

# Weekly Market Review

May 27, 2016

## Chart of the Week



## Weekly Highlights

- **First quarter GDP revised modestly higher.** US GDP was revised upward to 0.8% for the first quarter from the original estimate of 0.5%. Better-than-estimated home construction and slightly larger inventory building were the main drivers of the increase. The PCE Index, the Federal Reserve's (Fed's) preferred measure of inflation, was unchanged from the original estimate of 0.3% annualized. Estimates for second quarter GDP are consistently above 2.0%.
- **Housing market shows strength.** Sales of new homes jumped 16.6% in April to a seasonally adjusted rate of 619,000. Separately, the National Assoc. of Realtors pending home sales index climbed 5.1% in April, and is 4.6% higher than a year ago. How well this holds up in May will be determined in part by mortgage rates, which jumped six basis points last week to an average of 3.64% on 30-year fixed mortgages. Despite the jump, the average for the first three weeks in May is the lowest in nearly three years.
- **Manufacturing weak.** Durable goods orders were up 3.4% in April, but mostly due to commercial jet orders. Ex-transportation orders were up just 0.4%, and core capital goods, a proxy for business investment, were down 0.8%.

## Talking Points.

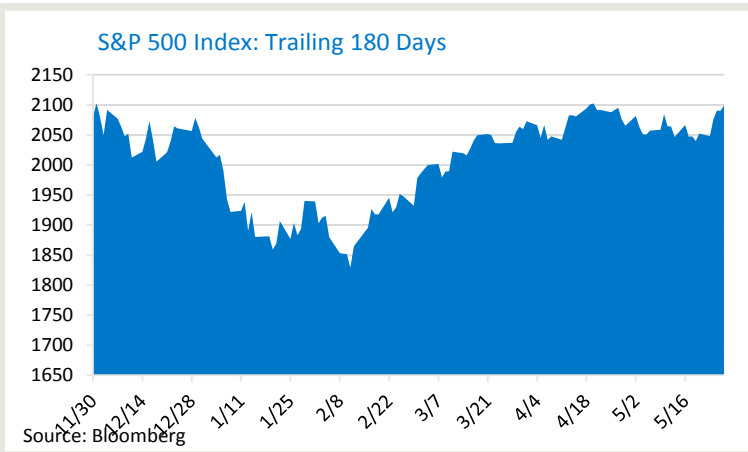
- **Among equities,** international markets, particularly core Europe, outperformed the U.S. markets led by Italy and Spain, both well over 3% on the week. The US market was led by small cap issues.
- **Treasury yields quiet.** Despite several hawkish statements by various Fed members, Treasury yields were largely unchanged.
- **Crude oil continued its run higher,** despite giving back gains on Friday. Precious metals were down sharply, particularly gold, which is down more than 6% this month.
- **The US Dollar Index** was largely unchanged, after generating a small gain in the first three trading sessions.
- **Among other economic data released:** Weekly jobless claims dropped by 10,000 to 262,000, but the four-week average rose slightly to 278,500. The number of new mortgage foreclosures fell in the first quarter to fewer than 100,000, or 2.1% of all mortgages.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,099.06	46.74	2.28%	2.7%
<b>Dow Industrials</b>	17,873.22	372.28	2.13%	2.6%
<b>Nasdaq</b>	4,933.50	163.95	3.44%	-1.5%
<b>Russell 2000</b>	1,150.45	38.17	3.43%	1.3%
<b>Euro Stoxx Index</b>	349.64	11.63	3.44%	-4.4%
<b>Shanghai Composite</b>	2,821.05	-4.44	-0.16%	-20.3%
<b>Russell Global</b>	1,672.02	32.52	1.98%	0.8%

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

	Last Price	Change	% Chg.	YTD %
<b>Russell Global EM</b>	2,550.03	51.14	2.05%	0.5%
<b>10-Year US Treas.</b>	1.85	0 bps	NM	NM
<b>DJ UBS Comm. Idx.</b>	85.47	0.60	0.71%	8.8%
<b>Gold</b>	\$1,211.87	-\$40.13	-3.21%	14.2%
<b>Crude Oil</b>	\$49.50	\$1.11	2.29%	19.8%
<b>Dollar Index</b>	95.75	0.40	0.42%	-2.9%
<b>VIX Index</b>	13.12	-2.08	-13.68%	-28.0%



	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	2.15%	2.27%	2.38%	3.26%	2.03%	0.92%
	2.19%	2.30%	2.41%	6.69%	4.10%	1.52%
<b>S</b>	2.92%	3.43%	3.98%	4.58%	1.28%	-1.96%

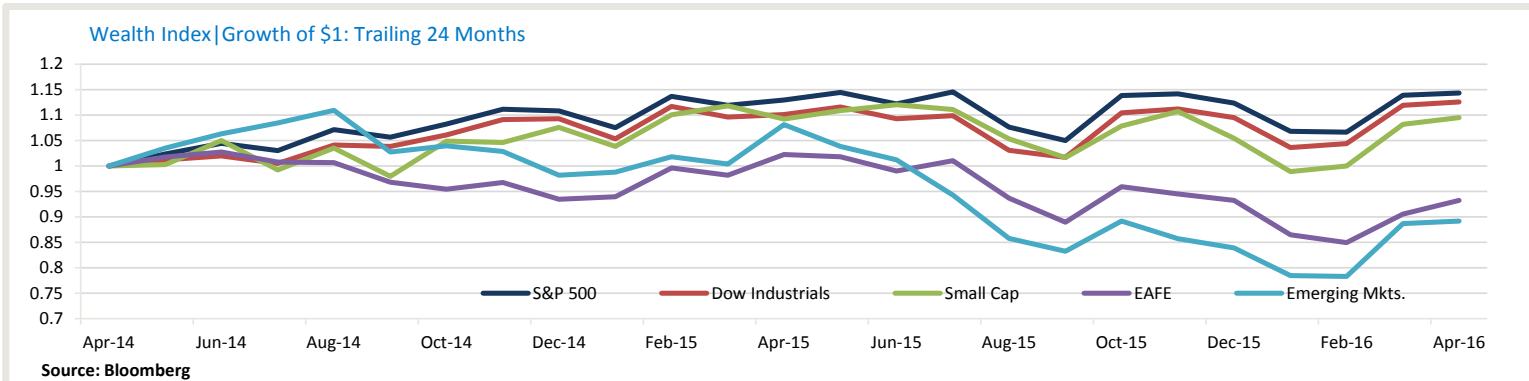
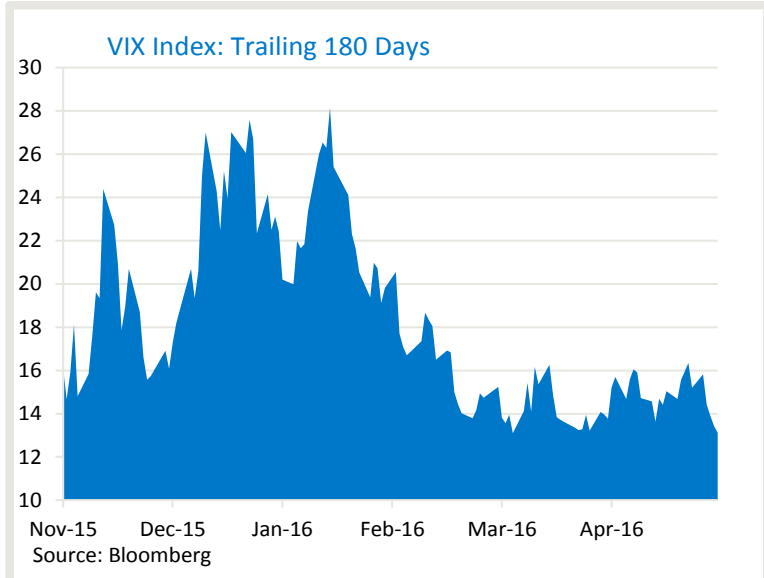
Source: Bloomberg

### Sector Performance:

#### S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
<b>Consumer Discretionary</b>	12.5	2.08%	1.4%
<b>Consumer Staples</b>	10.2	1.53%	4.5%
<b>Energy</b>	7.2	1.40%	11.4%
<b>Financials</b>	16.3	2.62%	-0.4%
<b>Health Care</b>	14.7	2.18%	-1.4%
<b>Industrials</b>	10.0	1.52%	4.4%
<b>Information Technology</b>	20.3	3.60%	1.5%
<b>Materials</b>	2.9	1.94%	8.0%
<b>Telecom Services</b>	2.6	1.61%	10.9%
<b>Utilities</b>	3.3	1.14%	12.2%

Source: Bloomberg



## The Economy and Markets

### ***A Macro View – Is the Credit Party Over or Just Getting Warmed Up?***

During our recent Advisor Summit in Chicago, I had the opportunity to host a discussion panel with four distinguished investment professionals to discuss the state of the global credit markets and where the best opportunities lie. This topic was on everyone's mind in January (when the Summit was being planned), as investment grade and high yield bonds had turned in poor performance for the second half of 2015, and were off to an even worse start in 2016. The subsequent sharp rally in both asset classes from mid-February through the early part of May surely reduced the urgency of the topic, but it remains near the top of the list for many advisors, and certainly for Envestnet | PMC's research team.

The panel began with a discussion of how the credit cycle is defined and why it is important to have an idea of where in the cycle the market is now. The credit cycle describes the broad fundamentals of companies issuing both investment grade and high yield debt. The trough of the cycle is usually associated with economic recessions, and is underpinned by high levels of leverage, low interest coverage ratios, and a peak in defaults. These increased risks translate to investors reducing their exposure, causing spreads to widen (usually to their widest point in the cycle), which generally limits new issuance, especially in the high yield market.

Companies that survive the trough typically work to de-lever their balance sheets (selling assets or issuing equity to pay down debt) and increase cash flows by delaying capital expenditures. As these efforts begin to show up on quarterly reports, the market moves into the early part of the cycle, and savvy investors begin to add selectively to the most promising companies. The peak in the cycle is characterized by strong fundamentals, cleaner balance sheets, and improving cash flows. This peak is usually associated with the early to middle stages of an economic recovery, but is not generally the point at which spreads are at their tightest. Rather, tight spreads generally are associated with the late part of the cycle, when companies once again become more aggressive with their balance sheets (engaging in LBOs, for example), risk appetite is high, and new issuance peaks. The credit markets then fall back to the trough when the economy weakens, though this late-market condition can exist for several years.

