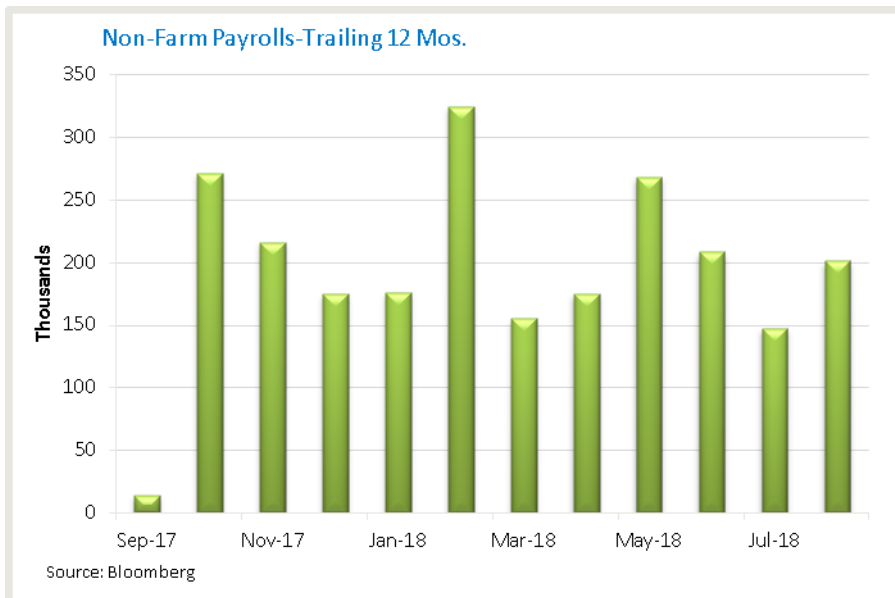


# Weekly Market Review

September 14, 2018

## Chart of the Week



## Weekly Highlights

- **Initial jobless claims hit new 50-year low.** Initial claims of 204,000 for the week ended September 8 were below consensus expectations. At 1.711 million, continuing claims hit a 46-year low. Both these figures reflect ongoing strength in the labor market.
- **Job openings rose in July, and the gap between openings and job seekers widened.** The Department of Labor's Job Openings and Labor Turnover Survey (JOLTS) survey indicated that openings rose 1.7% month over month in July, whereas hiring remained flat. At 659,000, the gulf between open jobs and people hoping to fill them is as wide as it has ever been.
- **Inflation decelerated in August, as headline Consumer Price Index (CPI) was up 2.7%.** According to data in the US Department of Labor, decelerating medical cost increases, falling apparel prices, and steady food costs led inflation to come in below consensus expectations. Core CPI, which strips out volatile food and energy price shifts, also fell below expectations and increased 2.2% year over year through August.
- **Retail sales remain flat in August.** Following a strong July, August retail sales rose only 0.1% month over month, as autos, apparel, and building material sales fell.

## Talking Points

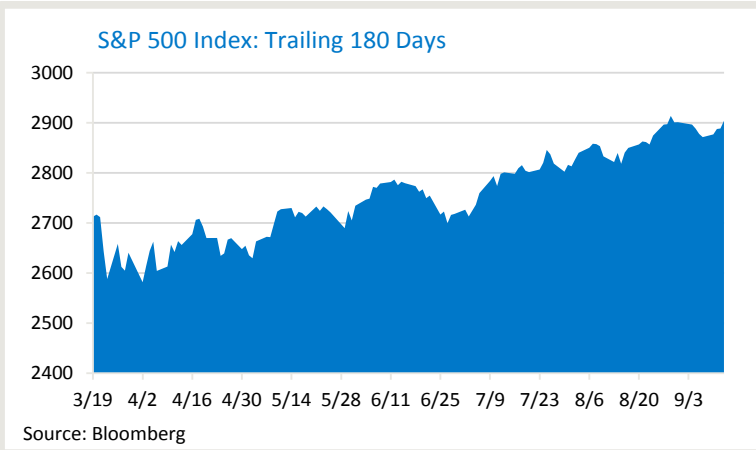
- **Global equity markets** were mostly up on the week through Thursday. Developed European markets posted the best returns, which fell in the low-single digits. Greece and India posted the worst returns, falling by over 2%.
- **The Treasury yield curve** stayed essentially constant through Thursday. Yields on notes and bonds with maturities longer than two years rose marginally.
- **Commodities** were broadly up on the week. Energy, Livestock, and Precious and Industrial Metals rose through Thursday. Agriculture fell, as declining corn, soy, and wheat prices pulled this sector down due to robust harvest projections.
- **The US Dollar** fell this week against a basket of major trade partners' currencies. However, the US Dollar Index remains stronger than it was at any point in 2018 prior to July.
- **In other economic news:** The Federal Reserve's (the Fed) assets totaled \$4.211 trillion on September 12. This figure is up slightly from last week, as reserves rose and the mortgage-backed security (MBS) roll-off has fallen behind schedule, but is down roughly \$250 billion from October 2017, when the Fed began to trim its balance sheet. The NFIB Small Business Optimism Index stands at a record high.

