:Bloomberg, FactSet, J.P. Morgan Asset Management

According to JP Morgan, investors should therefore be wary of solely relying on this classification system and instead consider another: sectors. In a time of changing U.S. monetary policy and accelerating global growth, investors should examine those sectors that benefit from rising rates or international exposure, perhaps tilting toward a more bottoms-up approach. JP Morgan thinks the message is simple: invest in substance, not style.

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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*

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