Weekly
VANTAGE POINT

Oct 16-20, 2017 Recap

More Record-Setting Gains on Sixth Weekly Advance

October 23, 2017 – U.S. stocks continued to post new milestones and record highs last week, with the S&P 500 and Dow Industrials posting their sixth consecutive weekly gain. Friday marked the 24th time this year that all three major U.S. equity indices simultaneously closed at all-time highs, and the S&P 500 and Dow Industrials posted record closing highs every day last week, a feat last seen in 1998. The NASDAQ Composite recorded its third all-time high during the week and its fourth straight positive week. The main catalysts moving stocks higher last week were stronger-than-expected corporate earnings and the Senate's passage of a budget framework for 2018, which is viewed as a precursor for eventual tax reform.

In economic news, the New York Fed's Empire Survey showed strong regional manufacturing activity in October, rising to its highest index level since 2014. U.S. factory production, a subset of overall production, rose last month for the first time since June, suggesting the industry is regaining a footing after damage caused by recent hurricanes. Overall industrial production rose in line with estimates, following a sizable decline in August. Import and export prices both rose beyond economists' forecasts, while housing starts disappointed with a third consecutive monthly decline. Wall Street enthusiasm was capped by jitters surrounding Spain's Catalan crisis. Spain's Prime Minister Mariano Rajoy authorized his government to invoke Article 155 Constitutional powers, a move towards suspending authority of the semi-autonomous region.

For the week, the S&P 500 rose 0.88%, the Dow Industrials gained2%, closing above 23,000 for the first time on Wednesday, and the NASDAQ Composite increased by 0.36%. The small cap focused Russell 2000 Index rebounded with 0.45% gain during the week. Within the S&P 500, 8 of its 11 major sector groups posted gains last week, led by Financials (+1.98%), Healthcare (+1.82%) and Utilities (+1.40%). Last week's biggest decliners were the prior week's biggest gainers – Consumer Staples (-1.11%) and Real Estate (-0.80%). U.S. crude oil prices were little changed, up 0.21% last week, while gold futures took a beating, falling 1.84% to end the week at $1,280.50/oz. The U.S. Dollar Index strengthened by 0.66% last week, ending at 93.701, while Treasury prices eased, sending the yield on 10-year Treasury notes up 11.1 basis points last week to 2.385%.

What We're Reading

Prospects Brighten for Tax Reform ↗

May Issues Brexit Ultimatum ↗

Japan: North Korea Threat is Imminent ↗

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Week's Economic Calendar

Monday, Oct 23: Chicago Fed National Activity Index;

Tuesday, Oct 24: Markit Flash PMI Composite, Richmond Fed Mfg Index;

Wednesday, Oct 25: Mortgage Applications, Durable Goods Orders, New Home Sales;

Thursday, Oct 26: Int'l Trade in Goods, Jobless Claims, Pending Home Sales;

Friday, Oct 27: 3Q GDP, University of Michigan's Consumer Sentiment.

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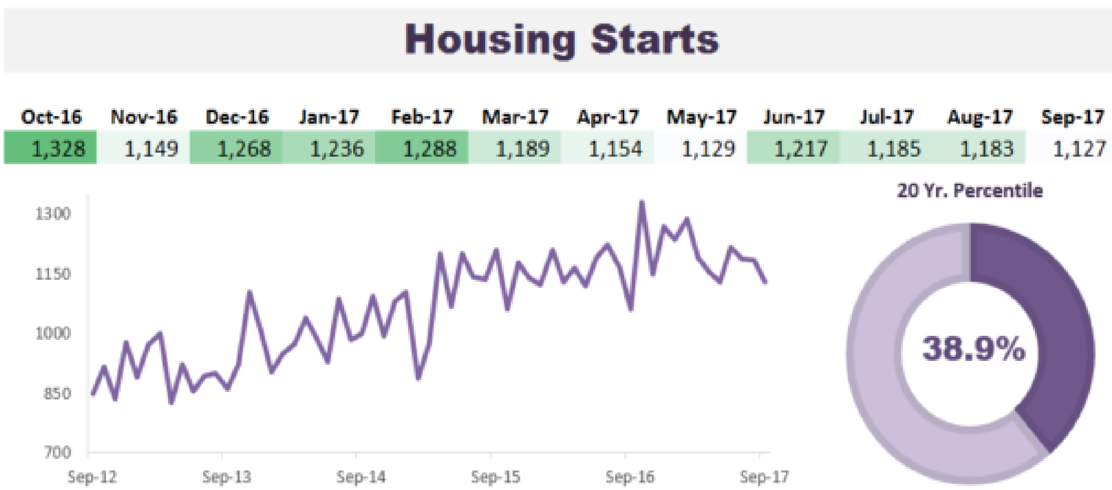
Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	2.00%	4.12%	7.94%	18.04%	28.47%	12.46%
S&P 500	0.88%	2.31%	4.63%	16.88%	22.77%	12.94%
NASDAQ Composite	0.36%	2.08%	4.02%	24.20%	27.93%	16.74%
Russell 3000	0.83%	2.21%	4.68%	16.43%	22.97%	12.74%
MSCI EAFE	-0.31%	1.25%	3.70%	21.46%	22.13%	7.40%
MSCI Emerging Markets	-0.55%	3.55%	6.16%	32.31%	25.40%	6.95%
Bonds						
Barclays Agg Bond	-0.45%	-0.13%	0.26%	3.01%	0.31%	2.14%
Barclays Municipal	0.10%	0.51%	0.82%	5.20%	2.41%	2.98%
Barclays US Corp High Yld	0.31%	0.50%	1.59%	7.53%	8.22%	5.91%
Commodities						
Bloomberg Commodity	-0.71%	1.02%	2.16%	-1.88%	-0.09%	-9.58%
S&P GSCI Crude Oil	0.21%	0.33%	10.49%	-3.50%	2.39%	-14.14%
S&P GSCI Gold	-1.85%	-0.33%	2.27%	11.18%	1.03%	0.95%

Chart of the Week:: Hurricanes Slow September Housing Starts

Chart 1



Source: Tower Square Investment Management, U.S. Bureau of the Census. Data shown in thousands.

The U.S. Census Bureau reported that housing starts were lower in September, at a 1.127 million seasonally-adjusted annual rate, lower than last month's 1.183 million. In our view, this reading is not indicative of weakness, but rather the effect of the three hurricanes that slowed down construction activity. We expect there may be a near-term rebound in housing starts as conditions return to normal and rebuilding in hurricane-affected areas begins. Housing starts also were 6.1% above last year's September reading, and their three-month moving average, which smooths out month-to-month fluctuations, is 1.5% higher than a year before, both suggesting a solid positive trend.

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We should also note that, by historical standards, this level of activity is not elevated. Additionally, as Chart 1 illustrates, the current housing starts pace is at 38.9% of the average reading for the past 20 years, suggesting there is room for the sector to grow without overheating. In comparison, new housing starts averaged 1.79 million/year for the 2002-2007 period, but only 0.88 million/year since, despite population growth.

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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*