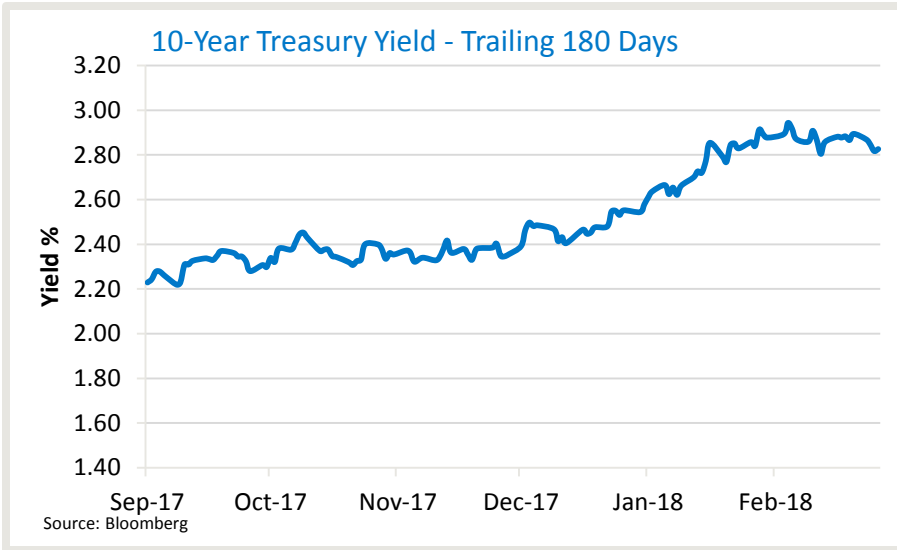


# Weekly Market Review

March 16, 2018

## Chart of the Week



## Weekly Highlights

- **The US implements sanctions on Russia** over election meddling. The sanctions that passed by a vote of 98-2 in the Senate were finally signed by President Trump. In response to the news, Russia promised to enact its own retaliatory measures, but the lead up to and final announcement adversely affected the Russian economy, as it declined by around 4% for the week.
- **Jobless claims fell during the week**, pointing to the continuing strength of the US labor market. Claims were down 4,000 during the week, bringing the total to 226,000. The four-week average has dropped in seven of the past nine weeks and is down nearly 7,000 from the previous month.
- **Increasing interest rates have yet to affect the housing market.** Despite an increase in mortgage rates, applications for home mortgages rose about 3%. The lack of supply of homes has persisted, while demand remains at record levels.

## Talking Points

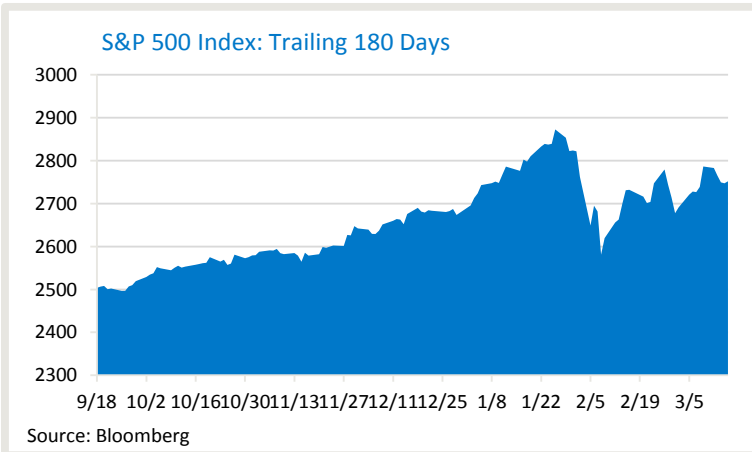
- **Commodity prices decreased** across the board. Oil slumped slightly, erasing the gains that were made earlier this week.
- **Equity markets contracted during the week**, with both domestic large and small caps falling across the board. Both value and growth stocks were affected.
- **Treasury yields were up** about 1.8% on longer maturities, driving prices down in anticipation that inflation will rise.
- **Housing starts fell** around 7%, whereas new building permits dropped 5.7%, continuing to lead to a supply shortage.
- **Volatility persists in the market**, as the CBOE Volatility Index (VIX) rose over 13% this week.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,752.01	-34.56	-1.24%	2.9%
<b>Dow Industrials</b>	24,946.51	-389.23	-1.54%	0.9%
<b>Nasdaq</b>	7,481.99	-78.82	-1.04%	8.4%
<b>Russell 2000</b>	1,586.05	-11.09	-0.69%	3.3%
<b>Euro Stoxx Index</b>	377.71	-0.53	-0.14%	-2.9%
<b>Shanghai Composite</b>	3,269.88	-37.28	-1.13%	-1.1%
<b>Russell Global</b>	2,182.93	-11.72	-0.53%	1.8%

Source: Bloomberg; Index % change is based on price.

	Last Price	Change	% Chg.	YTD %
<b>Russell Global EM</b>	3,809.94	26.71	0.71%	4.6%
<b>10-Year US Treas.</b>	2.85	-5 bps	NM	NM
<b>DJ UBS Comm. Idx.</b>	87.36	-0.59	-0.67%	-0.9%
<b>Gold</b>	\$1,314.07	-\$10.25	-0.77%	0.8%
<b>Crude Oil</b>	\$62.24	\$0.16	0.26%	3.0%
<b>Dollar Index</b>	90.21	0.12	0.13%	-2.1%
<b>VIX Index</b>	15.80	1.16	7.92%	43.1%



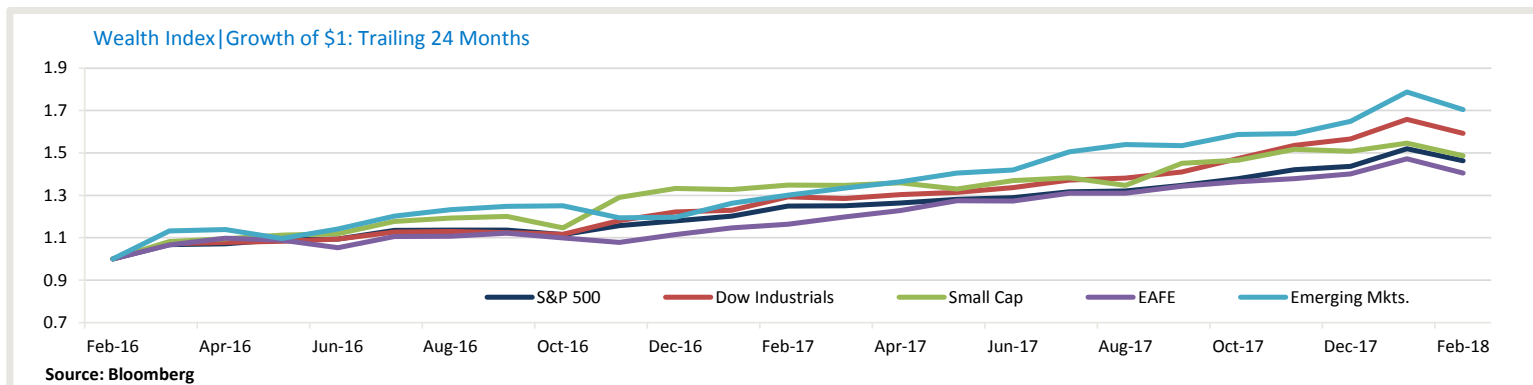
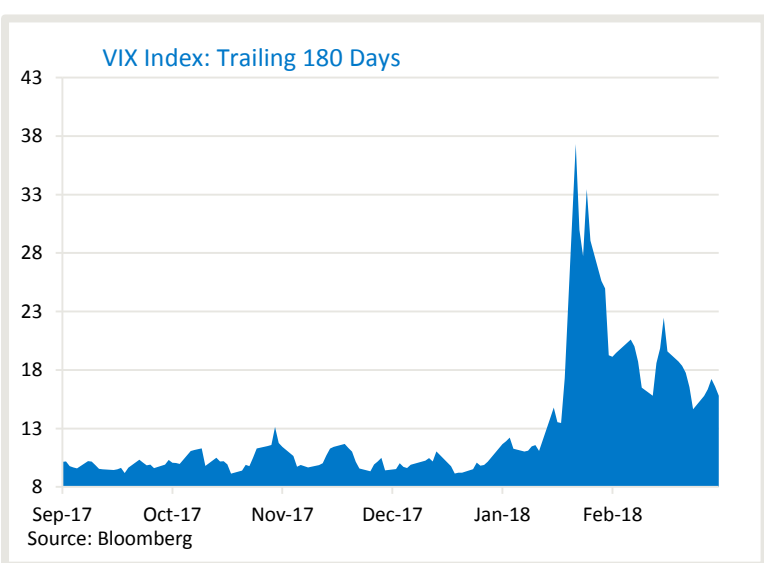
	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	-1.56%	-1.36%	-1.20%	-0.17%	3.24%	6.25%
	-0.66%	-0.69%	-0.72%	-0.53%	2.17%	5.64%
<b>S</b>	-0.45%	-0.69%	-0.91%	0.25%	3.29%	6.13%

Source: Bloomberg

**Sector Performance:**  
**S&P/Global Industry Classification Sectors (GICS)**

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
<b>Consumer Discretionary</b>	12.6	-0.71%	6.7%
<b>Consumer Staples</b>	7.4	-2.12%	-6.6%
<b>Energy</b>	5.5	-0.85%	-6.7%
<b>Financials</b>	14.9	-2.40%	3.5%
<b>Health Care</b>	13.8	-0.95%	3.5%
<b>Industrials</b>	10.1	-1.98%	1.1%
<b>Information Technology</b>	25.5	-0.97%	10.1%
<b>Materials</b>	2.8	-3.21%	-2.1%
<b>Real Estate</b>	2.7	1.28%	-5.1%
<b>Telecom Services</b>	1.9	-0.66%	-6.1%
<b>Utilities</b>	2.7	2.56%	-4.5%

Source: Bloomberg



## The Economy and Markets

### **A Macro View – A Tale of Two Tariffs**

The newly imposed tariffs on steel and aluminum that were enacted last week did not receive the warm welcome that President Trump had hoped for. Close trade partners, specifically Canada and Mexico, began lining up to seek exemptions from the tariffs, and European Union (EU) nations warned of a looming trade war. As many know, trade wars are not a good thing for capital markets, and many economists argue that the last significant tariffs, imposed by the US with the Tariff Act of 1930 (more commonly known as the Smoot-Hawley Tariff Act), were a significant contributor to the Great Depression. Doomsday enthusiasts might argue that the recently imposed tariffs could have a similar effect, potentially derailing the nearly decade-long bull market. But before drawing any parallels between the newly imposed tariffs and the Smoot-Hawley Tariff Act, it is important to understand the similarities and differences in the economic backdrop of both time periods.

The first point to understand is the magnitude of the tariffs being imposed. The Smoot-Hawley Tariff Act followed the lead of the 1922 Fordney-McCumber Act and aimed to boost by 40% the previously imposed tariffs on about 900 imported goods. The tariffs that President Trump imposed are currently on only two goods—steel and aluminum. Second, the US is the largest importer of steel in the world, but it accounts for only 5% of the 1.7 trillion metric tons that are produced annually. Also, Canada and Mexico, the first two nations exempted, are integral to steel imports: Canada exports nearly 90% of the steel that it produces to the US, whereas Mexico sends almost 75% of its production<sup>1</sup>. The implementation of the tariffs and subsequent exemption of the two countries seem more to be bargaining chips in the continuing North American Free Trade Agreement (NAFTA) negotiations, rather than the first shots fired in a looming trade war.