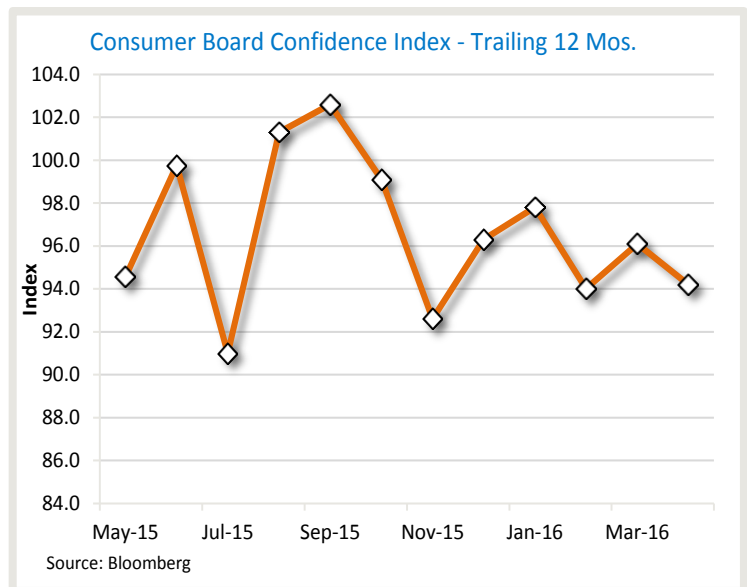
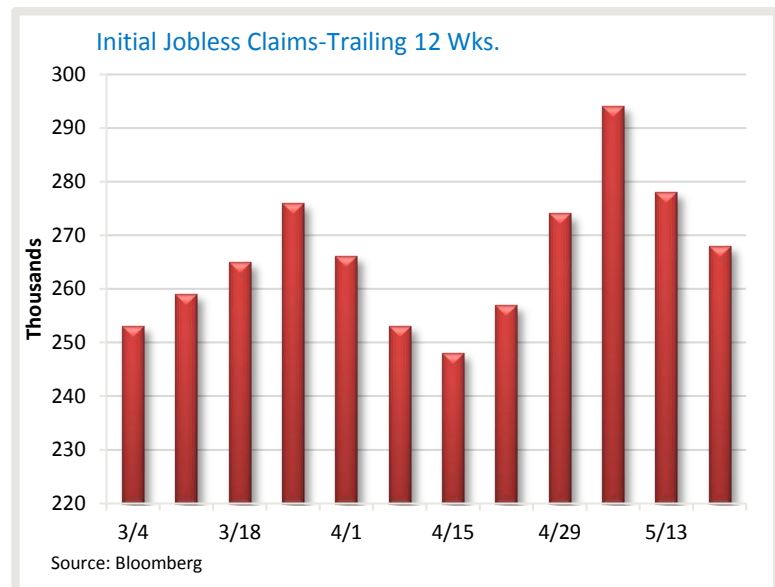
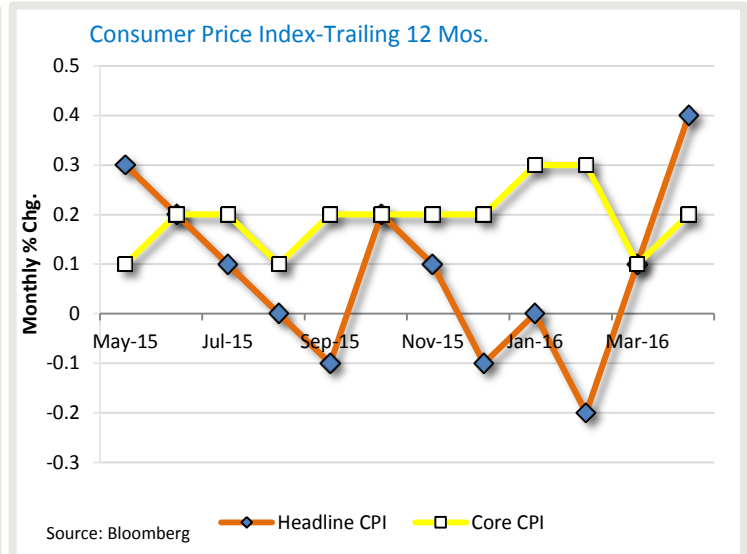
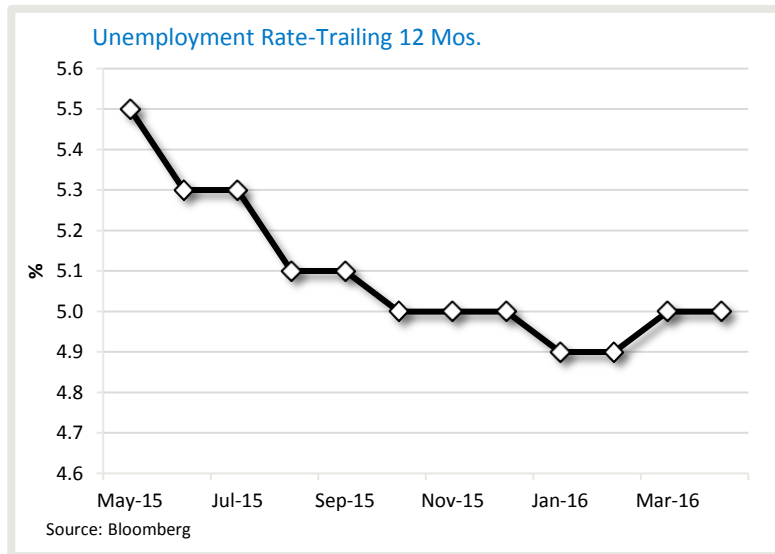
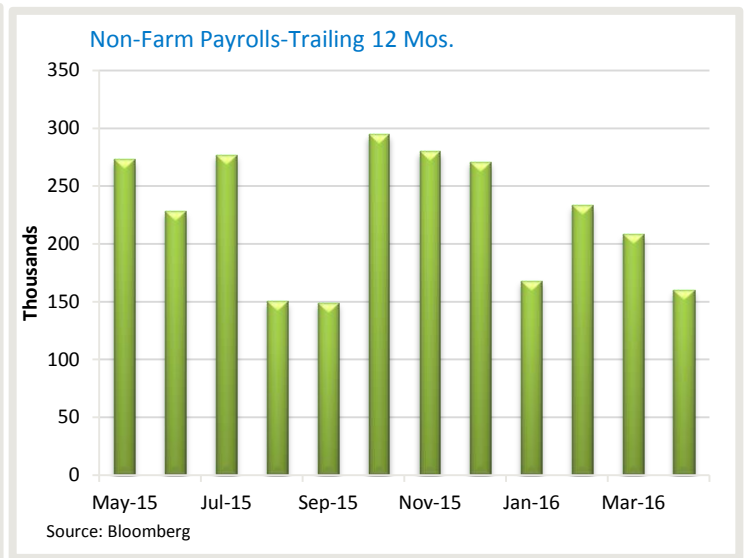
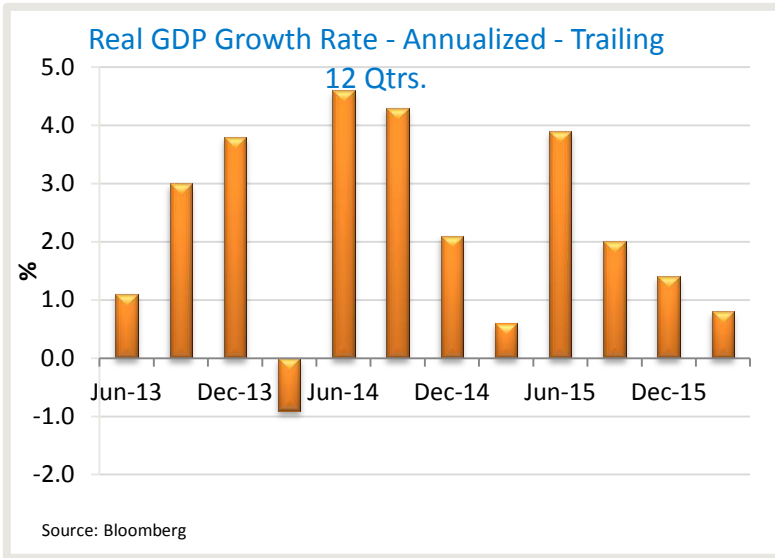
Although our panelists were not all in agreement, they placed the US credit market (as of mid-May) past the peak of the cycle and in the later stages. However, there was a consensus the market could remain in its current stage for some time to come. The option adjusted spread on the Barclays US Corporate High Yield Index stood at 599 basis points as of May 13, and at 556 basis points when the energy sector was excluded. These readings are both above the long-term median of 518 basis points, and are well above the tightest level of 273 basis points in 2007 (before the financial crisis), and the 329 basis points reached in mid-2014 (before the collapse in oil and other commodity prices). Revenues for high yield companies have remained steady, and although leverage has generally increased, interest coverage ratios are near all-time highs because of the very low cost of debt issued since 2009. Defaults have increased over the last year, but they have occurred almost entirely in the commodity sectors. Outside of those sectors, defaults are expected to remain below 2% for 2016. New issuance in the market is still modest, and does not have the high levels of CCC rated debt or aggressive structures that in the past have signaled that a cycle was nearing its end. These combined fundamentals point to an extended runway for the credit markets.

When the panelists were asked to identify where today's credit market opportunities are, they had a wide variety of answers. Broadly, the conventional high yield bond market was considered to still be undervalued, and for the more aggressive investor, the "survivors" in the energy sector continue to offer significant upside potential even after the recent strong rally. Bank loans were also mentioned as a good opportunity set, though one more diminished than conventional high yield, given the recent rally. Demand for bank loans (and bank loan mutual funds) has been closely tied with expectations for rising rates in recent years. One panelist pointed out they should be considered by investors today not for the floating coupon component, but for the capital gain potential, as much of the market is now trading below par, and is still the most secure part of the capital structure. Another panelist pointed to the European high yield market and even emerging markets corporate bonds as sources of opportunity. The combination of the European Central Bank's corporate bond buying program and near zero (or lower) sovereign bond yields for the foreseeable future creates a strong technical backdrop in the Eurozone. EM corporates offer much higher yields than their US or European counterparts, even after accounting for the currency component, creating a strong upside potential as well.

Although there are always risks when investing in any of the global credit markets, generally strong fundamentals and high demand from retail and institutional investors for excess yield have created an environment in which the potential returns, at the very least, compensate for those risks.