## Market Dashboard

	Last Price	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	2,904.98	33.30	1.16%	8.7%
<b>Dow Industrials</b>	26,154.67	238.13	0.92%	5.8%
<b>Nasdaq</b>	8,010.04	107.50	1.36%	16.0%
<b>Russell 2000</b>	1,721.72	8.54	0.50%	12.1%
<b>Euro Stoxx Index</b>	377.85	4.08	1.09%	-2.9%
<b>Shanghai Composite</b>	2,681.64	-20.66	-0.76%	-18.9%
<b>Russell Global</b>	2,167.11	19.68	0.92%	1.1%

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

	Last Price	Change	% Chg.	YTD %
<b>Russell Global EM</b>	3,199.21	-15.85	-0.49%	-12.2%
<b>10-Year US Treas.</b>	2.99	5 bps	NM	NM
<b>Bloomberg Cmdts. Idx.</b>	82.46	-0.13	-0.15%	-6.5%
<b>Gold</b>	\$1,194.21	-\$2.58	-0.22%	-8.3%
<b>Crude Oil</b>	\$68.96	\$1.17	1.73%	17.4%
<b>Dollar Index</b>	94.95	-0.42	-0.44%	3.1%
<b>VIX Index</b>	12.07	-2.81	-18.88%	9.3%



	One Week			YTD		
	Value	Growth		Value	Growth	
<b>L</b>	0.83%	1.19%	1.50%	2.36%	9.46%	15.78%
	0.89%	1.18%	1.60%	2.44%	7.20%	13.77%
<b>S</b>	0.13%	0.50%	0.85%	7.15%	12.13%	16.98%

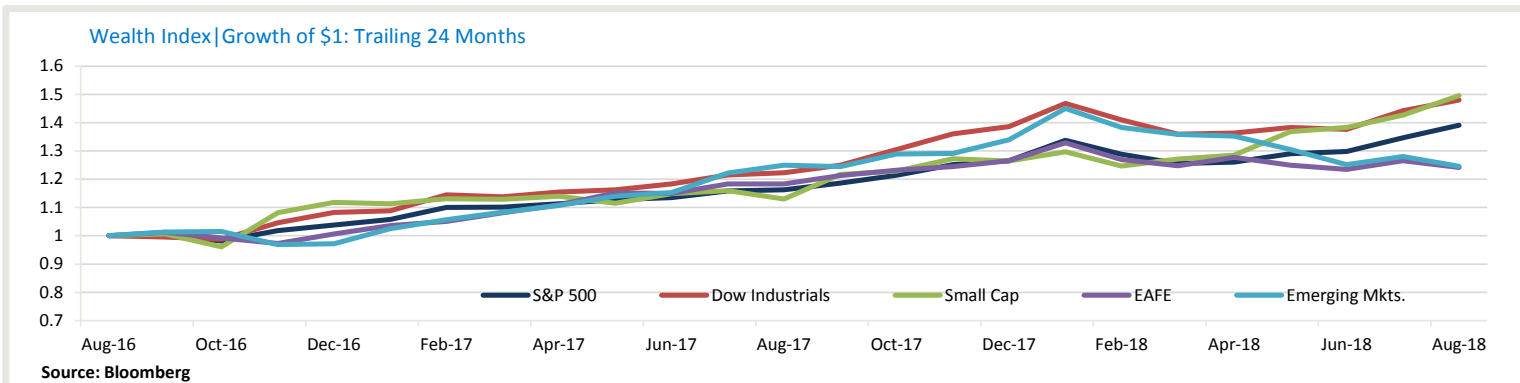
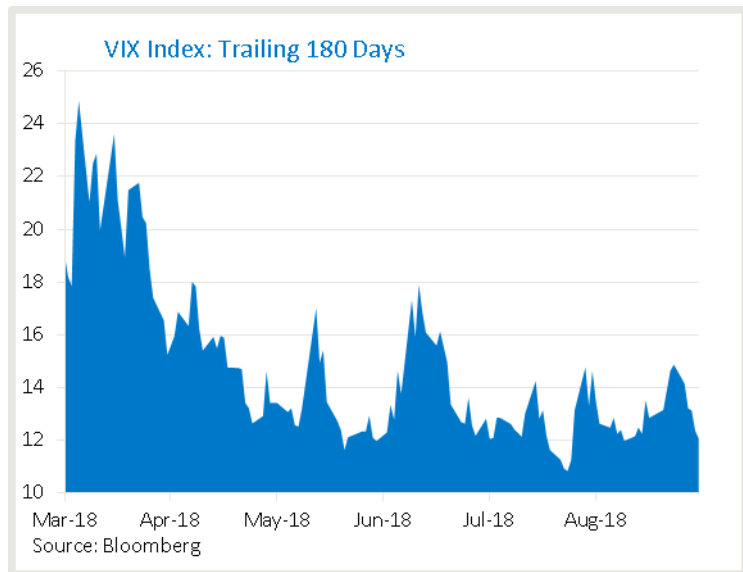
Source: Bloomberg