The US economy as a whole is almost completely unrecognizable now from what it was in the 1930s. The US did not have the robust and diversified economy that it has today, and it was more agrarian-based. Farmworkers (both owners and laborers) accounted for about 21% of the labor force<sup>2</sup>, which is a far cry from the 1.5% of agricultural workers in 2016 (the latest figures available)<sup>3</sup>. The tariffs that were raised due to Smoot-Hawley largely affected the agricultural industry, and because it was a larger part of the economy, the effects were exacerbated. Steel and aluminum, on the other hand, accounted for only 2% of US imports in 2017<sup>4</sup>. The changing nature of the US economy and its expansion into and creation of a variety of new job sectors suggest that more narrowly focused tariffs should not have the resounding effect they had leading up to the Great Depression.

One commonality between then and now, however, is a rise in protectionist sentiment. When Smoot-Hawley was first introduced, it enacted tariffs in an attempt to protect American farmers, who had been ravaged by the Dust Bowl, from a rise in foreign agricultural imports. Unfortunately, by the time the bill went through the legislative process and was actually signed into law by President Hoover, the scope of the bill widened to include tariffs on industrial goods. Similarly, President Trump, beginning with the cancellation of the Trans Pacific Partnership, the subsequent ongoing renegotiations of NAFTA, and the much maligned introduction of steel and aluminum tariffs, has signaled he is putting “America First.”

Although the newly implemented tariffs pale in comparison to those enacted in the run-up to the Great Depression, it is still hard to predict how they will affect the US economy. Although their effects have yet to be quantified, most economists agree they ultimately will prove to be a burden on global growth and offset some of the economic benefits of the President’s recent tax reform. The US economy is clearly more robust and diversified now, but rising protectionism could be a catalyst that expands the focus of the tariffs and kicks off a trade war that ultimately would likely be bad for consumers and the entire global economy. Most mainstream economists accept the axiom of free trade, but there is little doubt that we are entering a time when that will be tested.

*Brandon Rick*  
*Associate Investment Analyst*

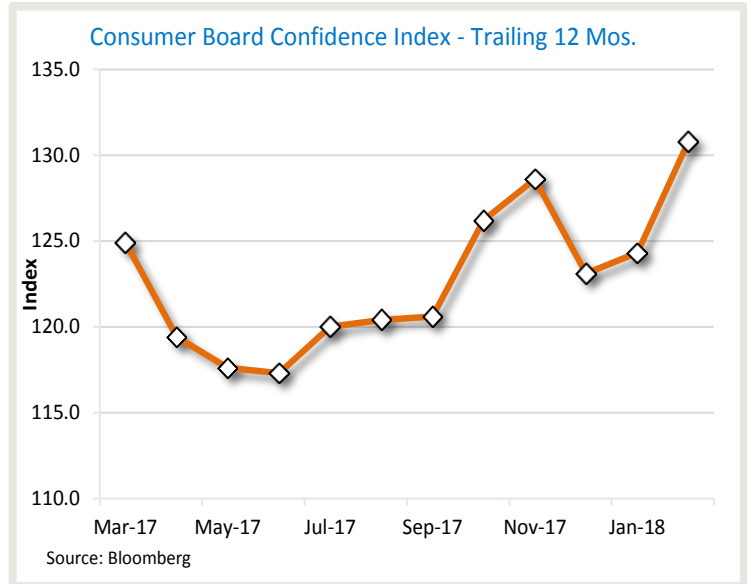
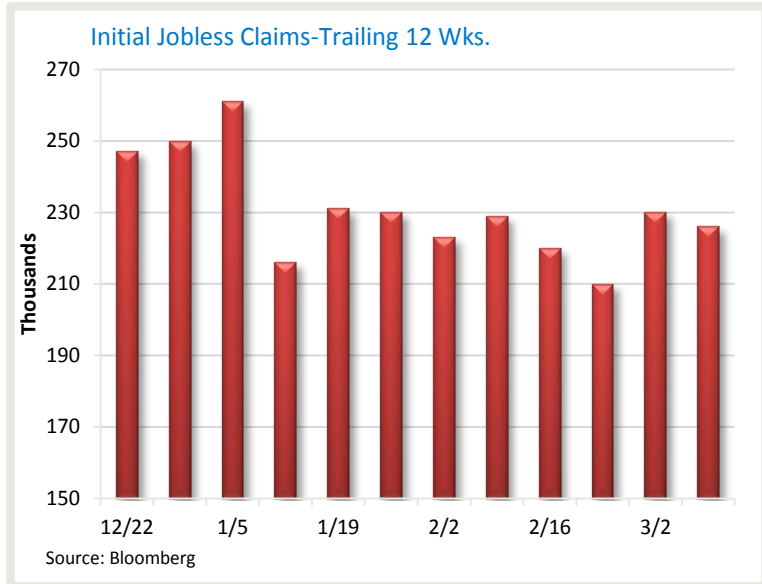
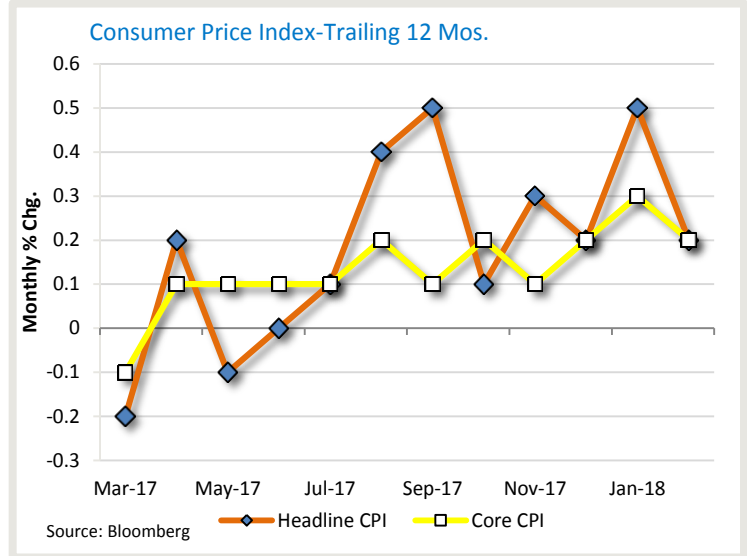
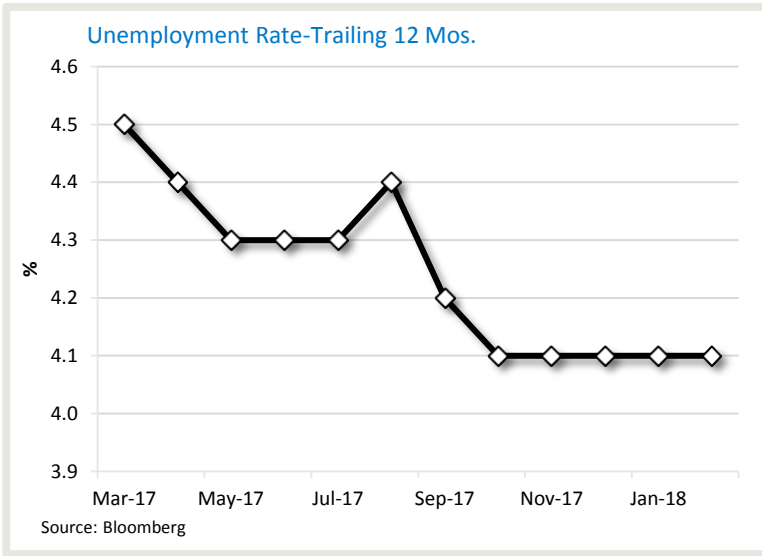
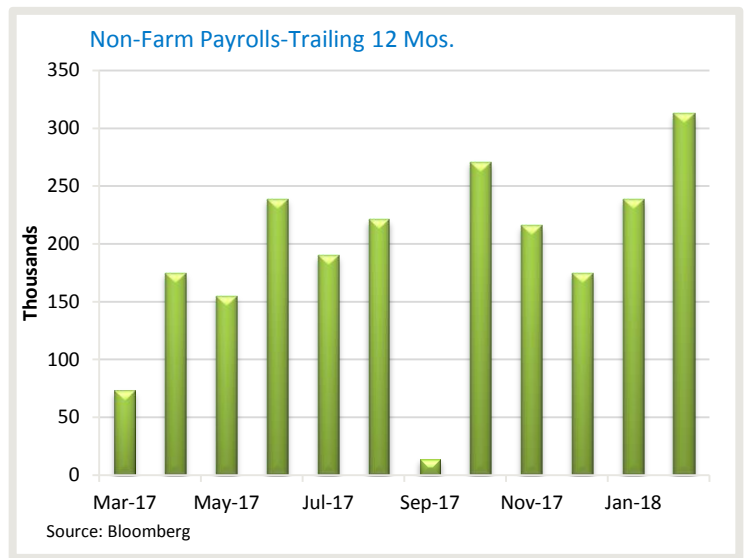
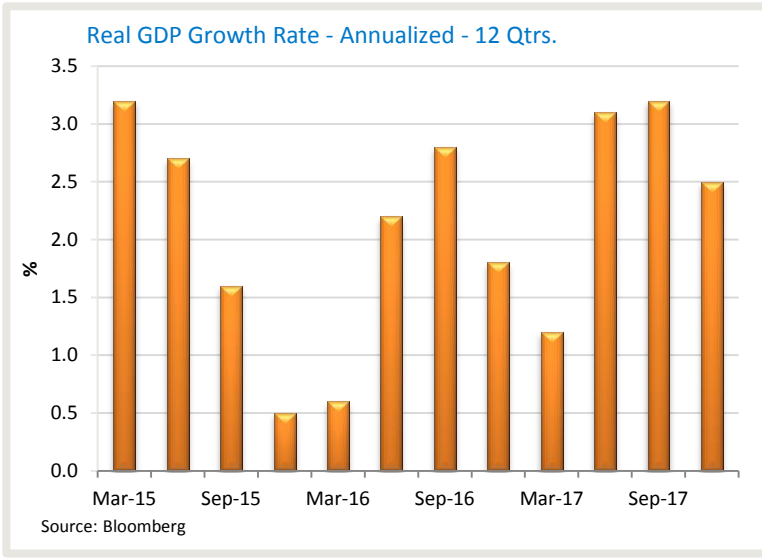
<sup>1</sup><https://seekingalpha.com/article/4153273-smoot-hawley>

<sup>2</sup>[https://digital.library.unt.edu/ark:/67531/metadc26169/m1/1/high\\_res\\_d/R40655\\_2009Jun19.pdf](https://digital.library.unt.edu/ark:/67531/metadc26169/m1/1/high_res_d/R40655_2009Jun19.pdf)

<sup>3</sup>[https://www.bls.gov/emp/ep\\_table\\_201.htm](https://www.bls.gov/emp/ep_table_201.htm)

<sup>4</sup><https://www.brookings.edu/blog/the-avenue/2018/03/06/how-trumps-steel-and-aluminum-tariffs-could-affect-state-economies/>