*Nathan Behan, CFA, CAIA*  
*SVP, Investment Research*

## Economic Data



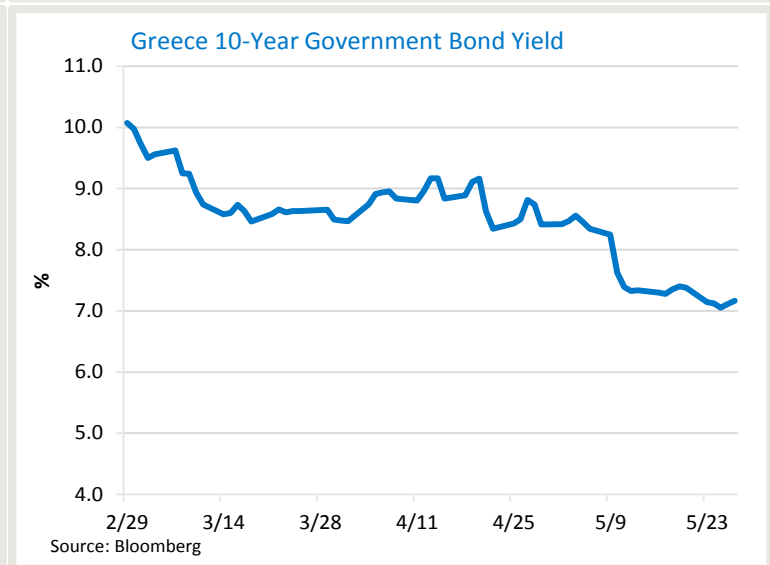
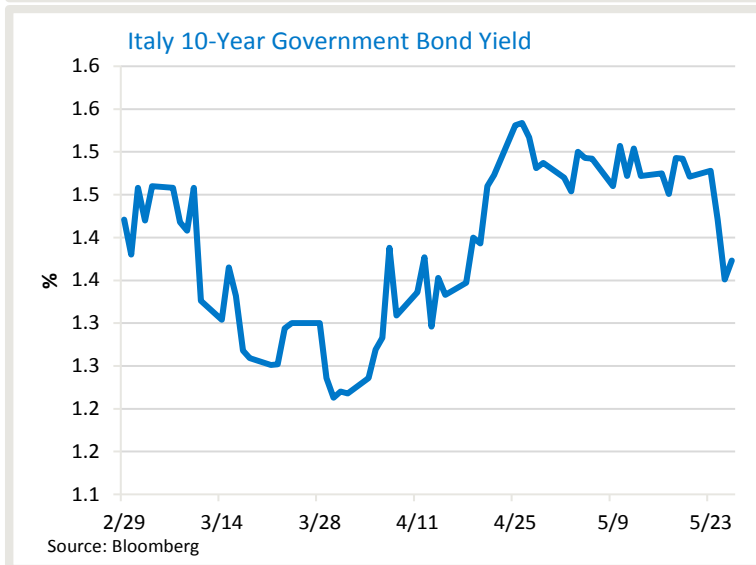
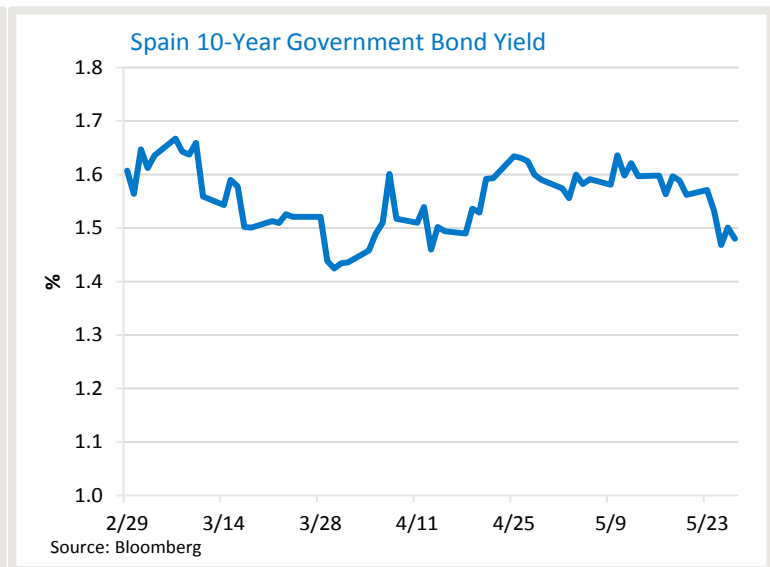
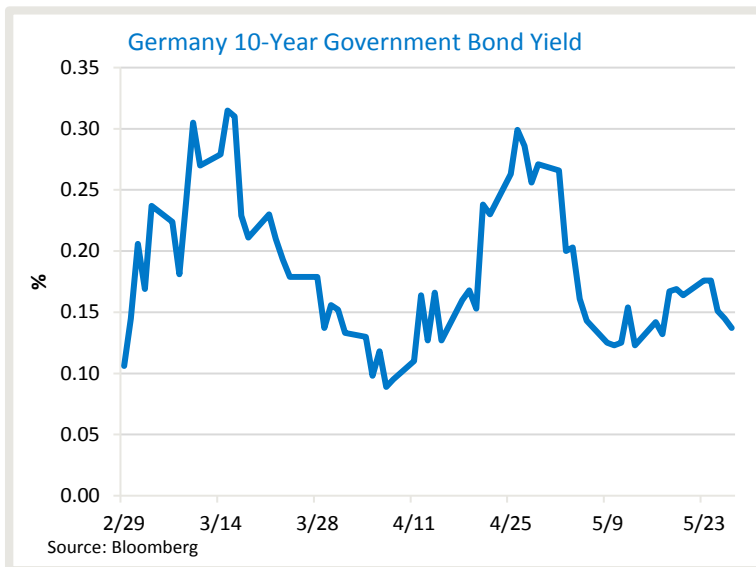
## Eurozone

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.14	3 bps	NM	NM
Greece 10-Yr. Govt.	7.17	13 bps	NM	NM
Italy 10-Yr. Govt.	1.35	11 bps	NM	NM
Spain 10-Yr. Govt.	1.48	8 bps	NM	NM
Belgium 10-Yr. Govt.	0.50	4 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.47	3 bps	NM	NM
Ireland 10-Yr. Govt.	0.76	7 bps	NM	NM
Portugal 10-Yr. Govt.	3.03	6 bps	NM	NM
Netherlands 10-Yr. Govt.	0.35	3 bps	NM	NM
U.K. 10-Yr. Govt.	1.43	1 bps	NM	NM

Source: Bloomberg  
Basis points (bps)

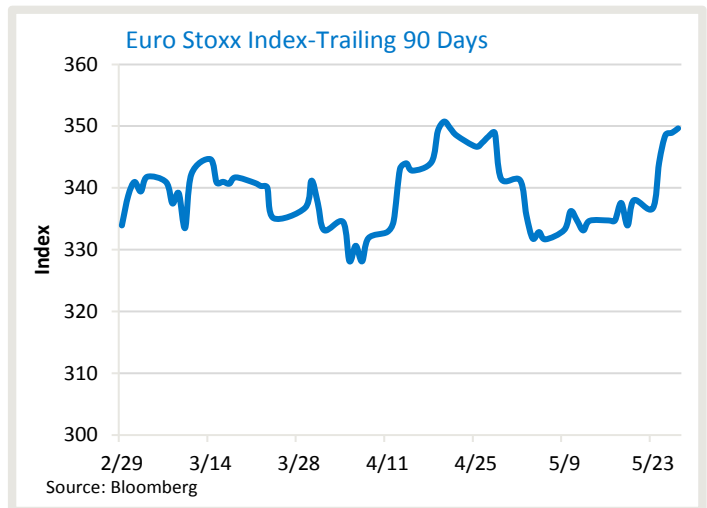
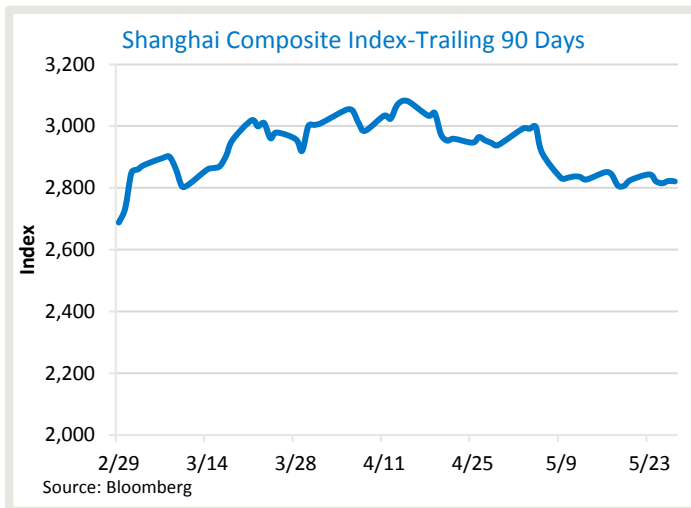
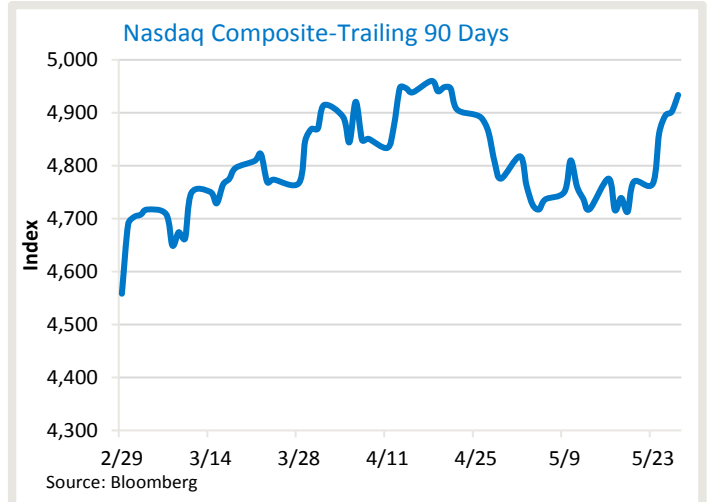
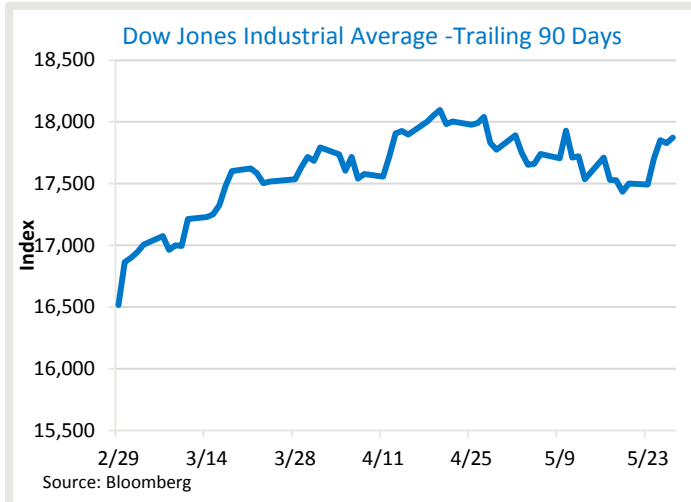


## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	<b>2,099.06</b>	<b>46.74</b>	<b>2.28%</b>	<b>2.70%</b>	<b>Swiss Market Index</b>	<b>8,292.45</b>	<b>295.15</b>	<b>3.69%</b>	<b>-5.96%</b>
<b>Dow Industrials</b>	<b>17,873.22</b>	<b>372.28</b>	<b>2.13%</b>	<b>2.57%</b>	<b>CAC 40 Index (France)</b>	<b>4,514.74</b>	<b>160.84</b>	<b>3.69%</b>	<b>-2.64%</b>
<b>Nasdaq Composite</b>	<b>4,933.50</b>	<b>163.95</b>	<b>3.44%</b>	<b>-1.48%</b>	<b>DAX Index (Germany)</b>	<b>10,286.31</b>	<b>370.29</b>	<b>3.73%</b>	<b>-4.25%</b>
<b>Russell Global</b>	<b>1,672.02</b>	<b>32.52</b>	<b>1.98%</b>	<b>0.8%</b>	<b>Irish Overall Index</b>	<b>6,503.74</b>	<b>274.59</b>	<b>4.41%</b>	<b>-4.24%</b>
<b>Russell Global EM</b>	<b>2,550.03</b>	<b>51.14</b>	<b>2.05%</b>	<b>0.5%</b>	<b>Nikkei 225</b>	<b>16,834.84</b>	<b>98.49</b>	<b>0.59%</b>	<b>-11.55%</b>
<b>S&amp;P/TSX (Canada)</b>	<b>14,105.23</b>	<b>185.65</b>	<b>1.33%</b>	<b>8.42%</b>	<b>Hang Seng Index</b>	<b>20,576.77</b>	<b>724.57</b>	<b>3.65%</b>	<b>-6.10%</b>
<b>Mexico IPC</b>	<b>46,124.15</b>	<b>968.24</b>	<b>2.14%</b>	<b>7.32%</b>	<b>Shanghai Composite</b>	<b>2,821.05</b>	<b>-4.44</b>	<b>-0.16%</b>	<b>-20.29%</b>
<b>Brazil Bovespa</b>	<b>49,051.49</b>	<b>-671.26</b>	<b>-1.35%</b>	<b>13.15%</b>	<b>Kospi Index (S. Korea)</b>	<b>1,969.17</b>	<b>21.50</b>	<b>1.10%</b>	<b>0.40%</b>
<b>Euro Stoxx 600</b>	<b>349.64</b>	<b>11.63</b>	<b>3.44%</b>	<b>-4.42%</b>	<b>Taiwan Taiex Index</b>	<b>8,463.61</b>	<b>332.35</b>	<b>4.09%</b>	<b>1.51%</b>
<b>FTSE 100</b>	<b>6,270.79</b>	<b>114.47</b>	<b>1.86%</b>	<b>0.46%</b>	<b>Tel Aviv 25 Index</b>	<b>1,430.50</b>	<b>32.05</b>	<b>2.29%</b>	<b>-6.43%</b>
<b>IBEX 35 (Spain)</b>	<b>9,107.30</b>	<b>336.10</b>	<b>3.83%</b>	<b>-4.58%</b>	<b>MICEX Index (Russia)</b>	<b>1,927.58</b>	<b>36.25</b>	<b>1.92%</b>	<b>9.44%</b>

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



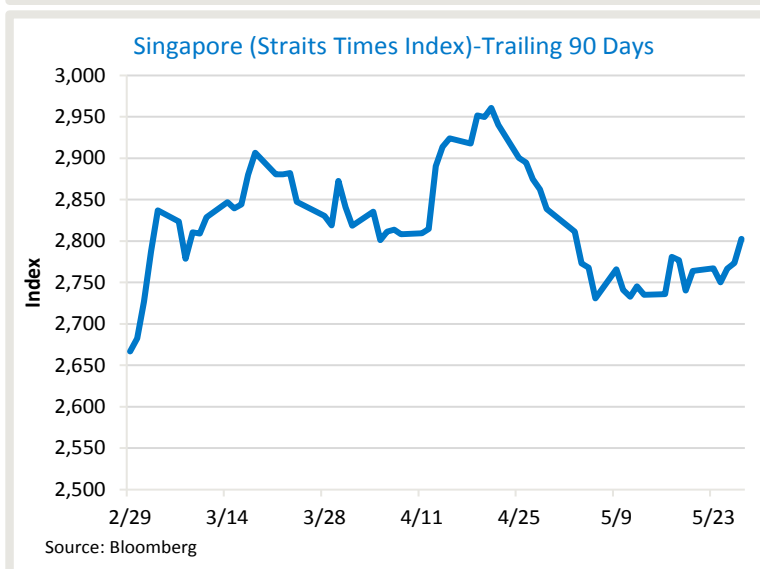
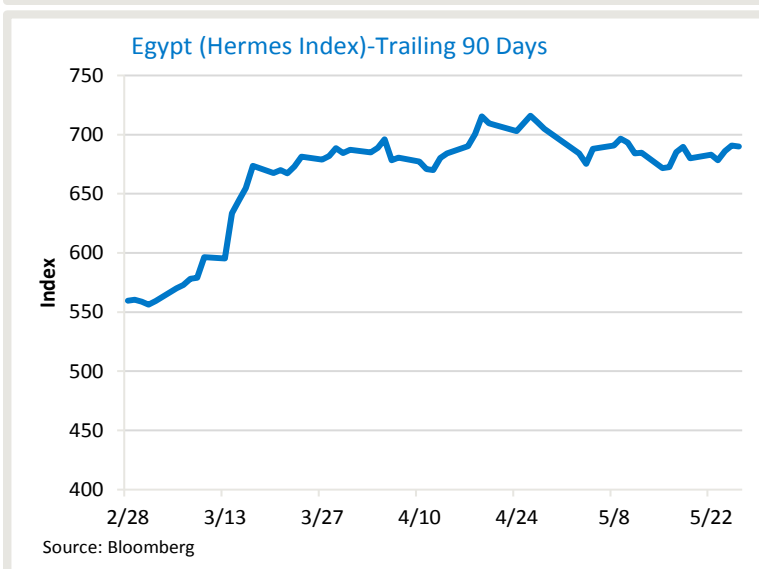
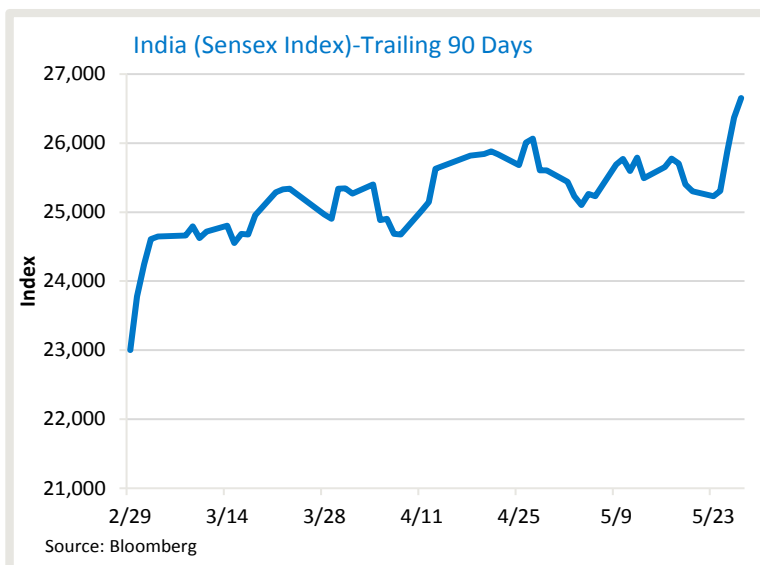
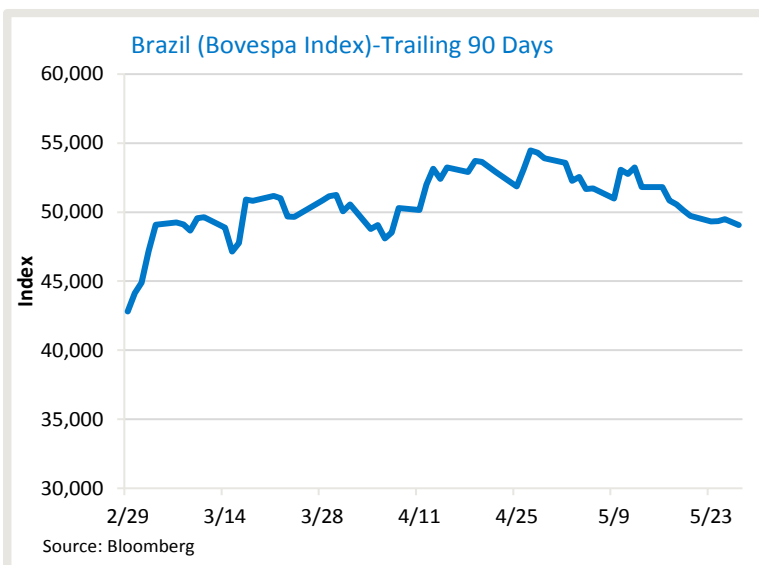
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	46,124.15	968.24	2.1%	7.3%
Brazil (Bovespa Index)	49,051.49	-671.26	-1.4%	13.2%
MICEX Index (Russia)	1,927.58	36.25	1.9%	9.4%
Czech Republic (Prague)	890.47	15.28	1.7%	-6.9%
Turkey (Istanbul)	78,028.90	1671.16	2.2%	8.8%
Egypt (Hermes Index)	689.80	9.74	1.4%	9.4%
Kenya (Nairobi 20 Index)	3,867.50	-23.35	-0.6%	-4.3%
Saudi Arabia (TASI Index)	6,482.48	-212.78	-3.2%	-6.2%
Lebanon (Beirut BLOM Index)	1,150.97	-3.04	-0.3%	-1.6%
Palestine	490.89	0.47	0.1%	-7.9%

	Last	Change	% Chg.	YTD %
Hang Seng Index	20,576.77	724.57	3.6%	-6.1%
India (Sensex 30)	26,653.60	1351.70	5.3%	2.1%
Malaysia (KLCI Index)	1,637.19	8.40	0.5%	-3.3%
Singapore (Straits Times Index)	2,802.51	38.69	1.4%	-2.8%
Thailand (SET Index)	1,412.67	26.81	1.9%	9.7%
Indonesia (Jakarta)	4,814.73	102.85	2.2%	4.8%
Pakistan (Karachi KSE 100)	36,694.26	0.76	0.0%	11.8%
Vietnam (Ho Chi Minh)	608.11	-6.70	-1.1%	5.0%
Sri Lanka (Colombo)	6,571.21	-76.92	-1.2%	-4.7%
Cambodia (Laos)	1,122.62	-20.05	-1.8%	-4.3%

