Weekly
VANTAGE POINT

Sep 11-15, 2017 Recap

A Trifecta of Closing Highs

September 18, 2017 – U.S. stocks advanced last Friday, finishing a strong week with yet another trifecta of all-time closing highs for all three major domestic equity indices. The S&P 500 rallied to end above the 2,500 milestone for the first time, as the benchmark index broke above a month-long trading range as investors shook off effects from Hurricane Irma and North Korea's latest missile launch. The Dow Industrials posted its strongest weekly gain since December 9, 2016. As geopolitical concerns eased, investors shifted focus back to favorable economic fundamentals in which growth remains stable. Small cap stocks also displayed leadership, with the Russell 2000 Index advancing 2.35% last week.

In key economic data, small business optimism edged higher last month, while U.S. job openings rose to a record 6.17 million, up from 6.12 million in July. Producer prices rose 0.2% last month, largely reflecting a jump in gasoline prices, while core wholesale prices that exclude food and energy items rose 0.1%. Retail sales unexpectedly fell 0.2% in August, but sales excluding autos rose 0.2%. A flurry of additional economic readings came in weak, yet Wall Street investors discounted much of the negativity as being related to disruptions caused by last month's Hurricane Harvey. A Federal Reserve report showed that total industrial production fell 0.9% in August and factory output fell 0.3%. Fed officials noted that Harvey curtailed oil refining and chemicals production, negatively impacting overall production by around 0.75%. Lastly, the University of Michigan's preliminary consumer sentiment index for September slipped 1.5 points from 96.8 in August.

For the week, the S&P 500 rose 1.63%, the Dow Industrials gained 2.16% and the NASDAQ Composite saw a 1.41% increase. Within the S&P 500, 10 of its 11 major sector groups registered gains, led by Telecom (+3.89%), Energy (+3.47%) and Financials (+3.35%). Utilities (-0.34%) was the only sector ending with a weekly decline. U.S. crude oil prices jumped nearly 5.1% last week, ending at a five-month high of $49.89/barrel after the International Energy Agency forecast a jump in demand. The U.S. Dollar Index strengthened by 0.57% to finish at 91.872. Treasury prices eased as investors shifted into equities, sending the yield on 10-year Treasury notes up 15.1 basis points to 2.203%.

What We're Reading

On Fed Watch for Balance Sheet Unwind ↗

Military Drills in South Korea ↗

India on Path for Global Growth Leader ↗

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Week's Economic Calendar

Monday, Sept 18: Housing Market Index;

Tuesday, Sept 19: FOMC Meeting Begins, Housing Starts, Import & Export Prices;

Wednesday, Sept 20: Mortgage Applications, Existing Home Sales, FOMC Decisions;

Thursday, Sept 21: Jobless Claims Philadelphia Fed Outlook Survey, Leading Indicators;

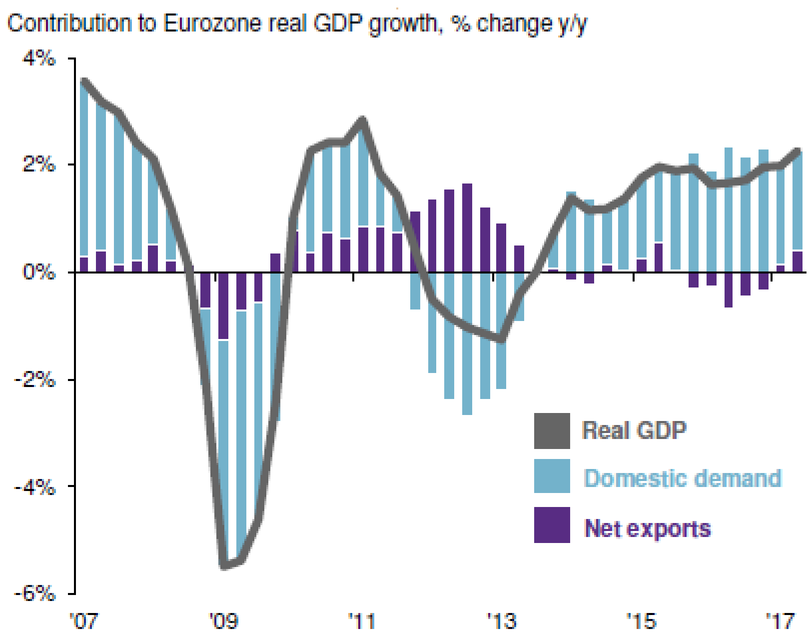
Friday, Sept 22: IHS Market PMI Composite, Atlanta Fed Inflation Survey.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	2.16%	1.46%	4.25%	12.68%	22.29%	9.35%
S&P 500	1.63%	1.25%	3.30%	13.33%	18.88%	10.32%
NASDAQ Composite	1.41%	0.34%	4.87%	20.75%	24.26%	13.92%
Russell 3000	1.70%	1.28%	3.15%	12.62%	18.75%	9.94%
MSCI EAFE	0.56%	1.80%	5.12%	19.15%	20.39%	3.91%
MSCI Emerging Markets	1.05%	1.43%	11.00%	30.12%	26.82%	3.85%
Bonds						
Barclays Agg Bond	-0.50%	-0.23%	0.74%	3.40%	0.90%	2.91%
Barclays Municipal	-0.32%	-0.03%	1.05%	5.17%	1.53%	3.52%
Barclays US Corp High Yld	0.22%	0.39%	1.35%	6.47%	9.60%	5.30%
Commodities						
Bloomberg Commodity	0.53%	0.68%	5.57%	-2.06%	3.29%	-10.83%
S&P GSCI Crude Oil	5.98%	6.80%	12.89%	-6.11%	13.31%	-18.15%
S&P GSCI Gold	-1.92%	0.23%	5.63%	15.06%	0.55%	2.37%

Chart of the Week: Eurozone Recovery Driven by Domestic Demand

Chart 1



Source: Eurostat, Haver Analytics, J.P. Morgan Asset Management.

Growth and earnings expectations have turned more positive in the Eurozone over the past year and a half, supporting the strong equity market performance we have seen across the region so far this year. More recently, this improvement in economic fundamentals in the Eurozone relative to the U.S. has also driven the euro almost 10% higher against the greenback since the end of 2016, causing some concern for European investors and policymakers who believe this may stall the growth trajectory. However, as J.P. Morgan points out in Chart 1, it is important to recognize that the improvement in economic growth in the region has been driven by solid domestic demand, rather than external demand in the form of exports.

Strong consumer confidence amidst a tightening labor market, as well as persistently depressed interest rates, has allowed consumption and investment to rebound after years of stagnation. When it comes to the equity market, this may mean two very different outcomes for companies that are exposed to the domestic recovery story versus those that generate much of their revenue from exports. While J.P. Morgan forecasts both should fare relatively well despite the appreciation in the euro, domestic-oriented companies, more often small cap companies, should continue to benefit more due to their direct exposure to the strengthening fundamental story. This suggests that while the recovery in the Eurozone is broad-based, an allocation to companies in the region should be much more selective.

This report is created by Tower Square Investment Management, LLC.

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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*