## Economic Data



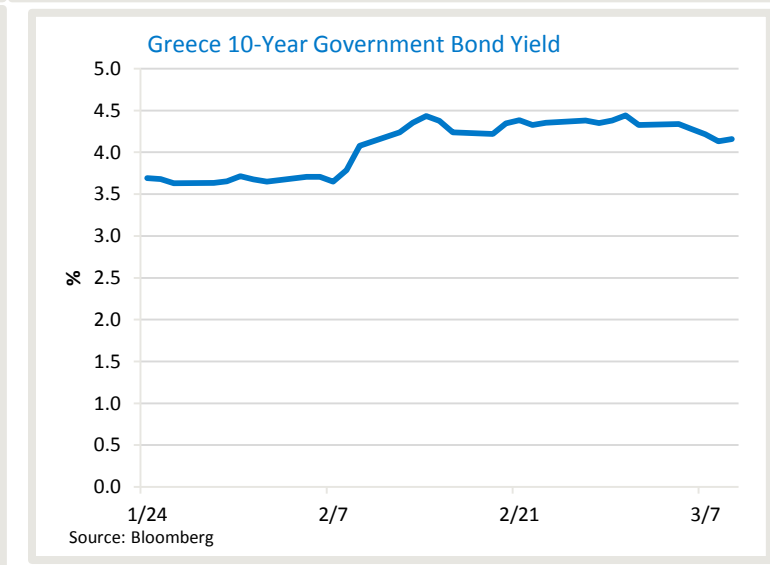
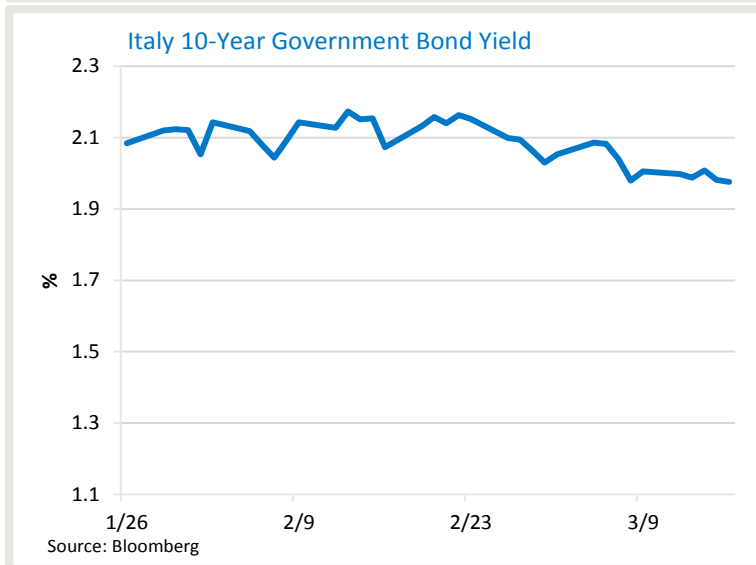
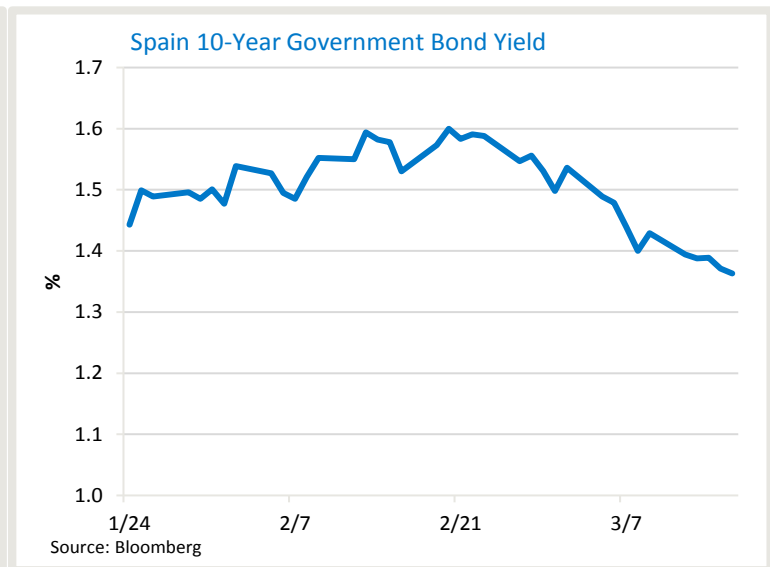
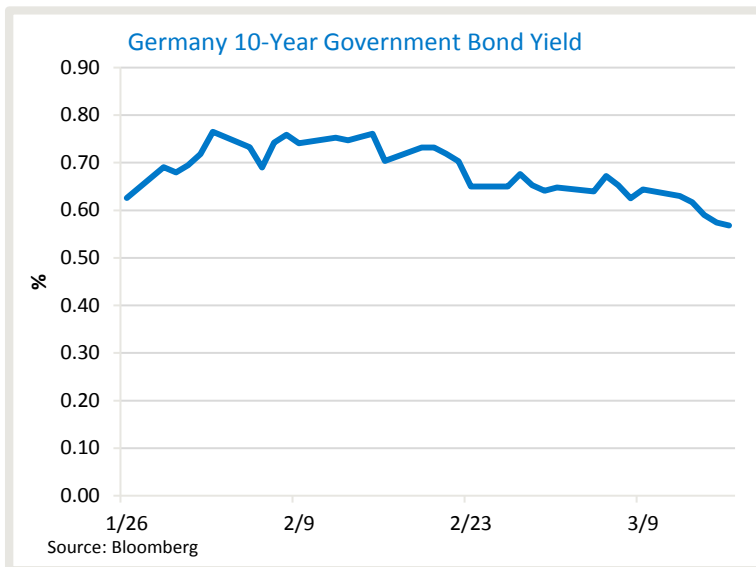
## Eurozone

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.57	7 bps	NM	NM
Greece 10-Yr. Govt.	4.17	-1 bps	NM	NM
Italy 10-Yr. Govt.	1.98	3 bps	NM	NM
Spain 10-Yr. Govt.	1.36	6 bps	NM	NM
Belgium 10-Yr. Govt.	0.85	7 bps	NM	NM

Source: Bloomberg  
Basis points (bps)

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.81	7 bps	NM	NM
Ireland 10-Yr. Govt.	0.99	6 bps	NM	NM
Portugal 10-Yr. Govt.	1.74	10 bps	NM	NM
Netherlands 10-Yr. Govt.	0.73	0 bps	NM	NM
U.K. 10-Yr. Govt.	1.43	6 bps	NM	NM

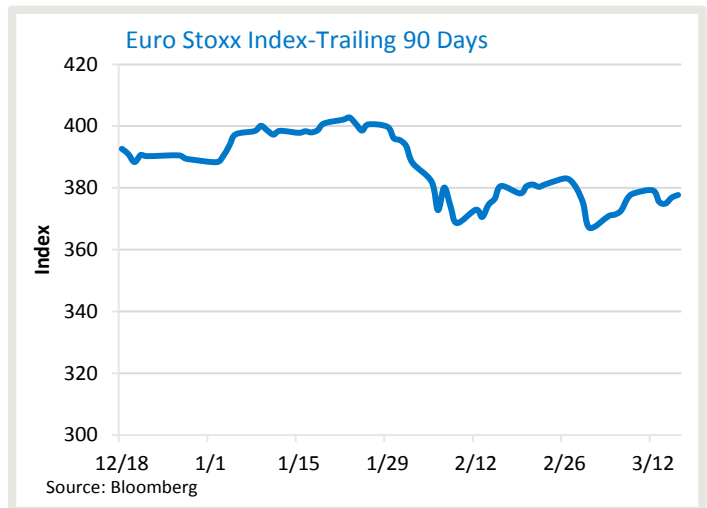
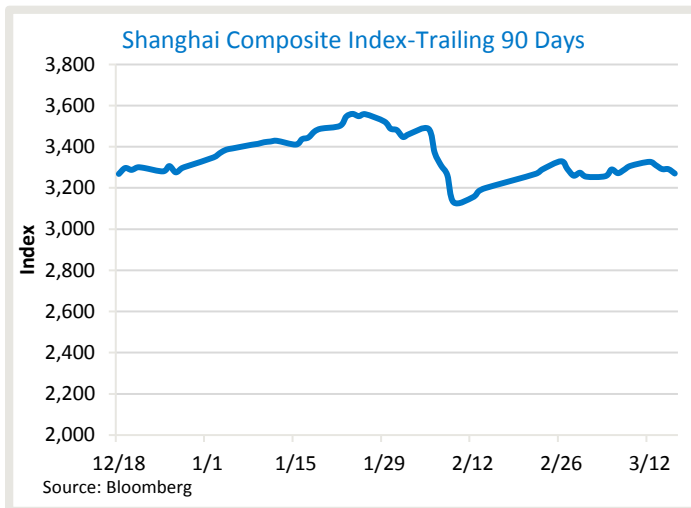
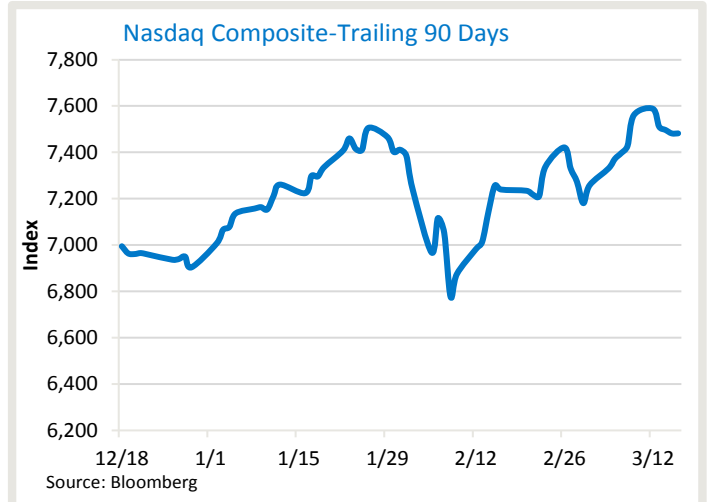
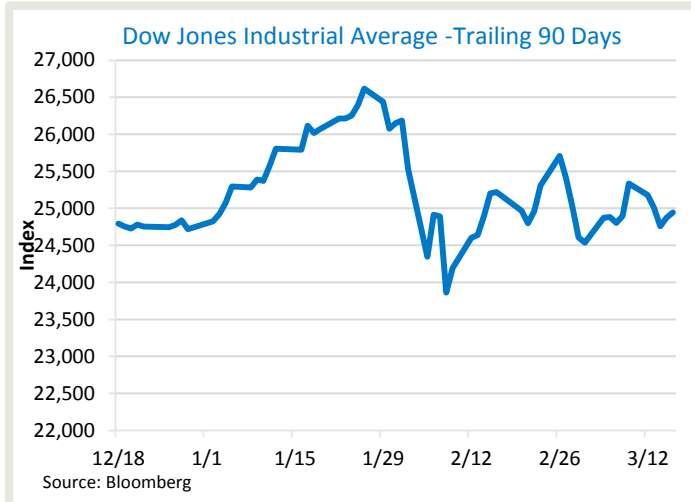


## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	<b>2,752.01</b>	<b>-34.56</b>	<b>-1.24%</b>	<b>2.93%</b>	<b>Swiss Market Index</b>	<b>8,882.53</b>	<b>-49.32</b>	<b>-0.55%</b>	<b>-5.32%</b>
<b>Dow Industrials</b>	<b>24,946.51</b>	<b>-389.23</b>	<b>-1.54%</b>	<b>0.92%</b>	<b>CAC 40 Index (France)</b>	<b>5,282.75</b>	<b>8.35</b>	<b>0.16%</b>	<b>-0.56%</b>
<b>Nasdaq Composite</b>	<b>7,481.99</b>	<b>-78.82</b>	<b>-1.04%</b>	<b>8.38%</b>	<b>DAX Index (Germany)</b>	<b>12,389.58</b>	<b>42.90</b>	<b>0.35%</b>	<b>-4.09%</b>
<b>Russell Global</b>	<b>2,182.93</b>	<b>-11.72</b>	<b>-0.53%</b>	<b>1.8%</b>	<b>Irish Overall Index</b>	<b>6,693.94</b>	<b>-51.00</b>	<b>-0.76%</b>	<b>-4.89%</b>
<b>Russell Global EM</b>	<b>3,809.94</b>	<b>26.71</b>	<b>0.71%</b>	<b>4.6%</b>	<b>Nikkei 225</b>	<b>21,676.51</b>	<b>207.31</b>	<b>0.97%</b>	<b>-4.78%</b>
<b>S&amp;P/TSX (Canada)</b>	<b>15,711.33</b>	<b>133.52</b>	<b>0.86%</b>	<b>-3.07%</b>	<b>Hang Seng Index</b>	<b>31,501.97</b>	<b>505.76</b>	<b>1.63%</b>	<b>5.29%</b>
<b>Mexico IPC</b>	<b>47,477.58</b>	<b>-1078.87</b>	<b>-2.22%</b>	<b>-3.80%</b>	<b>Shanghai Composite</b>	<b>3,269.88</b>	<b>-37.28</b>	<b>-1.13%</b>	<b>-1.13%</b>
<b>Brazil Bovespa</b>	<b>84,886.48</b>	<b>-1484.93</b>	<b>-1.72%</b>	<b>11.10%</b>	<b>Kospi Index (S. Korea)</b>	<b>2,493.97</b>	<b>34.52</b>	<b>1.40%</b>	<b>1.07%</b>
<b>Euro Stoxx 600</b>	<b>377.71</b>	<b>-0.53</b>	<b>-0.14%</b>	<b>-2.95%</b>	<b>Taiwan Taiex Index</b>	<b>11,027.70</b>	<b>162.88</b>	<b>1.50%</b>	<b>3.62%</b>
<b>FTSE 100</b>	<b>7,164.14</b>	<b>-60.37</b>	<b>-0.84%</b>	<b>-6.81%</b>	<b>Tel Aviv 25 Index</b>	<b>1,504.95</b>	<b>23.60</b>	<b>1.59%</b>	<b>-0.32%</b>
<b>IBEX 35 (Spain)</b>	<b>9,761.00</b>	<b>74.90</b>	<b>0.77%</b>	<b>-2.82%</b>	<b>MICEX Index (Russia)</b>	<b>2,294.60</b>	<b>-17.09</b>	<b>-0.74%</b>	<b>8.76%</b>

Source: Bloomberg; Index % change is based on price.



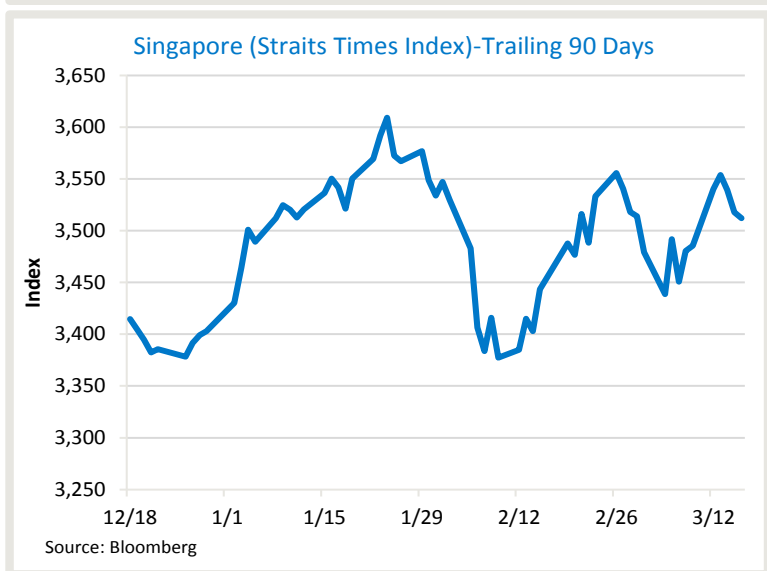
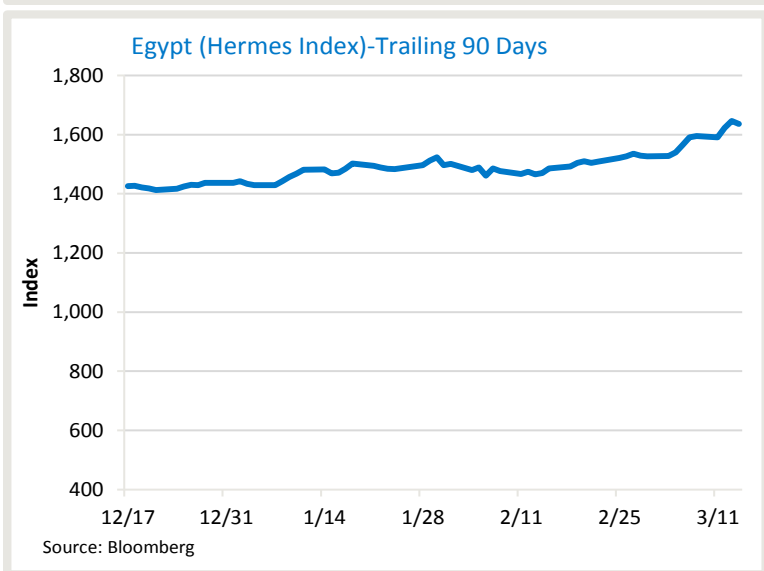
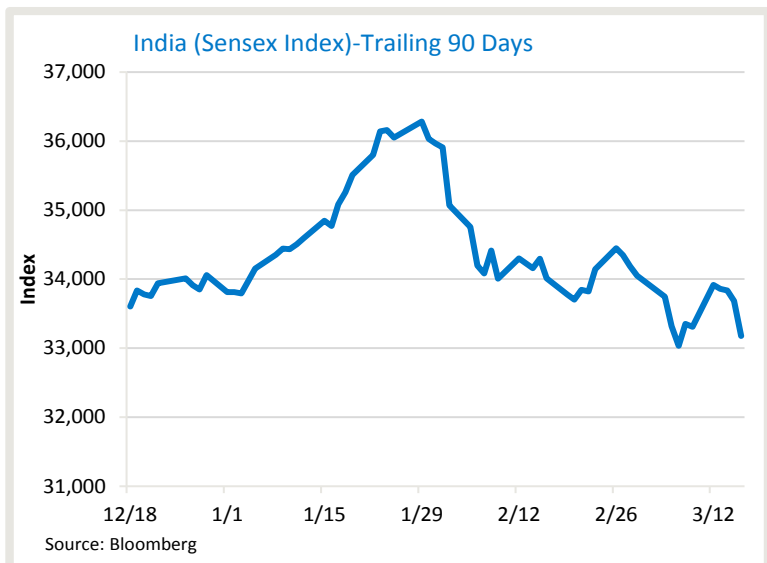
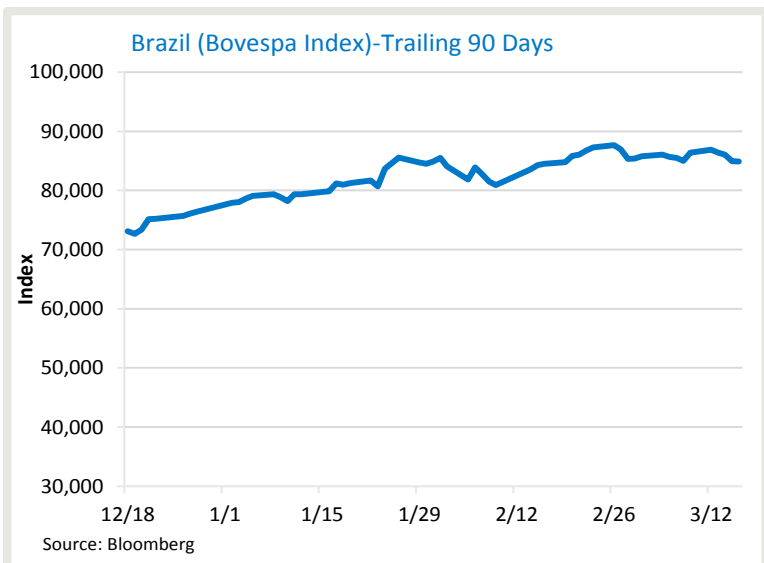
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	47,477.58	-1078.87	-2.2%	-3.8%
Brazil (Bovespa Index)	84,886.48	-1484.93	-1.7%	11.1%
MICEX Index (Russia)	2,294.60	-17.09	-0.7%	8.8%
Czech Republic (Prague)	1,118.52	-5.08	-0.5%	3.7%
Turkey (Istanbul)	117,216.28	301.80	0.3%	1.6%
Egypt (Hermes Index)	1,641.20	45.62	2.9%	14.2%
Kenya (Nairobi 20 Index)	3,801.79	81.58	2.2%	2.4%
Saudi Arabia (TASI Index)	7,744.68	182.57	2.4%	7.2%
Lebanon (Beirut BLOM Index)	1,171.71	5.48	0.5%	2.0%
Palestine	582.43	-5.16	-0.9%	1.4%

Source: Bloomberg; Index % change is based on price.

	Last	Change	% Chg.	YTD %
Hang Seng Index	31,501.97	505.76	1.6%	5.3%
India (Sensex 30)	33,176.00	-131.14	-0.4%	-2.6%
Malaysia (KLCI Index)	1,846.39	2.47	0.1%	2.8%
Singapore (Straits Times Index)	3,512.14	26.57	0.8%	3.2%
Thailand (SET Index)	1,811.76	36.39	2.0%	3.3%
Indonesia (Jakarta)	6,304.95	-128.37	-2.0%	-0.8%
Pakistan (Karachi KSE 100)	43,363.21	351.95	0.8%	7.1%
Vietnam (Ho Chi Minh)	1,150.19	26.78	2.4%	16.9%
Sri Lanka (Colombo)	6,509.46	-41.73	-0.6%	2.2%
Cambodia (Laos)	902.62	30.57	3.5%	-9.6%