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

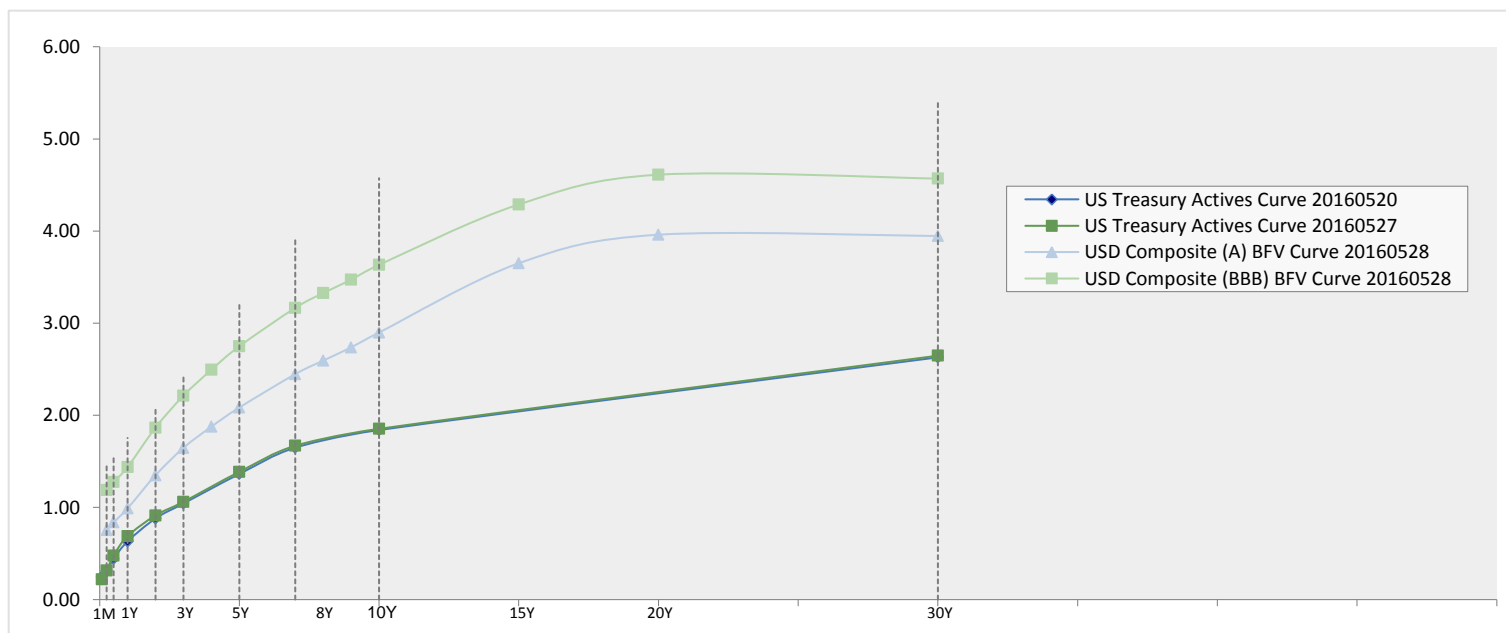


## Interest Rates

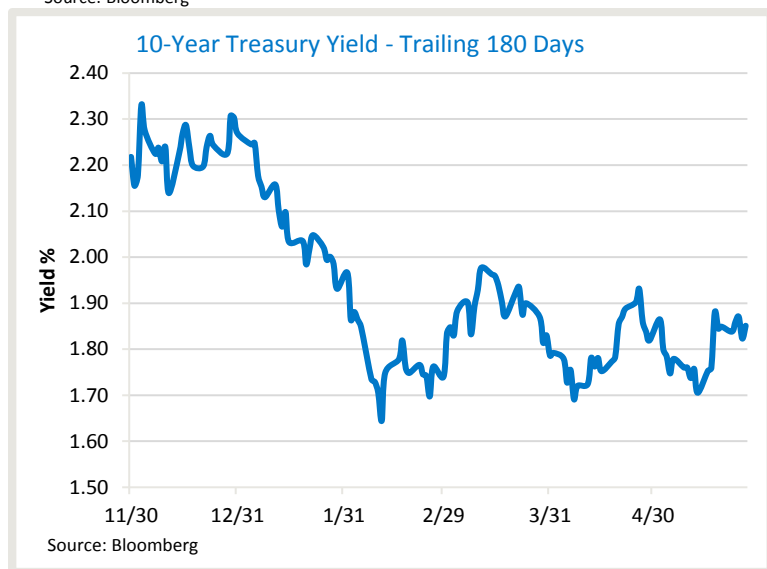
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	0.91%	0 bps	NM	NM	Prime Rate	3.50%	0.00	NM	NM
5-Yr. U.S. Treasury	1.39%	1 bps	NM	NM	Fed Funds Rate	0.50%	0.00	NM	NM
10-Yr. U.S. Treasury	1.85%	0 bps	NM	NM	Discount Rate	1.00%	0.00	NM	NM
30-Yr. U.S. Treasury	2.65%	1 bps	NM	NM	LIBOR (3 Mo.)	0.67%	1 bps	NM	NM
German 10-Yr. Govt.	0.14%	3 bps	NM	NM	Bond Buyer 40 Muni	3.00%	3 bps	NM	NM
France 10-Yr.	0.47%	3 bps	NM	NM	Bond Buyer 40 G.O.	3.26%	NA	NM	NM
Italy 10-Yr.	1.35%	11 bps	NM	NM	Bond Buyer 40 Rev.	3.48%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	1.48%	-4 bps	NM	NM					

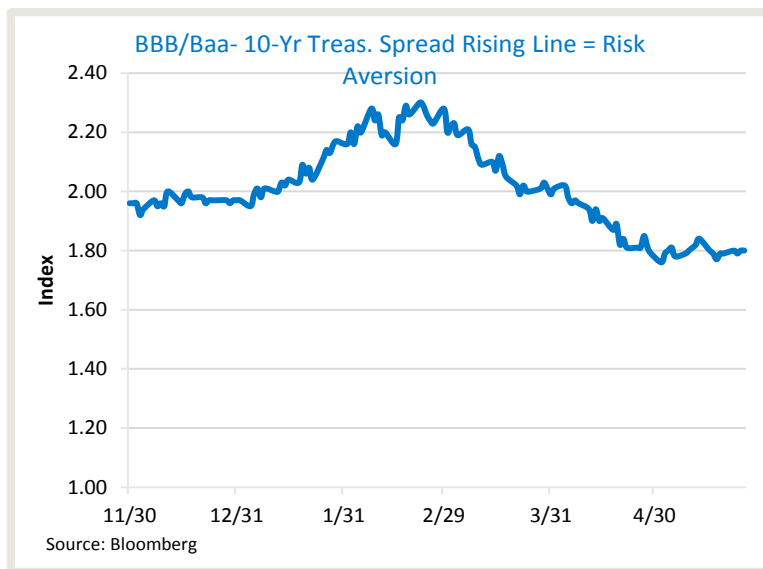
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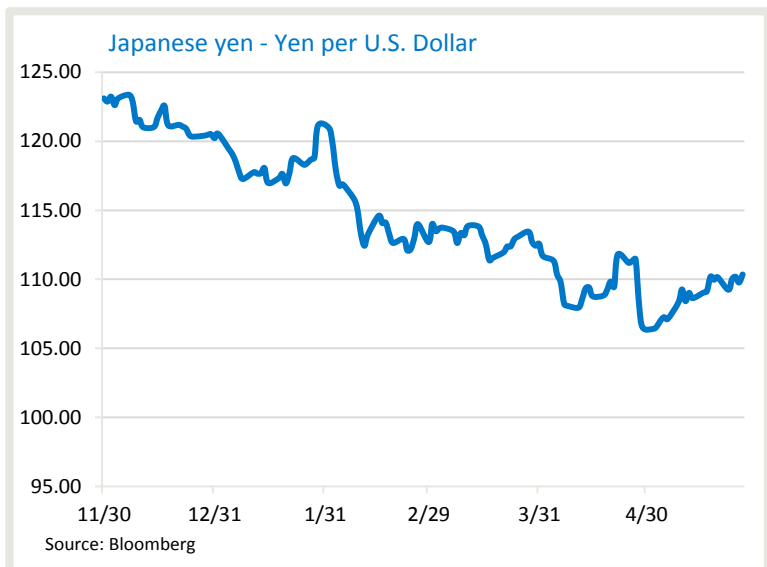
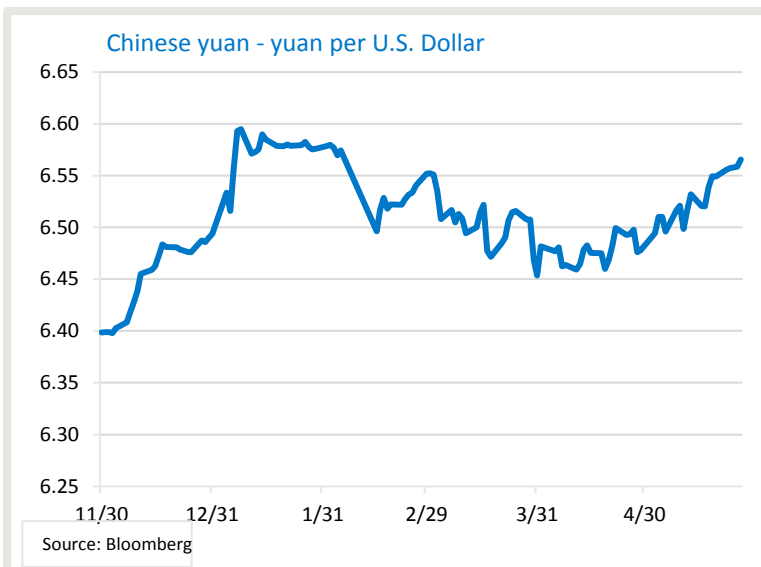
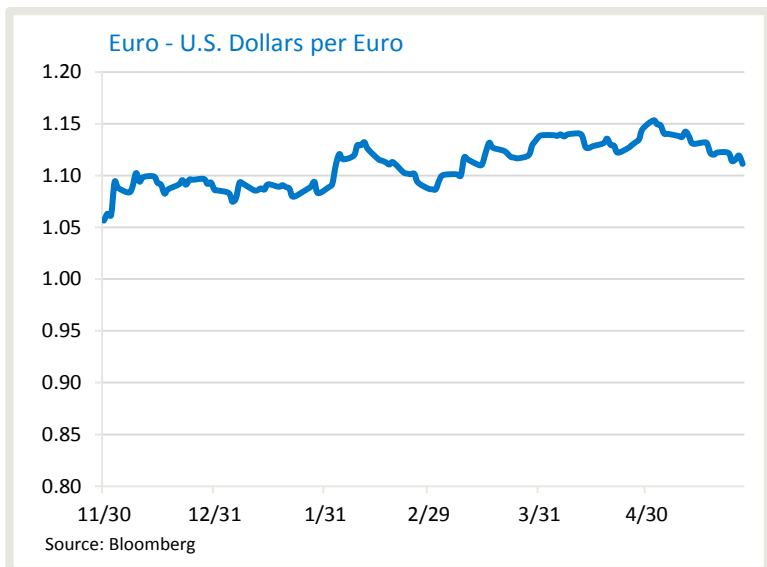
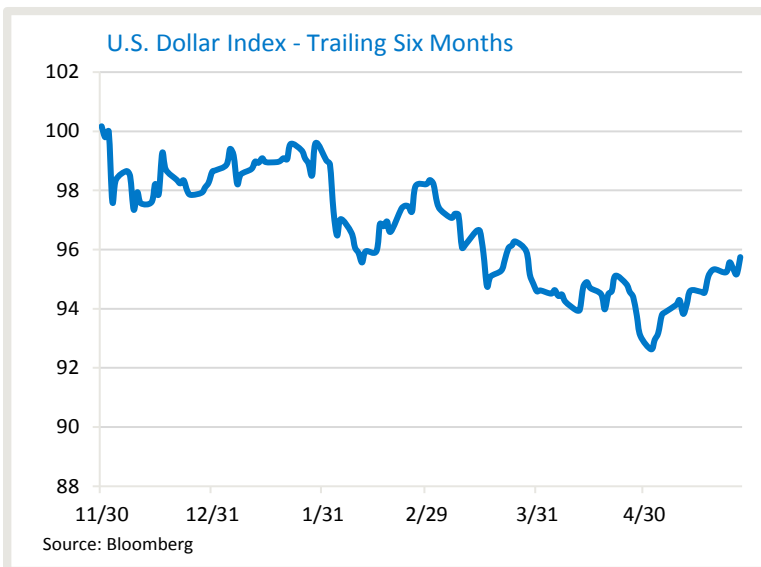
## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>95.74</b>	<b>0.405</b>	<b>0.42%</b>	<b>-2.93%</b>
<b>Euro</b>	<b>1.11</b>	<b>-0.011</b>	<b>-0.99%</b>	<b>2.31%</b>
<b>Japanese Yen</b>	<b>110.34</b>	<b>0.200</b>	<b>-0.18%</b>	<b>8.94%</b>
<b>British Pound</b>	<b>1.46</b>	<b>0.011</b>	<b>0.76%</b>	<b>-0.84%</b>
<b>Canadian Dollar</b>	<b>1.30</b>	<b>-0.009</b>	<b>0.67%</b>	<b>6.24%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>6.57</b>	<b>0.017</b>	<b>-0.25%</b>	<b>-1.09%</b>
<b>Swiss Franc</b>	<b>0.99</b>	<b>0.005</b>	<b>-0.45%</b>	<b>0.73%</b>
<b>New Zealand Dollar</b>	<b>0.67</b>	<b>-0.006</b>	<b>-0.92%</b>	<b>-1.87%</b>
<b>Brazilian Real</b>	<b>3.60</b>	<b>0.085</b>	<b>-2.35%</b>	<b>9.84%</b>
<b>Mexican Peso</b>	<b>18.45</b>	<b>0.096</b>	<b>-0.52%</b>	<b>-6.70%</b>

