

## Most Stocks End September at Record Highs

**October 2, 2017** – U.S. stocks advanced on Friday, sending the S&P 500, NASDAQ Composite and Russell 2000 to new all-time highs, buoyed by strength in Financials after President Trump interviewed former Federal Reserve Governor Kevin Warsh as a potential candidate for the Fed Chairmanship. Financials would stand to benefit from Warsh’s views on deregulation, so his candidacy buoyed banking shares to six-month highs. Also lifting equity sentiment last week, Washington D.C.’s so-called “Big Six” leaders from the White House and Congress released a framework proposal surrounding President Trump’s tax cut plans. All three major U.S. equity averages ended positive for the week, month and quarter.

In key economic data, the Case-Shiller 20-city home price index rose more than expected in July, topping forecasts. Headline home prices are up 5.8% year-over-year, while national home prices have risen 5.9% from a year ago. New and existing home sales both slowed in August, along with a reading of consumer confidence, which eased from the second-highest level since late 2000. Preliminary August durable goods orders climbed 1.7% after falling 6.8% in July. A key sub-category of orders for non-defense capital goods bookings excluding aircraft, a proxy representing business equipment investment, rose 0.9%, topping forecasts. Lastly, Commerce officials revised second quarter GDP slightly higher to 3.1% from 3%. Consumer spending, the largest contributor to economic growth, was unchanged with a 3.3% increase.

For the week, the S&P 500 rose 0.72%, the Dow Industrials gained 0.25% and the NASDAQ Composite advanced 1.09%. Small cap stocks widely outperformed for a second straight week, as the Russell 2000 Index surged 2.83%. Within the S&P 500, 10 of its 11 major sector groups posted gains, led by Energy (+1.87%), Financials (+1.55%) and Technology (+1%). Consumer Staples (+0.05%) rose the least, while Utilities (-0.41%) was the only sector to register a loss last week. U.S. crude oil prices rose 2% last week to \$51.67/barrel, while gold futures retreated 1.33% to \$1280.15/oz. The U.S. Dollar Index strengthened by nearly 1%, trimming a third straight quarterly loss. Treasury prices declined, sending the yield on 10-year Treasury notes up 8.3 basis points last week to 2.334%.

### What We’re Reading

[Atlanta Fed Lifts 3Q GDP Estimates ↗](#)

[U.S Manufacturing Reaches 13-Year High ↗](#)

[‘Big Six’ Tax Framework Details ↗](#)

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### Week’s Economic Calendar

**Monday, Oct 2:** PMI Mfg Index, ISM Mfg Index, Construction Spending;

**Tuesday, Oct 3:** U.S. Motor Vehicle Sales;

**Wednesday, Oct 4:** Mortgage Applications, ADP Private Jobs, PMI Services, ISM Non-Mfg;

**Thursday, Oct 5:** Challenger Job Cuts, U.S. Trade Deficit, Jobless Claims, Factory Orders;

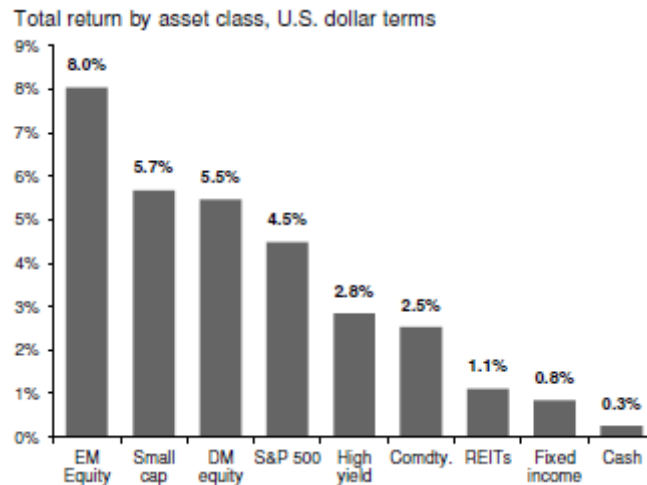
**Friday, Oct 6:** September Non-farm Payrolls, Wholesale Trade, Consumer Credit.

## Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	0.25%	2.08%	5.25%	13.37%	23.51%	9.48%
S&P 500	0.72%	2.06%	4.65%	14.24%	19.57%	10.71%
NASDAQ Composite	1.09%	1.11%	6.01%	21.67%	24.71%	14.31%
Russell 3000	0.89%	2.44%	4.73%	13.91%	19.68%	10.58%
MSCI EAFE	-0.02%	2.49%	4.71%	19.96%	18.77%	4.99%
MSCI Emerging Markets	-1.83%	-0.40%	7.56%	27.78%	21.14%	4.76%
Bonds						
Barclays Agg Bond	-0.10%	-0.48%	0.70%	3.14%	-0.16%	2.68%
Barclays Municipal	-0.32%	-0.51%	1.05%	4.66%	0.80%	3.19%
Barclays US Corp High Yld	0.30%	0.90%	2.01%	7.00%	9.03%	5.97%
Commodities						
Bloomberg Commodity	-0.45%	-0.15%	4.13%	-2.87%	-0.15%	-10.84%
S&P GSCI Crude Oil	1.99%	9.40%	15.00%	-3.82%	8.03%	-18.24%
S&P GSCI Gold	-0.98%	-2.83%	3.13%	11.56%	-3.11%	1.77%

## Chart of the Week: 3Q 2017 Returns Strong Across the Board

Chart 1



Source: Barclays, Bloomberg, MSCI, NAREIT, Russell, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Equity assets rallied in the third quarter, with international stocks again leading the domestic (U.S.) equities. Chart 1 shows that emerging market (EM) equities performed best, up nearly 8% for the third quarter, helped by outsized performance in Latin America. Year-to-date (YTD), emerging market equities are up almost 28%, the strongest asset class return of the year. Developed market (DM) equities also had a strong showing, and while improving economic data and earnings expectations have helped to lift international equities, a weaker U.S. dollar has also helped to boost investor returns.

In the U.S., weak inflation caused investors to doubt the Fed's desire to hike interest rates, leading the Bloomberg Barclays Aggregate Bond Index to return just over 0.8%. In equities, small cap stocks outperformed large caps, with the Russell 2000 returning 5.7% for the quarter and the S&P 500 returning 4.5%, breaking a trend from the second quarter, thanks in part to improving economic data and hints of tax reform. Falling interest rates throughout the quarter helped REITs gain 1.1%, and commodities saw a broad-based resurgence after a weak prior quarter, up 2.5%. J.P. Morgan notes that cash was the worst performer of the quarter and is up only 0.6% YTD, proving that getting invested in something is better than not getting invested at all.

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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 subindices of the Municipal Index have historical data to January 1980. In addition, several subindices 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 MSCI 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 USDY 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