### Sector Performance:

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

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
<b>Consumer Discretionary</b>	12.9	1.18%	18.3%
<b>Consumer Staples</b>	6.8	0.63%	-4.6%
<b>Energy</b>	5.8	2.05%	2.3%
<b>Financials</b>	13.7	-0.35%	0.7%
<b>Health Care</b>	14.7	1.02%	12.8%
<b>Industrials</b>	9.8	1.88%	3.8%
<b>Information Technology</b>	26.2	1.83%	18.6%
<b>Materials</b>	2.5	0.57%	-1.9%
<b>Real Estate</b>	2.7	0.16%	1.2%
<b>Telecom Services</b>	2.0	2.89%	-4.5%
<b>Utilities</b>	2.9	0.37%	2.3%

Source: Bloomberg



## The Economy and Markets

### **A Macro View – Bank Loans Rising**

Bank loans are having something of a moment in the sun, or about as close as an obscure asset class can get to one. Earlier this year, the size of the market for these floating rate loans, a form of credit to low-quality issuers, rose to more than \$1 trillion. Estimates of the market's size vary, with Fitch Ratings claiming that bank loans reached \$1.22 trillion at the end of July, and surpassed the high yield bond market's \$1.21 trillion in face value outstanding. As with any large figure, there is some uncertainty, but what seems clear is that bank loans are now in the same league as high yield bonds and, for the past year, have been the preferred financing method among low-quality issuers. Considering the increasing prominence of bank loans, what should investors know about the asset class?

Most significantly, these loans have a floating rate coupon, which comprises the three-month USD London Interbank Offered Rate (LIBOR)—or one of its alternatives—plus a fixed spread. As benchmark rates fluctuate, so does the coupon investors receive. Obviously, bank loans are not the best asset to hold if investors think interest rates are going to fall over the holding period, but are a much more attractive holding proposition if they expect interest rates to rise, as most market participants currently do. Other notable features include seniority in the capital structure, which places loans above (generally) unsecured bonds, and explicit ties to assets of the issuing firm. Of all the ways to access high yield corporate credit, bank loans look pretty attractive.

Considering these characteristics, it is fairly clear from an investor's perspective why bank loans are attractive, particularly in the United States' current economic environment. Why, though, would issuers rely so heavily on debt that is all but guaranteed to result in higher financing costs in the near term? Recently, CFOs have found the loan format, in which issuers expose themselves to interest rate risk, but gain the ability to call a loan at any time without penalty, more attractive than high yield bonds, which lock in interest rates, but generally preclude pre-payment for half of the life of the bond. This continuous callability is a key issuer option that induces firms to choose freely to expose their balance sheets to rising rates, rather than locking them in with fixed rate bonds. Additionally, covenants, which ensure that issuers maintain certain debt-to-earnings or interest-coverage metrics, have eroded over the past ten years, with "covenant-lite" loans rising from less than 20% of the market in 2008 to nearly 80% in 2018, according to S&P LCD. Together, low interest rates and issuer-friendly covenant packages mean private equity firms financing buyouts and many ordinary issuers are likely focusing more on the flexibility that loans afford than the interest they pay on them.