Source: Bloomberg

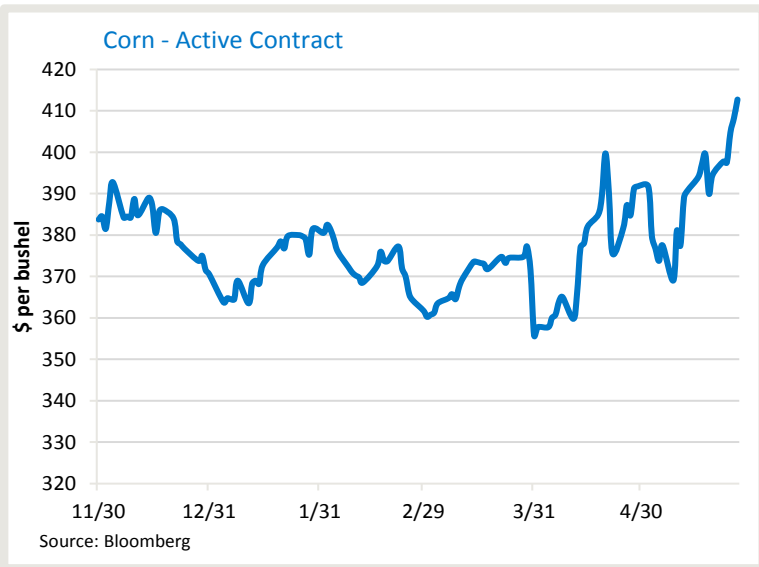
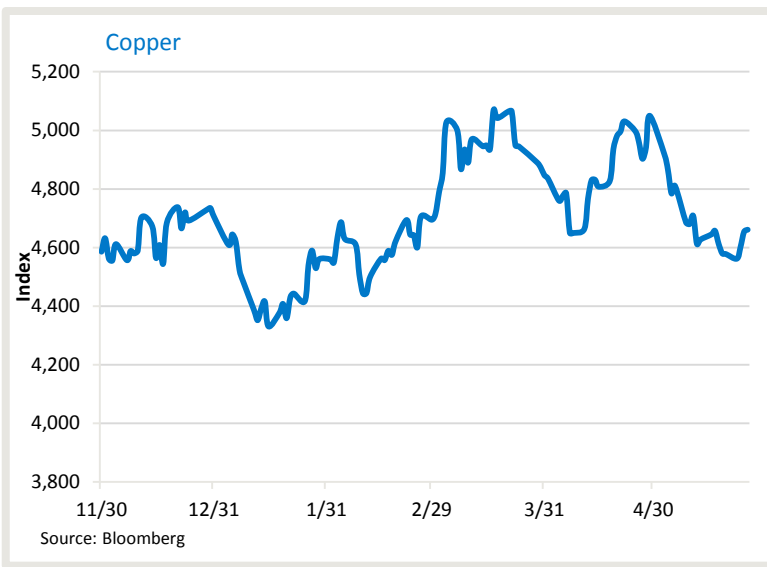
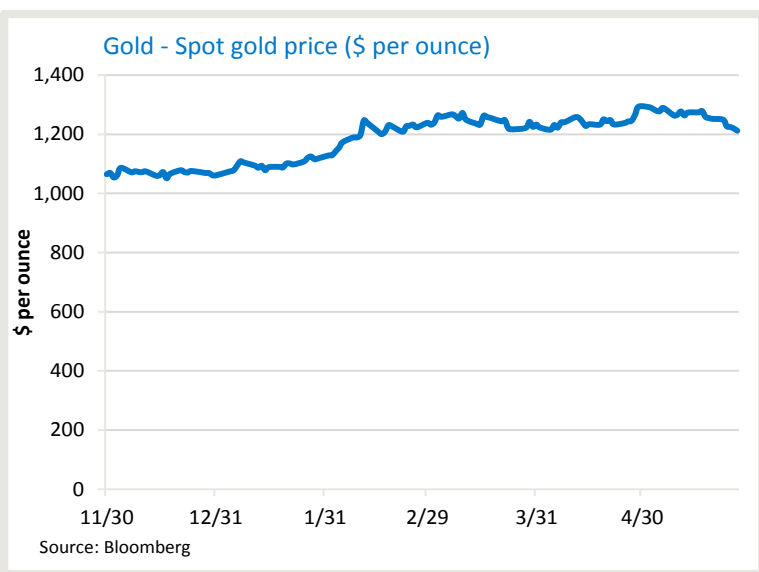
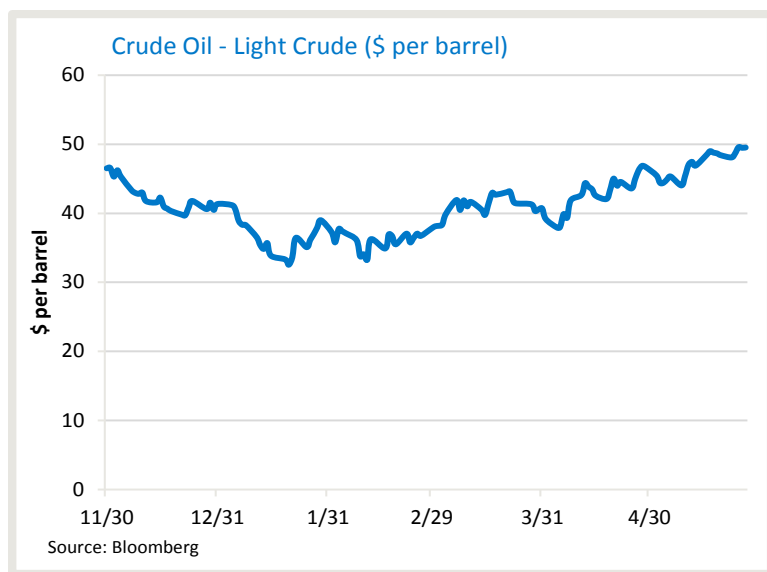


## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
Bloomberg Comm. Idx.	85.47	0.60	0.71%	8.79%	Platinum Spot	\$976.30	-\$46.35	-4.53%	9.51%
Rogers Int. Comm. Idx.	2204.26	21.18	0.97%	9.20%	Corn	412.75	18.25	4.63%	11.40%
Crude Oil	\$49.50	\$1.11	2.29%	19.82%	Wheat	481.50	13.75	2.94%	-0.36%
Natural Gas	\$2.16	-\$0.04	-1.99%	-13.79%	Soybeans	1,086.50	12.25	1.14%	23.92%
Gasoline (\$/Gal.)	\$2.32	\$0.04	1.76%	16.18%	Sugar	17.52	0.45	2.64%	19.67%
Heating Oil	149.49	0.49	0.33%	23.00%	Orange Juice	146.50	-3.60	-2.40%	1.38%
Gold Spot	\$1,211.97	-\$40.13	-3.21%	14.21%	Aluminum	1,555.50	8.50	0.55%	3.22%
Silver Spot	\$16.23	-\$0.31	-1.89%	17.10%	Copper	4,661.00	83.00	1.81%	-0.94%

Source: Bloomberg; % change is based on price.