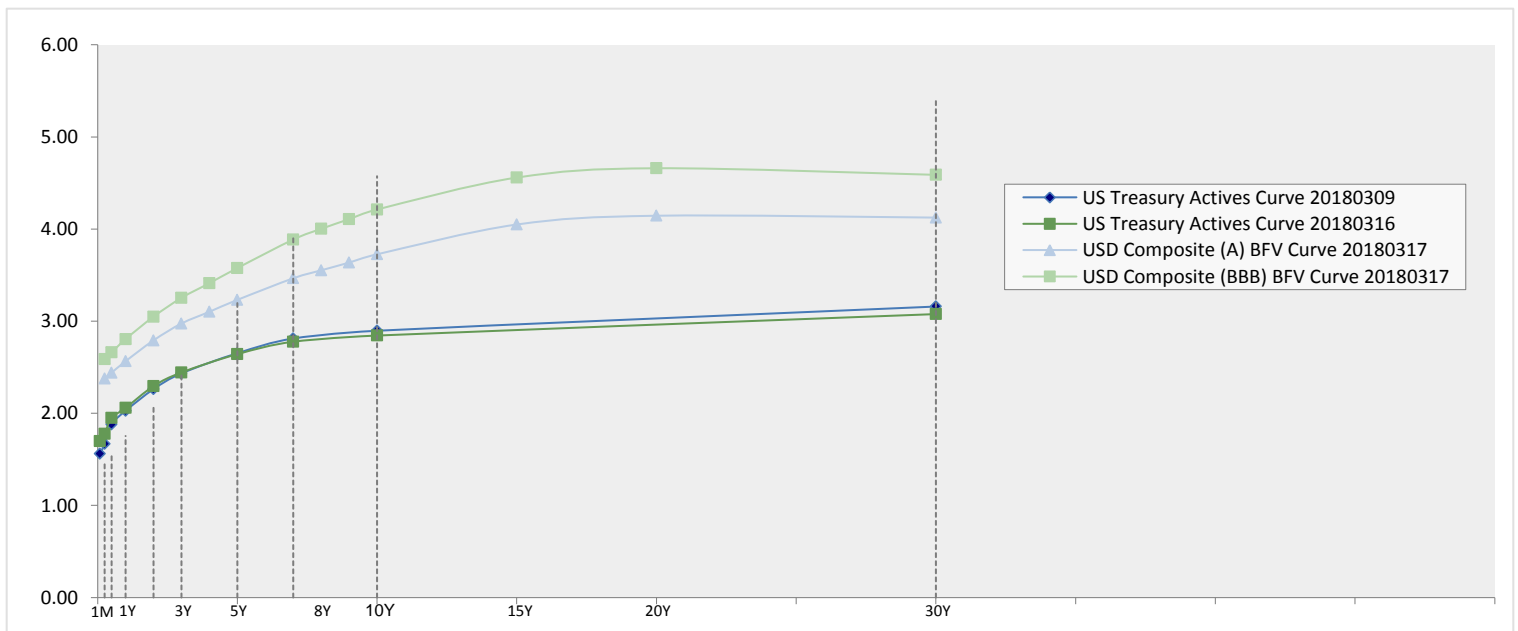


## Interest Rates

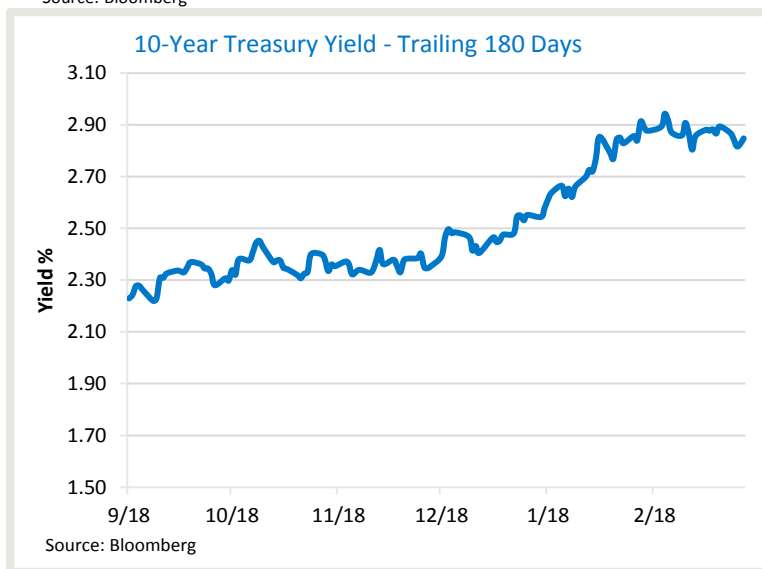
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.29%	-1 bps	NM	NM	Prime Rate	4.50%	0.00	NM	NM
5-Yr. U.S. Treasury	2.65%	-1 bps	NM	NM	Fed Funds Rate	1.50%	0.00	NM	NM
10-Yr. U.S. Treasury	2.85%	-5 bps	NM	NM	Discount Rate	2.00%	0.00	NM	NM
30-Yr. U.S. Treasury	3.08%	-8 bps	NM	NM	LIBOR (3 Mo.)	2.18%	9 bps	NM	NM
German 10-Yr. Govt.	0.57%	7 bps	NM	NM	Bond Buyer 40 Muni	3.85%	-2 bps	NM	NM
France 10-Yr.	0.81%	7 bps	NM	NM	Bond Buyer 40 G.O.	3.89%	NA	NM	NM
Italy 10-Yr.	1.98%	3 bps	NM	NM	Bond Buyer 40 Rev.	4.37%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.12%	-3 bps	NM	NM					

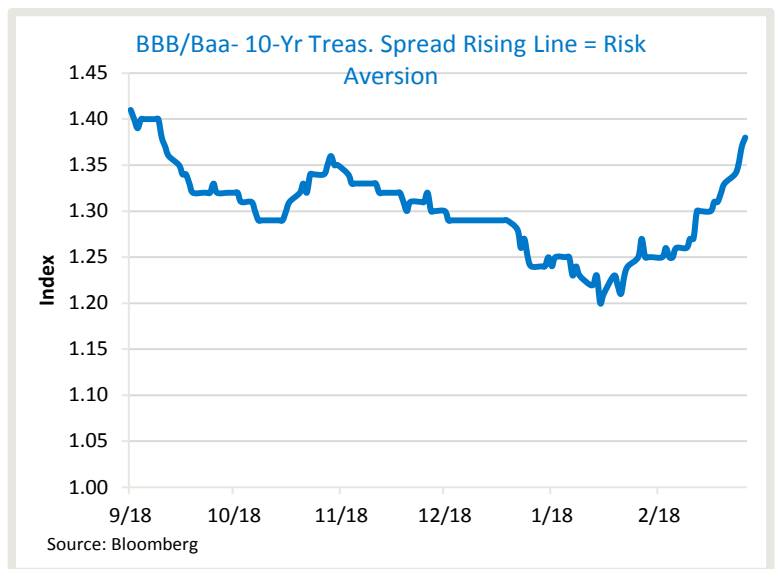
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>90.21</b>	<b>0.121</b>	<b>0.13%</b>	<b>-2.07%</b>
<b>Euro</b>	<b>1.23</b>	<b>-0.002</b>	<b>-0.17%</b>	<b>2.34%</b>
<b>Japanese Yen</b>	<b>106.06</b>	<b>-0.760</b>	<b>0.72%</b>	<b>6.25%</b>
<b>British Pound</b>	<b>1.39</b>	<b>0.009</b>	<b>0.67%</b>	<b>3.18%</b>
<b>Canadian Dollar</b>	<b>1.31</b>	<b>0.028</b>	<b>-2.17%</b>	<b>-4.01%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>6.33</b>	<b>0.000</b>	<b>-0.01%</b>	<b>2.71%</b>
<b>Swiss Franc</b>	<b>0.95</b>	<b>0.001</b>	<b>-0.13%</b>	<b>2.29%</b>
<b>New Zealand Dollar</b>	<b>0.72</b>	<b>-0.007</b>	<b>-0.91%</b>	<b>1.63%</b>
<b>Brazilian Real</b>	<b>3.28</b>	<b>0.022</b>	<b>-0.66%</b>	<b>0.94%</b>
<b>Mexican Peso</b>	<b>18.71</b>	<b>0.100</b>	<b>-0.53%</b>	<b>5.01%</b>

Source: Bloomberg

U.S. Dollar Index - Trailing Six Months



Source: Bloomberg

Euro - U.S. Dollars per Euro



Source: Bloomberg

Chinese yuan - yuan per U.S. Dollar



Source: Bloomberg

Japanese yen - Yen per U.S. Dollar



Source: Bloomberg

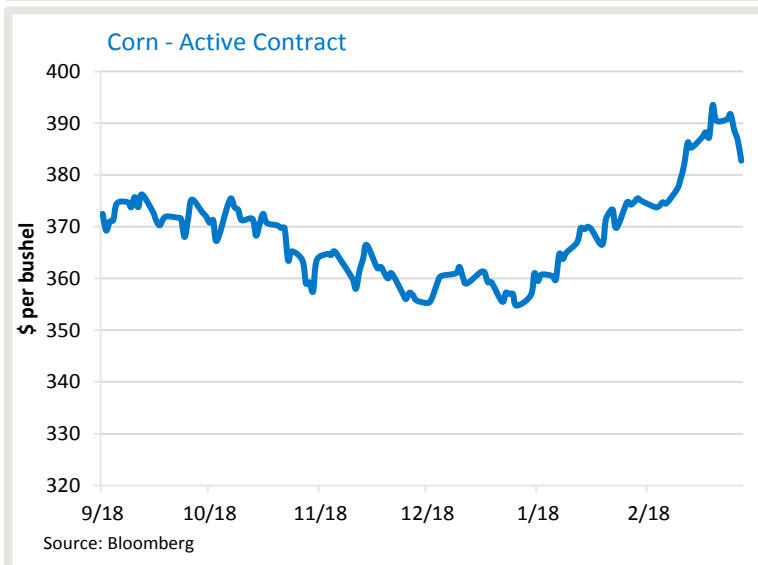
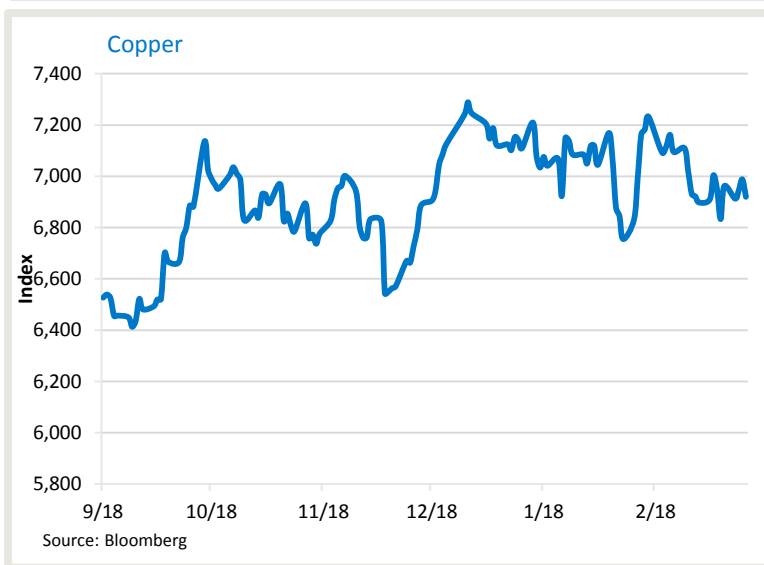
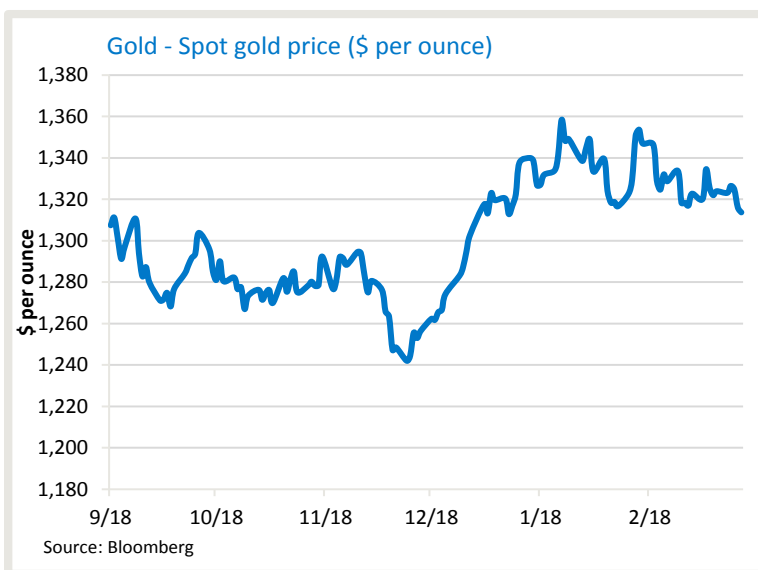
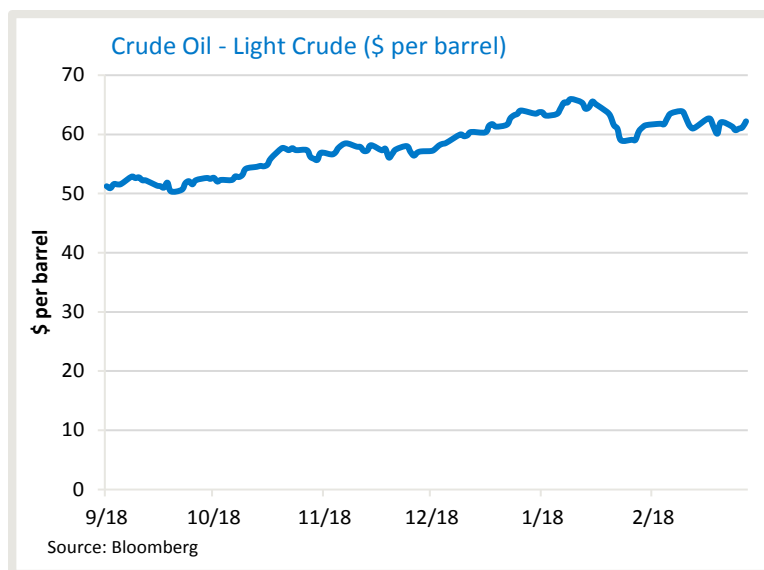
## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Bloomberg Comm. Idx.</b>	<b>87.36</b>	<b>-0.59</b>	<b>-0.67%</b>	<b>-0.91%</b>
<b>Crude Oil</b>	<b>\$62.24</b>	<b>\$0.16</b>	<b>0.26%</b>	<b>2.98%</b>
<b>Natural Gas</b>	<b>\$2.70</b>	<b>-\$0.04</b>	<b>-1.28%</b>	<b>-1.89%</b>
<b>Gasoline (\$/Gal.)</b>	<b>\$2.53</b>	<b>\$0.00</b>	<b>0.04%</b>	<b>1.81%</b>
<b>Heating Oil</b>	<b>191.12</b>	<b>2.40</b>	<b>1.27%</b>	<b>-5.12%</b>
<b>Gold Spot</b>	<b>\$1,313.77</b>	<b>-\$10.25</b>	<b>-0.77%</b>	<b>0.84%</b>
<b>Silver Spot</b>	<b>\$16.33</b>	<b>-\$0.26</b>	<b>-1.55%</b>	<b>-3.58%</b>