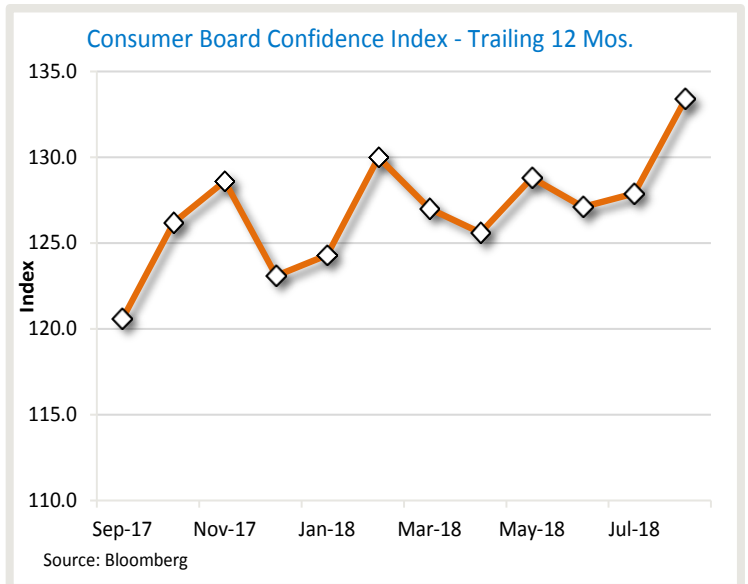
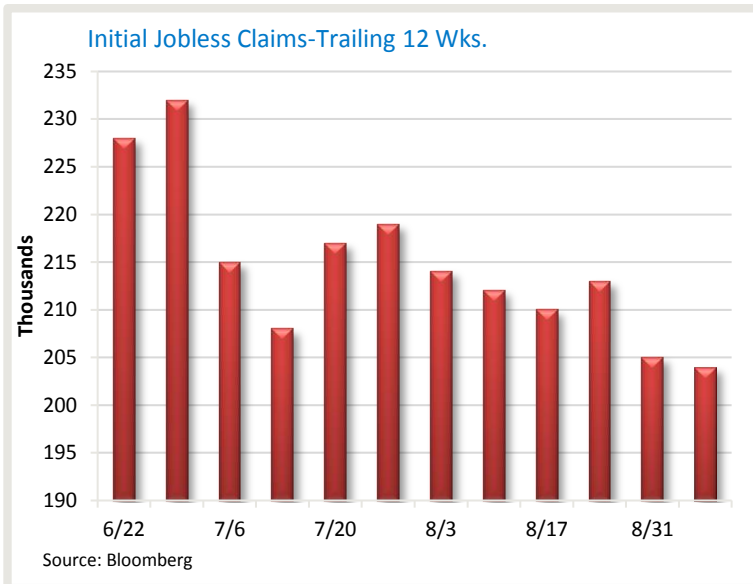
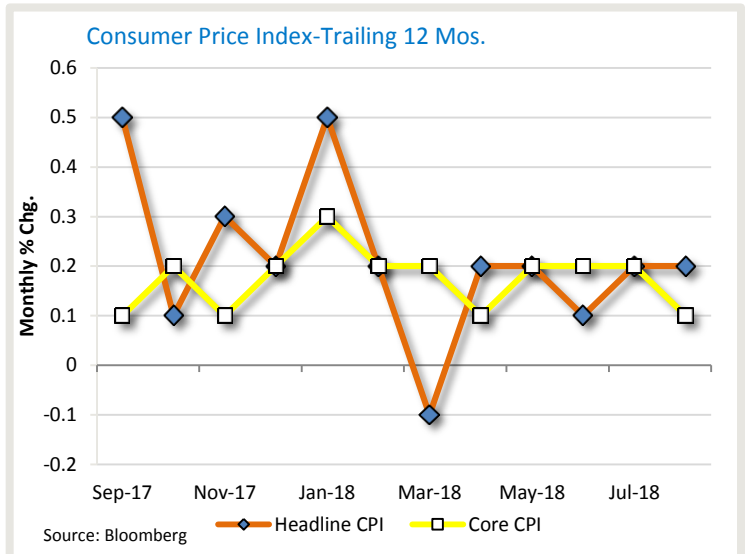
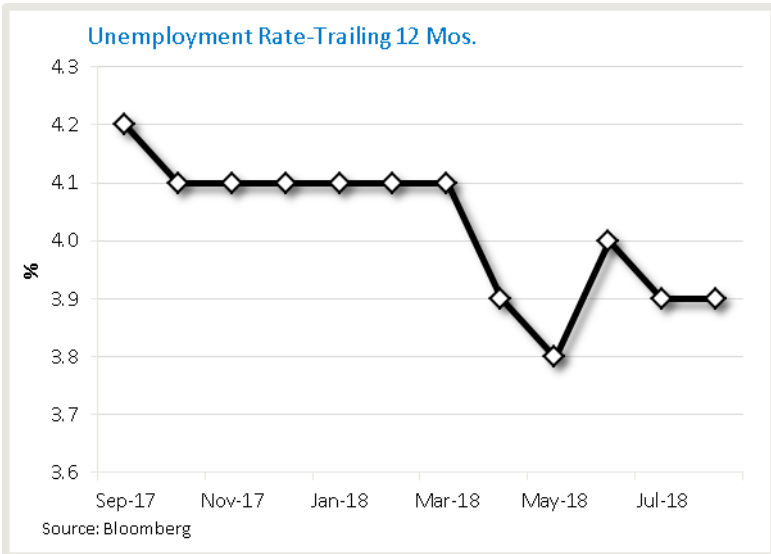
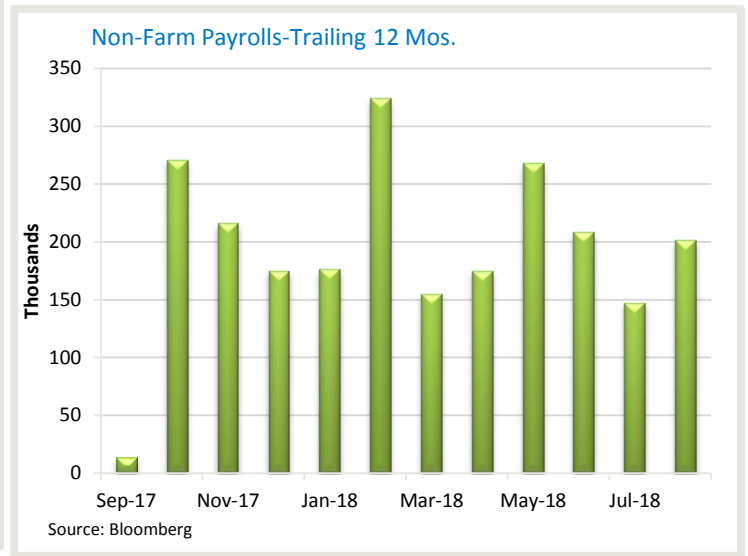
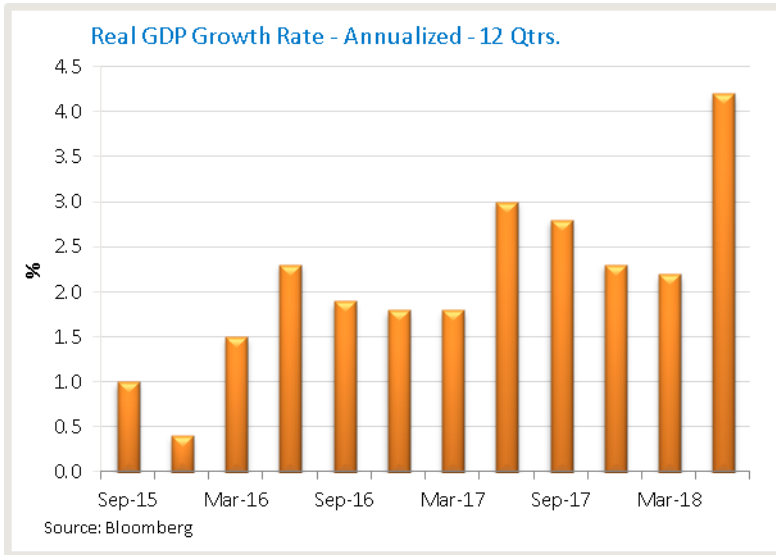
Some issuers have found the loan market so appealing that loans are their only source of financing. UBS estimates that roughly 40% of issuers in the market are loan-only, with that number rising to more than half for B- and CCC-rated firms. According to JP Morgan data, loan-only issuers have accounted for more than half of the market's issuance since August 2017. This development, in conjunction with the majority of the market being covenant-lite, reflects a market profile that is in the process of shifting lower in credit quality. Senior security is great, unless there is no junior partner, either bond holders or equity investors, to absorb losses when they inevitably materialize. The average recovery rate for first-lien loans going back to 1990 is 67.4%, according to JP Morgan and S&P LCD. Recoveries from 2015 onward have fallen below the average, which should concern investors if defaults rise from the tame 2% trailing 12-month, asset-weighted default rate through July.