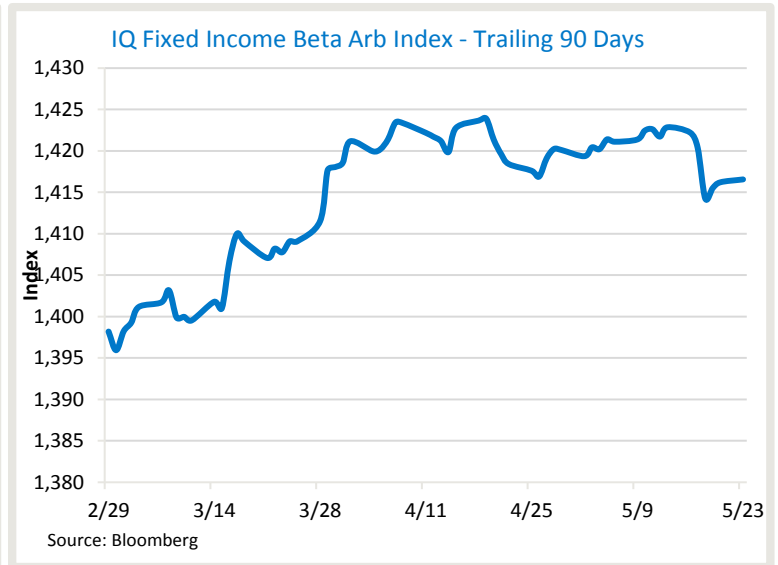
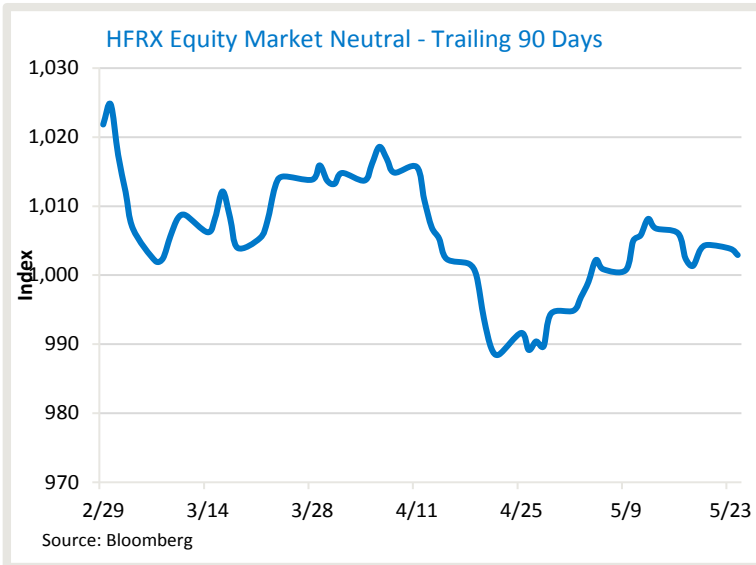
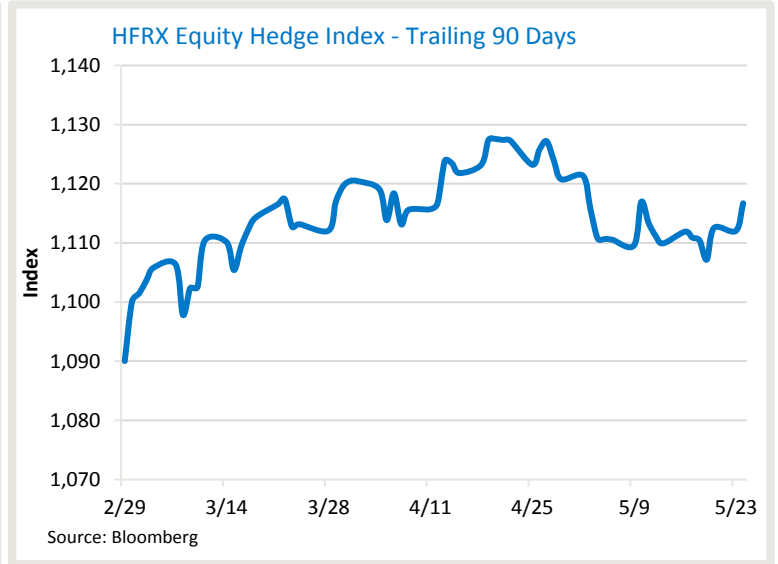
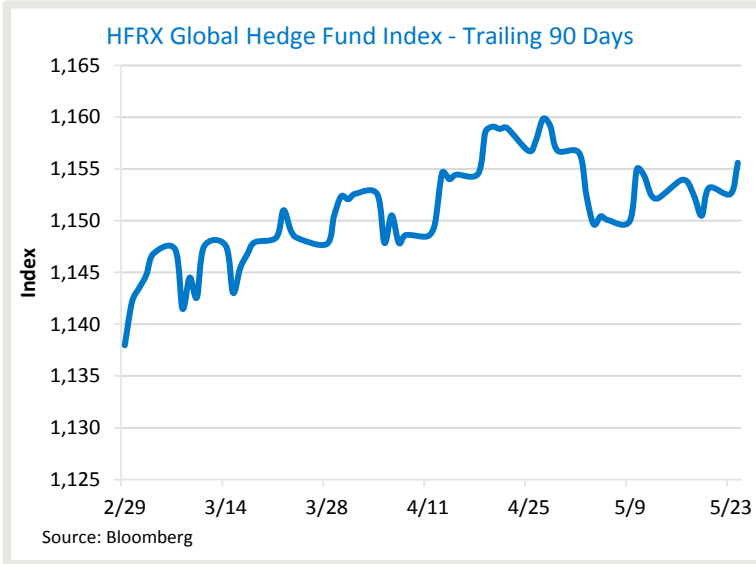


## Alternative Investments

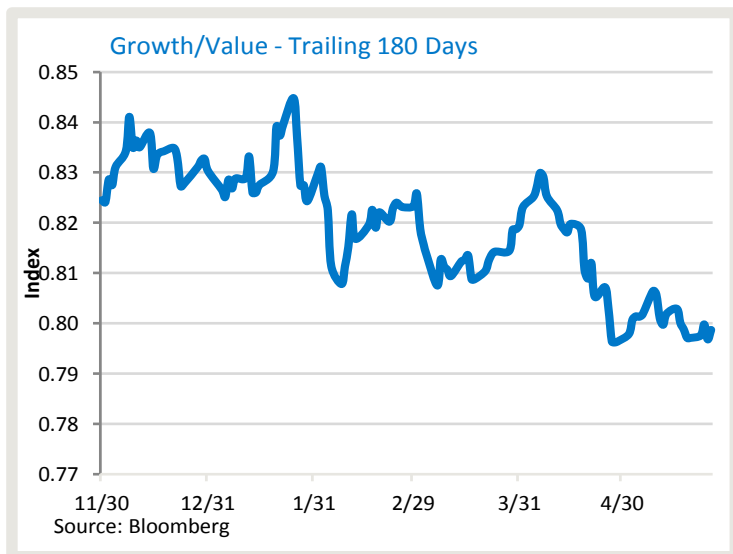
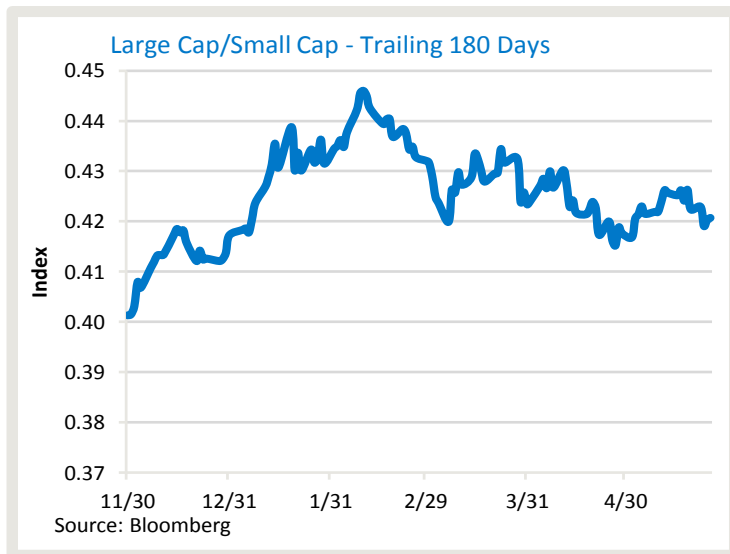
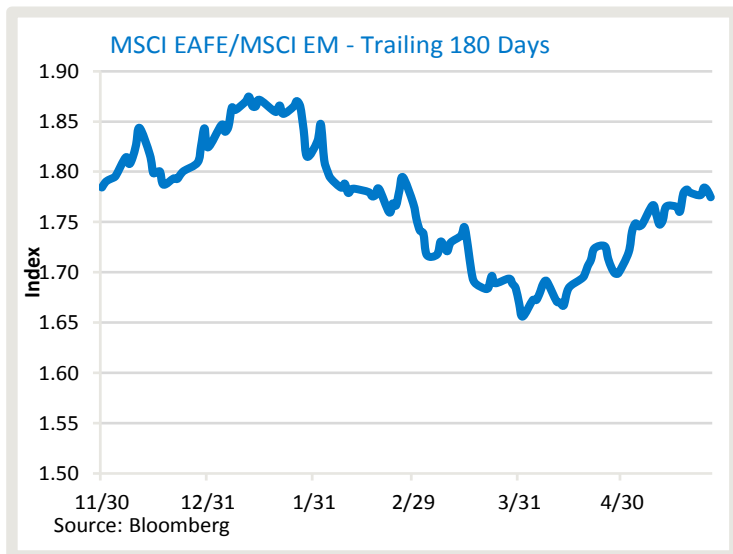
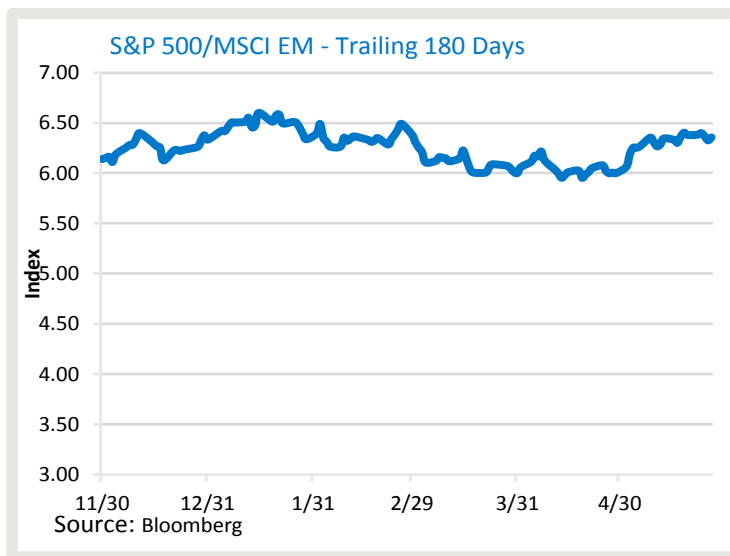
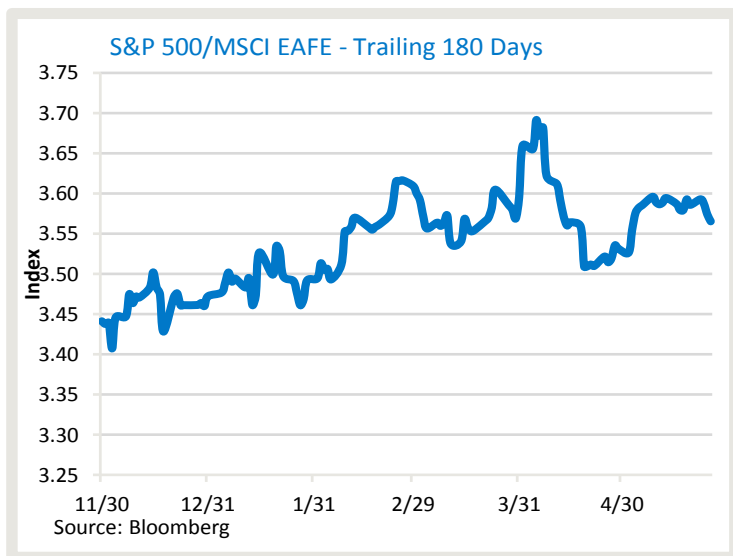
### SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1159.34	6.16	0.53%	-1.25%	HFRX Distressed Index	935.38	5.56	0.60%	4.36%
HFRX Equity Market Neutral	999.88	-4.50	-0.45%	-3.87%	HFRX Merger Arbitrage Index	1779.26	5.79	0.33%	2.39%
HFRX Equity Hedge Index	1120.72	8.18	0.74%	-2.91%	HFRX Convertible Arbitrage Index	708.80	-0.80	-0.11%	0.95%
HFRX Event-Driven Index	1427.82	12.33	0.87%	1.38%	HFRX Macro CTA Index	1156.65	4.99	0.43%	-1.11%
HFRX Absolute Return Index	1024.01	0.27	0.03%	-0.13%	IQ Fixed Income Beta Arb Index	1417.48	1.27	0.09%	2.18%