	Last	Change	% Chg.	YTD %
<b>Platinum Spot</b>	<b>\$950.28</b>	<b>-\$15.34</b>	<b>-1.59%</b>	<b>2.37%</b>
<b>Corn</b>	<b>382.75</b>	<b>-7.75</b>	<b>-1.98%</b>	<b>6.62%</b>
<b>Wheat</b>	<b>467.75</b>	<b>-21.50</b>	<b>-4.39%</b>	<b>6.25%</b>
<b>Soybeans</b>	<b>1,049.50</b>	<b>10.25</b>	<b>0.99%</b>	<b>7.86%</b>
<b>Sugar</b>	<b>12.65</b>	<b>-0.19</b>	<b>-1.48%</b>	<b>-15.78%</b>
<b>Orange Juice</b>	<b>138.30</b>	<b>-2.05</b>	<b>-1.46%</b>	<b>0.36%</b>
<b>Aluminum</b>	<b>2,085.00</b>	<b>-35.00</b>	<b>-1.65%</b>	<b>-8.07%</b>
<b>Copper</b>	<b>6,920.00</b>	<b>-42.00</b>	<b>-0.60%</b>	<b>-4.51%</b>

Source: Bloomberg; % change is based on price.

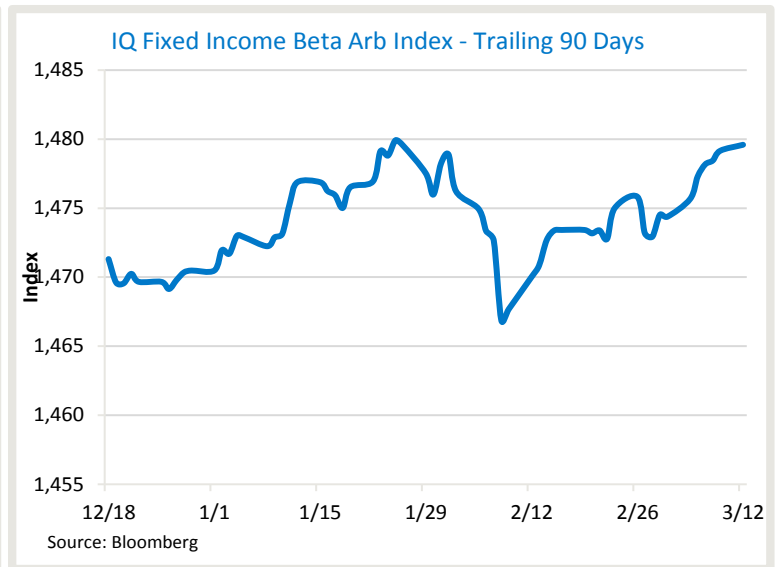
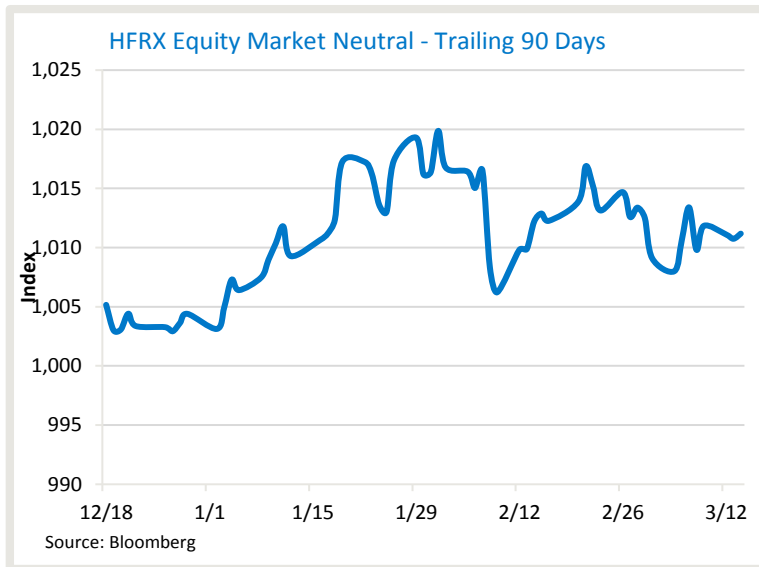
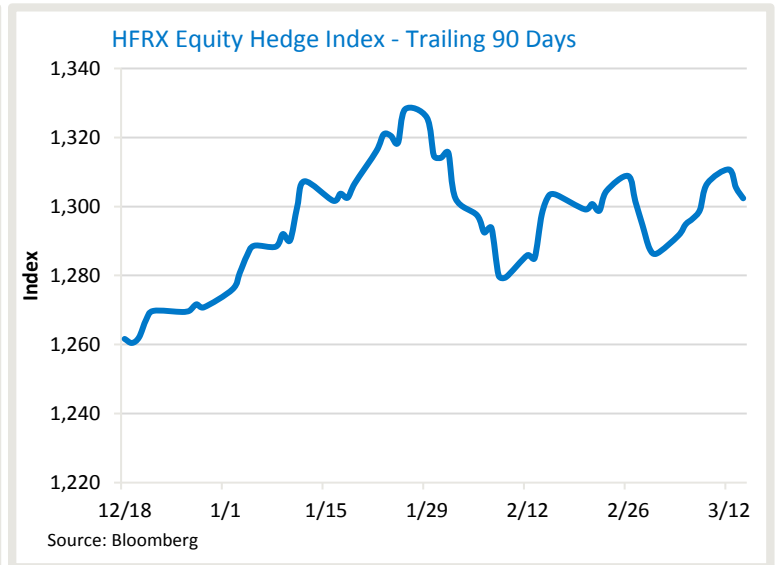
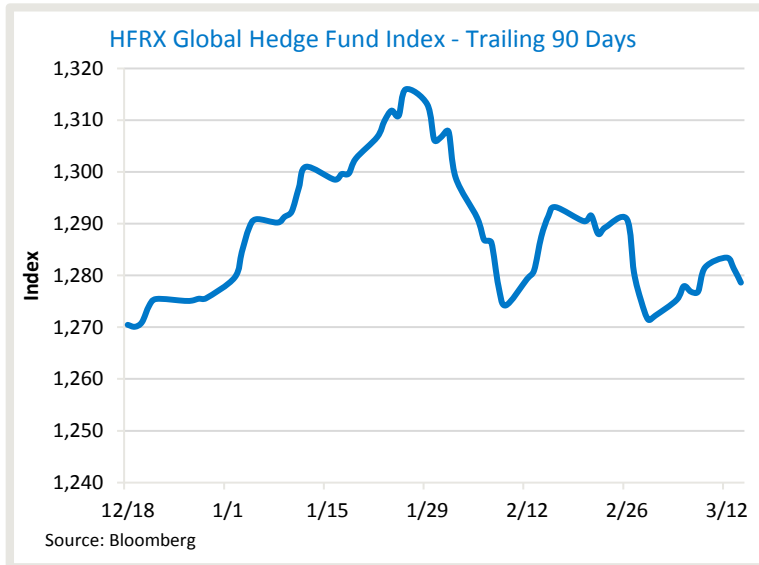