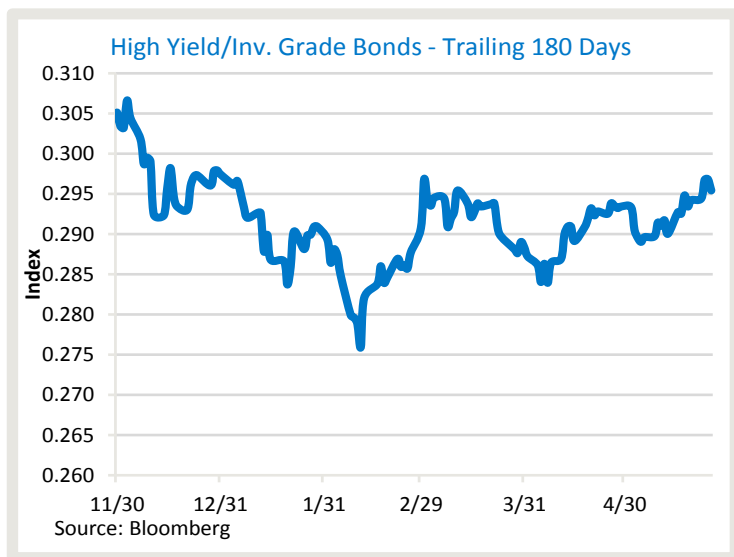
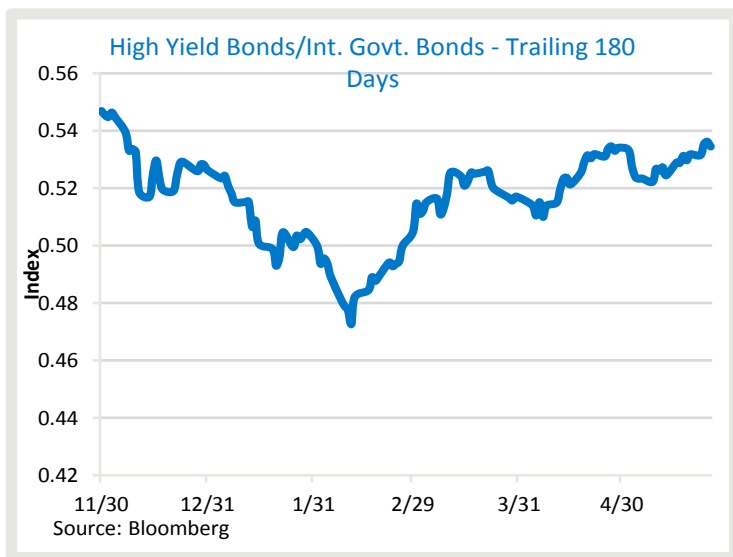
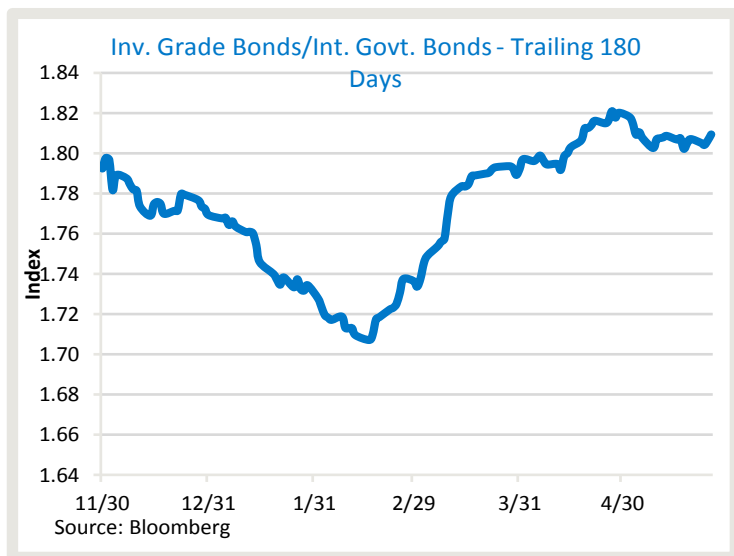
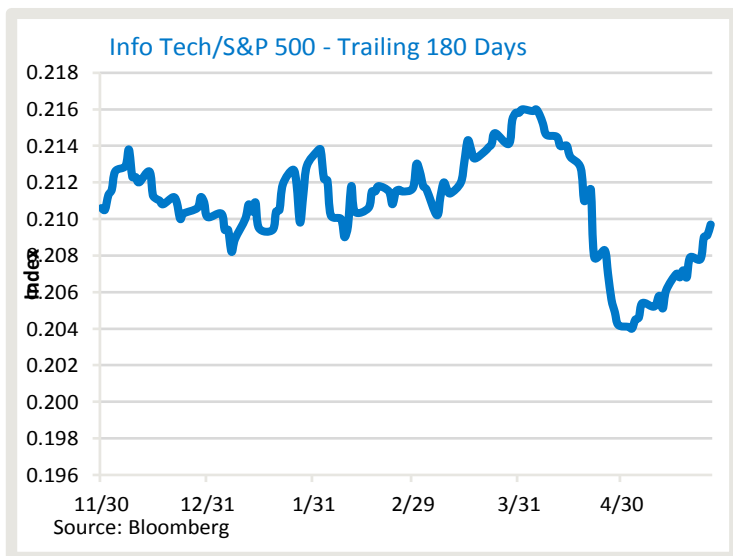
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			3/10	3/17	3/24	3/31	4/7	4/14	4/21	4/28	5/5	5/12	5/19	5/26
Equity	Domestic Equity	Large Cap (R200)	-0.23%	2.46%	-0.12%	1.02%	-0.64%	2.03%	0.48%	-1.11%	-1.24%	0.67%	-1.09%	2.44%
		Small Cap (R2000)	-1.12%	2.56%	-1.07%	3.19%	-1.91%	3.28%	0.64%	0.41%	-2.85%	0.06%	-1.25%	4.11%
	Int'l. Equity	MSCI EAFE	0.03%	3.20%	-2.67%	2.01%	-2.68%	4.67%	2.00%	-1.06%	-3.34%	0.24%	-1.58%	3.11%
		MSCI Em. Mkts.	1.35%	3.31%	-0.40%	2.85%	-3.29%	4.47%	0.97%	-1.13%	-4.10%	-0.34%	-3.08%	2.70%
Fixed Income	BarCap Agg. (AGG)	0.06%	0.42%	0.03%	0.65%	0.15%	-0.32%	-0.12%	0.35%	0.22%	-0.13%	-0.47%	0.16%	
	High Yield (JNK)	0.68%	1.68%	-1.01%	0.29%	-0.96%	2.09%	0.90%	0.86%	-1.50%	0.66%	-0.20%	1.03%	
Commodities	Bloomberg Commodity Index	3.27%	2.41%	-2.51%	0.54%	-1.74%	4.12%	3.65%	1.50%	-2.51%	2.47%	-0.08%	0.79%	
Alternatives	Hedge Funds (HFRX Global)	-0.19%	0.37%	0.13%	0.33%	-0.37%	0.53%	0.42%	0.02%	-0.75%	0.17%	-0.17%	0.77%	
Asset Allocation	60/40*	-0.05%	1.87%	-0.60%	1.31%	-0.95%	1.86%	0.56%	-0.84%	-1.36%	0.21%	-1.02%	1.85%	
	48/32/20 (w/Alts.)**	-0.08%	1.57%	-0.46%	1.11%	-0.83%	1.59%	0.53%	-0.27%	-1.24%	0.20%	-0.85%	1.64%	

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	1.03	0.99	0.99	1.02	0.96	1.01	1.02	0.99	1.04	1.14	1.04	0.95	1.07	0.95
Large Cap Growth	0.97	1.00	0.96	0.96	0.99	0.94	0.98	0.99	0.97	1.01	1.10	1.01	0.93	1.04	0.92
Large Cap Value	1.01	1.04	1.00	1.00	1.04	0.98	1.02	1.04	1.01	1.06	1.15	1.06	0.97	1.08	0.96
Mid Cap Core	1.01	1.04	1.00	1.00	1.03	0.97	1.02	1.03	1.00	1.05	1.15	1.05	0.96	1.08	0.96
Mid Cap Growth	0.98	1.01	0.97	0.97	1.00	0.94	0.99	1.00	0.97	1.02	1.11	1.02	0.93	1.05	0.93
Mid Cap Value	1.04	1.07	1.02	1.03	1.06	1.00	1.04	1.06	1.03	1.08	1.18	1.08	0.99	1.11	0.98
Small Cap Core	0.99	1.02	0.98	0.98	1.01	0.96	1.00	1.01	0.99	1.04	1.13	1.04	0.95	1.06	0.94
Small Cap Growth	0.98	1.01	0.97	0.97	1.00	0.94	0.99	1.00	0.97	1.02	1.11	1.02	0.93	1.05	0.93
Small Cap Value	1.01	1.04	0.99	1.00	1.03	0.97	1.01	1.03	1.00	1.05	1.14	1.05	0.96	1.07	0.95
Int'l. Developed	0.96	0.99	0.95	0.95	0.98	0.92	0.96	0.98	0.95	1.00	1.09	1.00	0.91	1.02	0.91
Emerging Markets	0.88	0.91	0.87	0.87	0.90	0.85	0.88	0.90	0.87	0.92	1.00	0.92	0.84	0.94	0.83
REITs	0.96	0.99	0.95	0.95	0.98	0.93	0.97	0.98	0.95	1.00	1.09	1.00	0.92	1.02	0.91
Commodities	1.05	1.08	1.03	1.04	1.07	1.01	1.05	1.07	1.04	1.09	1.19	1.09	1.00	1.12	1.00
Int. Bond	0.94	0.97	0.92	0.93	0.96	0.90	0.94	0.96	0.93	0.98	1.07	0.98	0.89	1.00	0.89
High Yield	1.05	1.08	1.04	1.04	1.08	1.02	1.06	1.07	1.05	1.10	1.20	1.10	1.00	1.12	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 **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 **Nikkei Index (Nikkei 225 or Nikkei)** is a stock market index for the Tokyo Stock Exchange calculated daily by the Nihon Keizai Shimbun (Nikkei) newspaper since 1950. It is a price-weighted index (the unit is yen), and the components are reviewed once a year. 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 **DJ-UBS Commodity Index Total Return SM** measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. 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 **Philadelphia Fed Manufacturing Index** is a regional Federal Reserve Bank index measuring changes in business growth and is constructed from a survey of participants who voluntarily answer questions regarding the direction of change in their overall business activities. The **ISM Non-Manufacturing Index** is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM) and also tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. 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 **NY Empire State Index** is an index 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 headline number for the NY Empire State Index refers to the survey's main index, which summarizes general business conditions in New York State.

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