## Alternative Investments

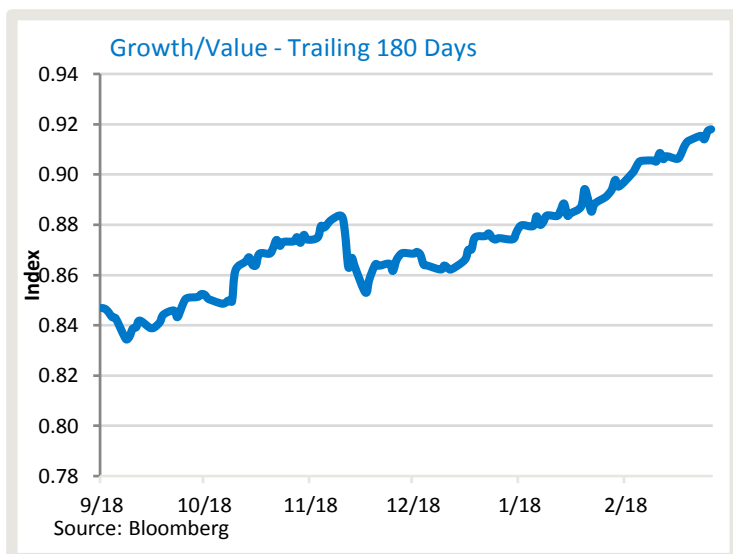
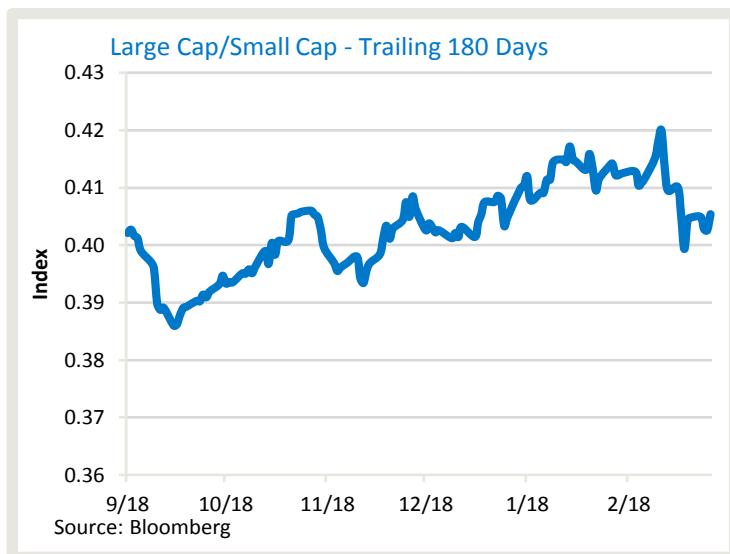
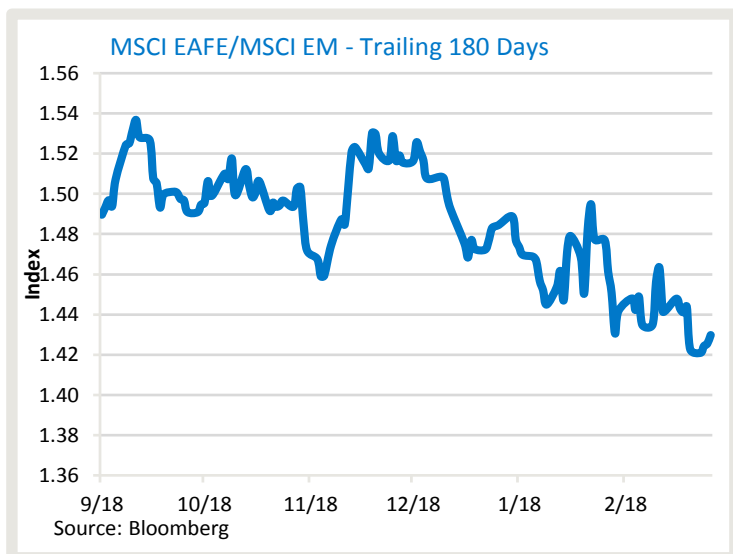
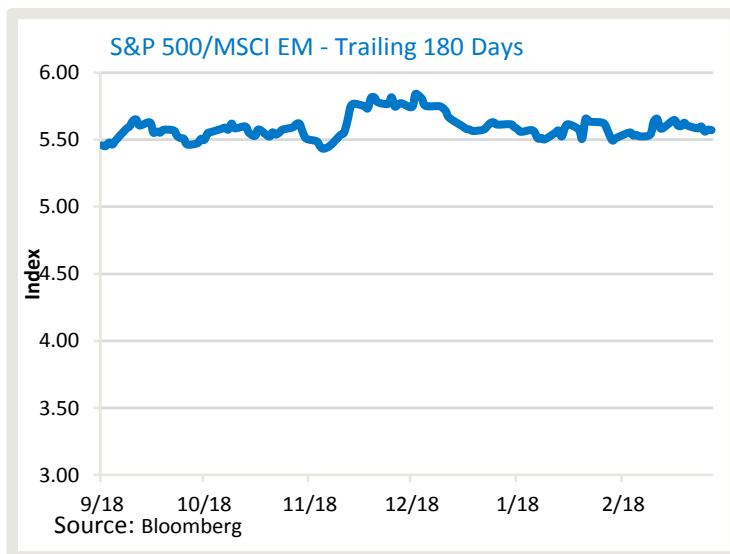
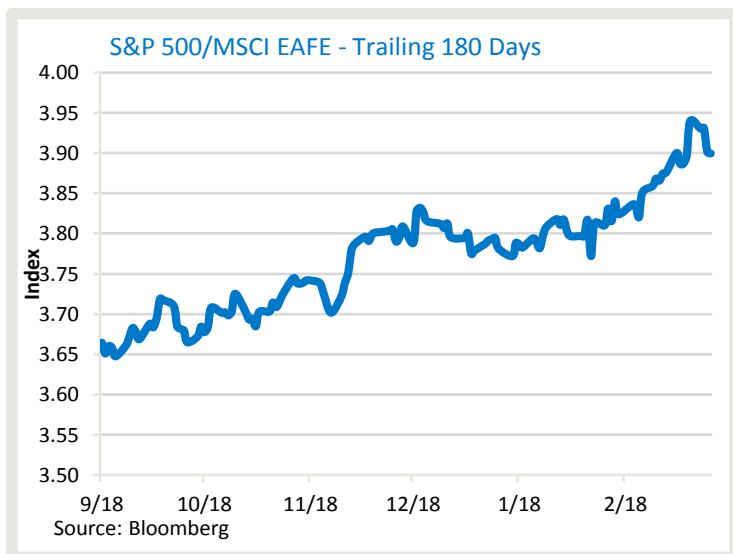
### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1278.62	-2.97	-0.23%	0.24%	HFRX Distressed Index	1101.81	-9.43	-0.85%	-0.44%
HFRX Equity Market Neutral	1011.18	-0.66	-0.07%	0.68%	HFRX Merger Arbitrage Index	1829.55	-4.38	-0.24%	-1.27%
HFRX Equity Hedge Index	1302.36	-4.27	-0.33%	2.49%	HFRX Convertible Arbitrage Index	797.99	2.78	0.35%	0.22%
HFRX Event-Driven Index	1631.27	-6.33	-0.39%	-2.07%	HFRX Macro CTA Index	1144.64	-4.10	-0.36%	-1.65%
HFRX Absolute Return Index	1067.45	-0.43	-0.04%	0.39%	IQ Fixed Income Beta Arb Index	1479.13	-0.03	0.00%	0.59%

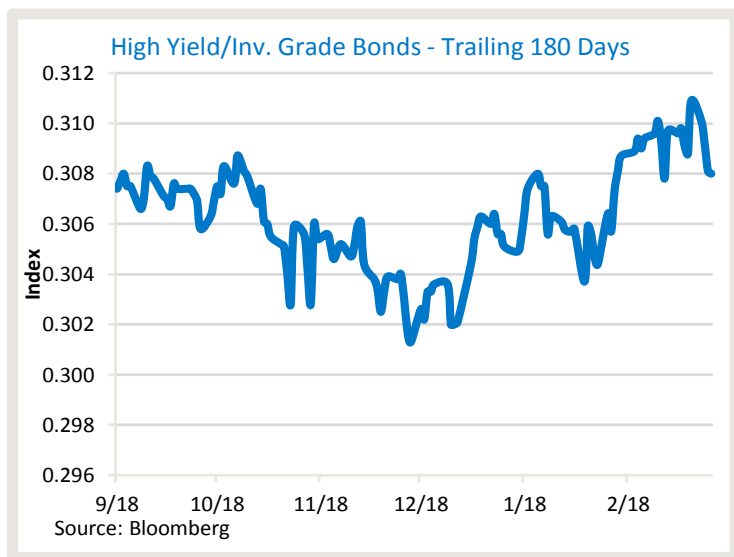
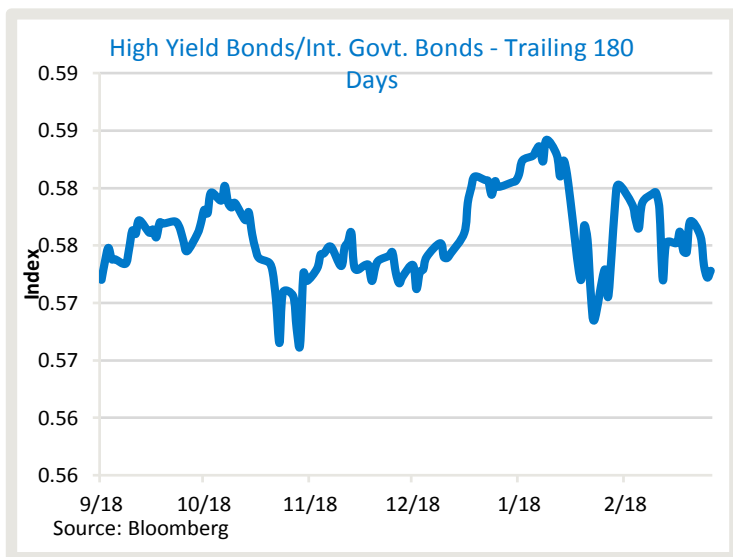
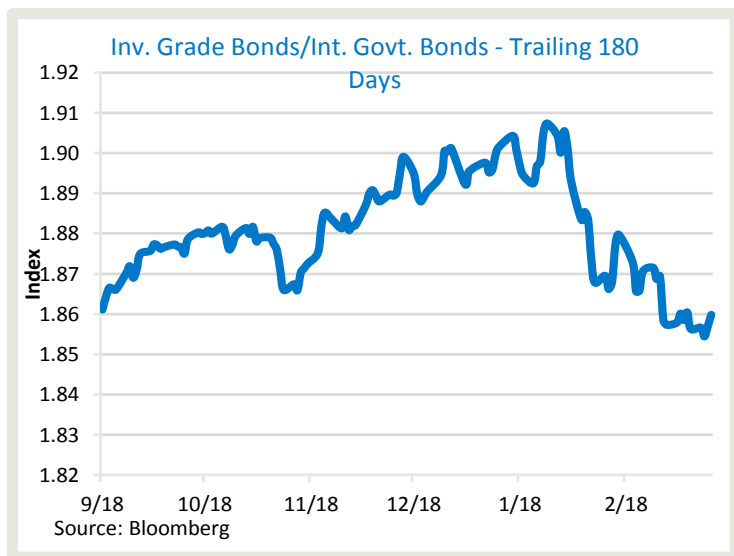
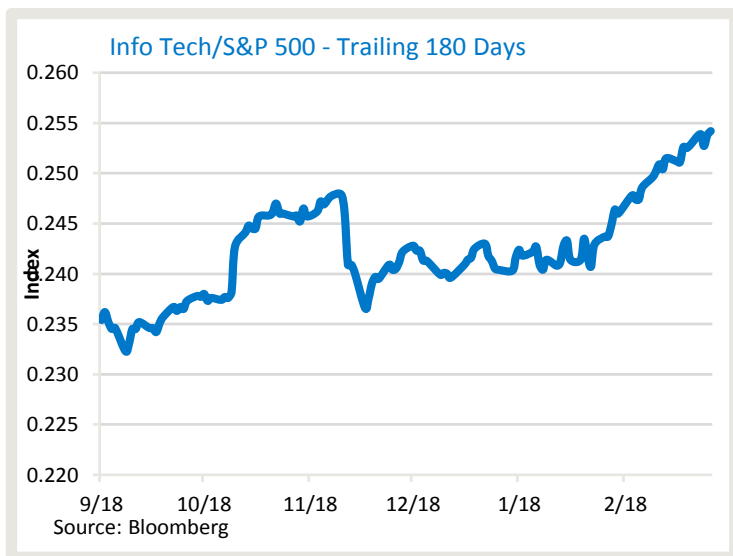
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			12/28	1/4	1/11	1/18	1/25	2/1	2/8	2/15	2/22	3/1	3/8	3/15
Equity	Domestic Equity	Large Cap (R200)	-0.02%	1.42%	1.65%	1.29%	1.45%	-0.43%	-8.67%	5.89%	-0.96%	-0.89%	2.19%	0.29%
		Small Cap (R2000)	0.12%	0.44%	2.00%	-0.63%	1.58%	-1.36%	-7.35%	5.01%	-0.47%	-1.48%	4.28%	0.30%
	Int'l. Equity	MSCI EAFE	0.47%	2.24%	1.15%	1.35%	2.10%	-1.48%	-6.11%	1.78%	-0.04%	-1.72%	0.71%	0.54%
		MSCI Em. Mkts.	1.69%	3.38%	0.37%	2.55%	2.93%	-1.17%	-6.85%	3.40%	-0.14%	-0.72%	0.25%	1.76%
Fixed Income	BarCap Agg. (AGG)	-10.88%	1.05%	-9.17%	-6.31%	0.12%	0.12%	-2.20%	-2.12%	-13.90%	12.30%	-6.86%	1.13%	
	High Yield (JNK)	0.27%	0.90%	-0.19%	-0.30%	0.22%	-1.19%	-1.70%	0.87%	-0.25%	-0.44%	0.22%	0.14%	
Commodities	Bloomberg Commodity Index	2.84%	0.99%	-0.30%	0.44%	1.99%	-0.66%	-3.18%	1.41%	0.49%	-0.52%	-0.70%	0.31%	
Alternatives	Hedge Funds (HFRX Global)	0.11%	1.06%	0.61%	0.21%	0.86%	-0.23%	-2.28%	1.06%	-0.27%	-1.28%	0.43%	0.14%	
Asset Allocation	60/40*	-3.63%	1.39%	-2.33%	-1.57%	1.11%	-0.56%	-5.45%	2.01%	-5.23%	3.57%	-1.19%	0.67%	
	48/32/20 (w/Alts.)**	-2.89%	1.32%	-1.74%	-1.21%	1.06%	-0.50%	-4.82%	1.82%	-4.24%	2.60%	-0.86%	0.57%	

Source: Bloomberg; \*60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

\*\*48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	0.95	1.08	1.00	0.93	1.06	0.97	0.92	1.04	1.09	0.96	1.09	1.10	1.15	1.24
Large Cap Growth	1.06	1.00	1.14	1.05	0.99	1.12	1.02	0.97	1.10	1.15	1.02	1.15	1.16	1.22	1.31
Large Cap Value	0.93	0.88	1.00	0.92	0.87	0.98	0.90	0.85	0.97	1.01	0.89	1.01	1.02	1.07	1.15
Mid Cap Core	1.00	0.95	1.08	1.00	0.94	1.06	0.97	0.92	1.05	1.09	0.97	1.09	1.10	1.15	1.25
Mid Cap Growth	1.07	1.01	1.16	1.07	1.00	1.14	1.04	0.98	1.12	1.17	1.03	1.17	1.18	1.23	1.33
Mid Cap Value	0.94	0.89	1.02	0.94	0.88	1.00	0.91	0.86	0.98	1.02	0.91	1.03	1.04	1.08	1.17
Small Cap Core	1.03	0.98	1.11	1.03	0.96	1.09	1.00	0.95	1.08	1.12	0.99	1.12	1.13	1.19	1.28
Small Cap Growth	1.09	1.03	1.18	1.09	1.02	1.16	1.06	1.00	1.14	1.19	1.05	1.19	1.20	1.25	1.35
Small Cap Value	0.96	0.91	1.03	0.96	0.89	1.02	0.93	0.88	1.00	1.04	0.92	1.04	1.05	1.10	1.19
Int'l. Developed	0.92	0.87	0.99	0.92	0.86	0.98	0.89	0.84	0.96	1.00	0.89	1.00	1.01	1.06	1.14
Emerging Markets	1.04	0.98	1.12	1.03	0.97	1.10	1.01	0.95	1.08	1.13	1.00	1.13	1.14	1.19	1.29
REITs	0.92	0.87	0.99	0.92	0.86	0.97	0.89	0.84	0.96	1.00	0.88	1.00	1.01	1.06	1.14
Commodities	0.91	0.86	0.98	0.91	0.85	0.97	0.88	0.83	0.95	0.99	0.88	0.99	1.00	1.05	1.13
Int. Bond	0.87	0.82	0.94	0.87	0.81	0.92	0.84	0.80	0.91	0.95	0.84	0.95	0.96	1.00	1.08
High Yield	0.81	0.76	0.87	0.80	0.75	0.85	0.78	0.74	0.84	0.88	0.78	0.88	0.89	0.93	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

### Index Overview & Key Definitions

**Fed, The Fed or FED** refers to the Federal Reserve System, the central bank of the United States. The **Federal Open Market Committee (FOMC)** is the monetary policymaking body of the Federal Reserve System. **Fed Funds Rate**, the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. The **European Central Bank (ECB)** is the central bank for Europe's single currency, the euro. The ECB's main task is to maintain the euro's purchasing power and thus price stability in the euro area. The euro area comprises the 19 European Union countries that have introduced the euro since 1999. The **Gross Domestic Product (GDP)** rate is a measurement of the output of goods and services produced by labor and property located in the United States. **Basis Point(s)** is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. A **separately managed account (SMA)** is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. The **Consumer Price Index (CPI)** measures the change in the cost of a fixed basket of products and services. The **Producer Price Index (PPI)** program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. **Core CPI** is an additional CPI Index, excludes energy and food item price changes, and measures the "core" or "underlying" rate of inflation. The **PCE (Personal Consumption Expenditure) Index of Prices** is a US-wide indicator of the average increase in prices for all domestic personal consumption. Using a variety of data including U.S. Consumer Price Index and Producer Price Index prices, it is derived from personal consumption expenditures; essentially a measure of goods and services targeted towards individuals and consumed by individuals. The **Purchasing Managers' Index (PMI)** is an indicator of the economic health of the manufacturing sector. The **PMI** is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. **Brexit** is a commonly used term for the United Kingdom's withdrawal from the European Union. The **Kansas City Fed Manufacturing Survey** monitors manufacturing plants selected according to geographic distribution, industry mix and size in the Tenth Federal Reserve District. **West Texas Intermediate (WTI)**, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. **Risk Premium** is the return in excess of the risk-free rate of return an investment is expected to yield

The **Dow Jones Industrial Average (DOW or DJIA)** is an unmanaged index of 30 common stocks comprised of 30 actively traded blue chip stocks, primarily industrials and assumes reinvestment of dividends. The **S&P 500 Index** is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The **S&P/Case-Shiller Home Price Indices** measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The **US Dollar Index** is a measure of the value of the United States dollar relative to a basket of foreign currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies (Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona (SEK) & Swiss franc). The **FTSE 100 Index (FTSE 100)** is a share index of the 100 companies listed on the London Stock Exchange (LSE) with the highest market capitalization. The **Bloomberg Commodity Index (formerly the Dow Jones-UBS Commodity Index)** tracks prices of futures contracts on physical commodities on the commodity markets and is designed to minimize concentration in any one commodity or sector (currently 22 commodity futures in seven sectors). The **Barclays Capital US Credit Index** is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The **Barclays Capital US Aggregate Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The **Barclays Capital US Corporate High Yield Index** covers 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. The index may include emerging market debt. The **Barclays Capital Municipal Bond Index** is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The **Barclays Capital US Treasury Total Return Index** is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The **Barclays Capital Global Aggregate ex-U.S. Index** is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The **Barclays Capital U.S. 5-10 Year Corporate Bond Index** measures the investment return of U.S. dollar denominated, investment-grade, fixed rate, taxable securities issued by industrial, utility, and financial companies with maturities between 5 and 10 years. Treasury securities, mortgage-backed securities (MBS) foreign bonds, government agency bonds and corporate bonds are some of the categories included in the index. The **Barclays Capital U.S. Corporate High-Yield Index** is composed of fixed-rate, publicly issued, non-investment grade debt. The **Barclays Capital U.S. Corporate 5-10 Year Index** includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, & financial companies, with maturities between 5 & 10 years. The **Russell 1000 Index** is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The **Russell 1000 Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The **Russell 1000 Value Index** is an unmanaged index considered representative of large-cap value stocks. The **Russell 2000 Index** is an unmanaged index considered representative of small-cap stocks. The **Russell 2000 Growth Index** is an unmanaged index considered representative of small-cap growth stocks. The **Russell 2000 Value Index** is an unmanaged index considered representative of small-cap value stocks. The **Russell 3000 Index** is an unmanaged index considered representative of the US stock market. The **Russell Midcap Index** 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 Growth Index** is an unmanaged index considered representative of mid-cap growth stocks. The **Russell Midcap Value Index** is an unmanaged index considered representative of mid-cap value stocks. The **HFRX Indices** are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The **University of Michigan Consumer Sentiment Index (MCSI)** is a survey of consumer confidence conducted by the University of Michigan using telephone surveys to gather information on consumer expectations regarding the overall economy. The **CBOE Volatility Index (VIX)** is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The **MSCI EAFE Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The **MSCI EAFE Value Index** is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The **MSCI EM (Emerging Markets) Latin America Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets in Latin America. The **MSCI World ex-U.S. Index** captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries - excluding the US. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Japan Index** is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The **MSCI Europe Index** is an unmanaged index considered representative of stocks of developed European countries. The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The **Barclays Intermediate US Government/Credit Bond Index** is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including Treasuries, government-related and U.S. corporate securities, with maturities of at least one year and less than 10 years. The **NY Empire State Manufacturing Index** is based on the monthly survey of manufacturers in New York State – known as the Empire State Manufacturing Survey – conducted by the Federal Reserve Bank of New York. The **Housing Market Index (HMI)** is based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. In May 2007, **Markit's U.S. PMI** research was extended out to cover producers of metal goods. In October 2009, Markit's U.S. Manufacturing PMI survey panel was extended further to cover all areas of U.S. manufacturing activity. The **Dow Jones Wilshire U.S. REIT Index** tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. The **Russell Top 200 Index** measures the performance of the 200 largest companies in the Russell 1000 Index, with a weighted average market capitalization of \$186 billion. The **Barclays 1-3 Year US Treasury Bond Index** measures public US Treasury obligations with remaining maturities of one to three years. The **S&P LSTA Leveraged Loan Index** is an unmanaged capitalization-weighted syndicated loan index based upon market weightings, spreads and interest payments. It covers the US market back to 1997 and currently calculates on a daily basis. The **JPMorgan Emerging Market Bond Index (EMBI)** are a set of three bond indices to track bonds in emerging markets operated by J P Morgan. The indices are the Emerging Markets Bond Index Plus, the Emerging Markets Bond Index Global and the Emerging Markets Bond Global Diversified Index. The **J.P. Morgan GBI** series covers a variety of asset classes ranging from flagship coverage of emerging markets to developed market bond indices.

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) securities are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates.

Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments. Investing in commodities can be volatile and can suffer from periods of prolonged decline in value and may not be suitable for all investors.

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