For now though, bank loans are doing what they are expected to do by providing investors with respectable returns even as interest rates have risen. In 2018 through mid-September, the S&P/LSTA Leveraged Loan Index has returned more than 3%, compared with slightly more than 2% for the Bloomberg Barclays US High Yield Corporate Index, according to Morningstar. Though it is not equity-like by any means, this sort of performance is quite attractive compared with most other major fixed income sectors. Municipal bonds, investment grade corporate credit, and emerging markets debt, for example, are all in the red year to date. Fundamentals seem solid enough, as issuers' cash flow coverage ratio remains above three, which is higher than at any time prior to the 2008 Financial Crisis and among the high readings in the post-crisis period. Another positive mark for the asset class is the dominance of refinancing activity over issuance from leveraged buyouts (LBOs), but LBOs as a share of deals are already higher than in 2016-2017, and are pushing average leverage higher.

Considering this information, how should the informed investor approach the asset class? Actively. While passive exchange-traded funds (ETFs) are cheap, this is not the asset class where investors should try to save on their investment management costs. The market's many idiosyncrasies mean that it is not very difficult to beat the market. The largest ETF in the space, a passive vehicle and proxy for the broad market, has underperformed more than 80% of active mutual fund peers over the trailing five years. Given the growing prevalence of loan-only issuance, especially in the market's lower-credit-quality tiers, a passive indexing approach will likely result in worse performance than successful active peers the next time sentiment goes south. Bank loans are great instruments to get low-quality credit exposure and potentially avoid losses due to rising rates, but the opacity of the market and the complexities lurking just below the surface necessitate an active and experienced approach if investors hope to reap the full benefits of exposure to the market.

*Michael Wedekind*  
*Investment Analyst*

## Economic Data



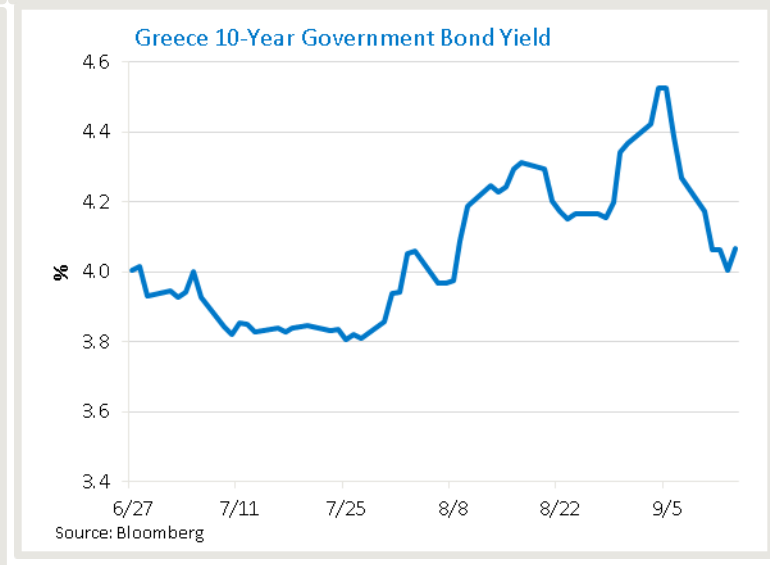
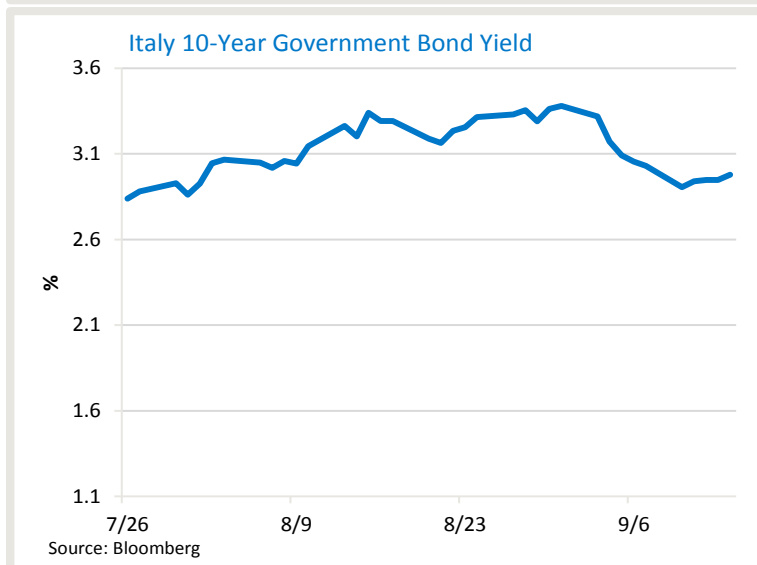
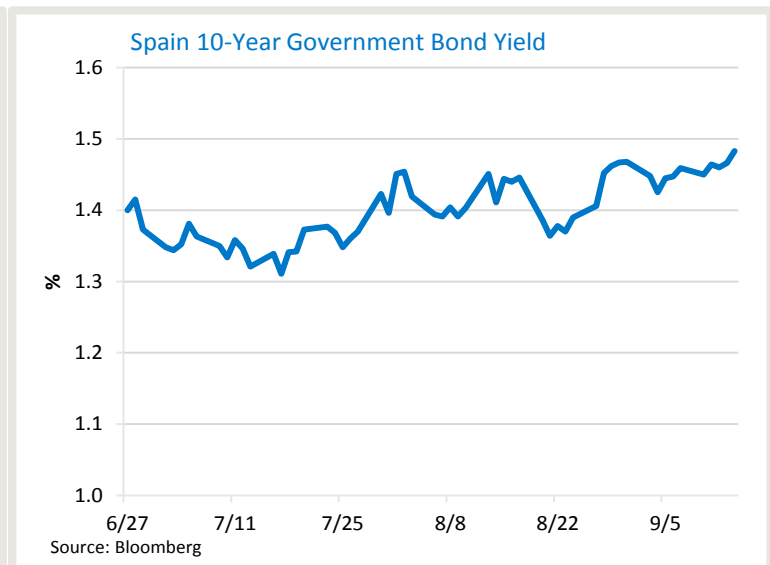
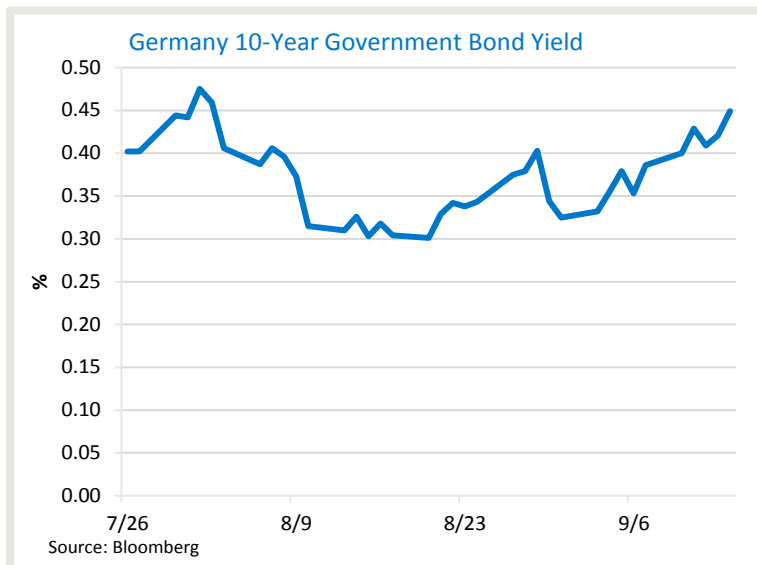
## Eurozone

### SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.45	-6 bps	NM	NM
Greece 10-Yr. Govt.	4.07	15 bps	NM	NM
Italy 10-Yr. Govt.	2.98	4 bps	NM	NM
Spain 10-Yr. Govt.	1.48	-2 bps	NM	NM
Belgium 10-Yr. Govt.	0.78	-4 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	0.76	-5 bps	NM	NM
Ireland 10-Yr. Govt.	0.93	-5 bps	NM	NM
Portugal 10-Yr. Govt.	1.85	4 bps	NM	NM
Netherlands 10-Yr. Govt.	0.55	-5 bps	NM	NM
U.K. 10-Yr. Govt.	1.53	-7 bps	NM	NM

Source: Bloomberg  
Basis points (bps)

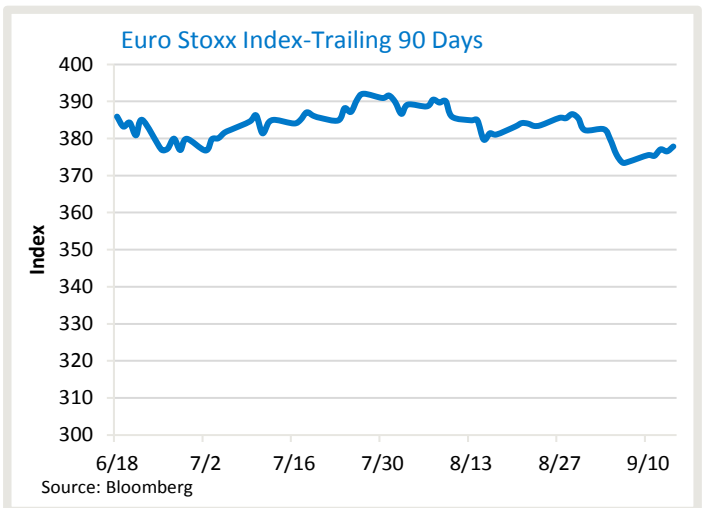
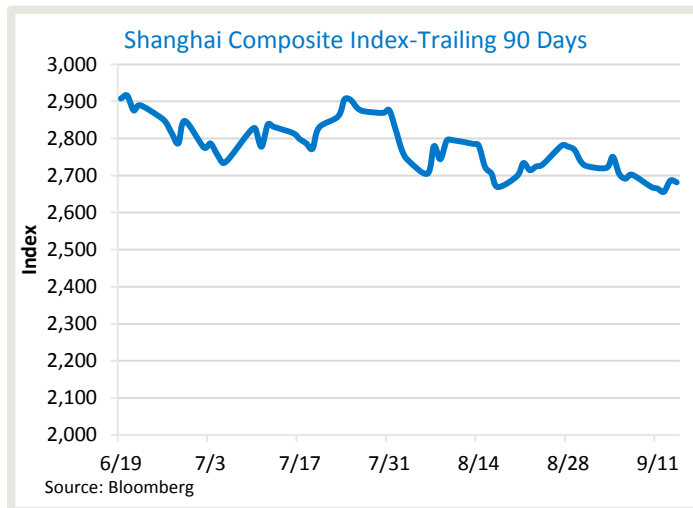
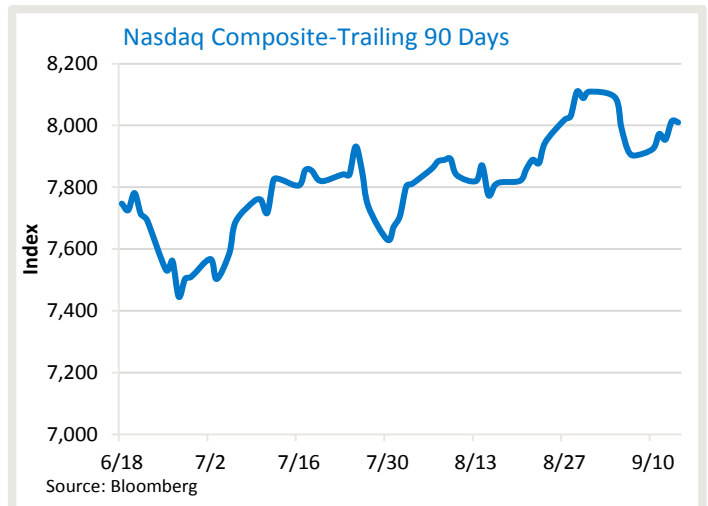
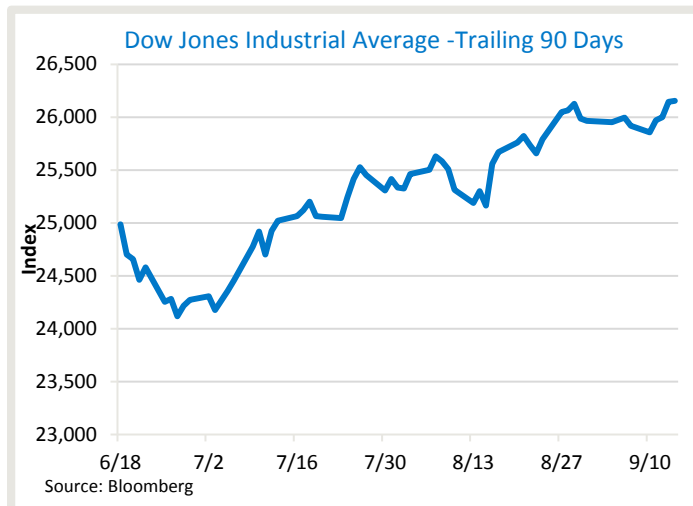


## Equities

### WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
<b>S&amp;P 500</b>	<b>2,904.98</b>	<b>33.30</b>	<b>1.16%</b>	<b>8.65%</b>	<b>Swiss Market Index</b>	<b>8,970.00</b>	<b>126.89</b>	<b>1.43%</b>	<b>-4.39%</b>
<b>Dow Industrials</b>	<b>26,154.67</b>	<b>238.13</b>	<b>0.92%</b>	<b>5.81%</b>	<b>CAC 40 Index (France)</b>	<b>5,352.57</b>	<b>100.35</b>	<b>1.91%</b>	<b>0.75%</b>
<b>Nasdaq Composite</b>	<b>8,010.04</b>	<b>107.50</b>	<b>1.36%</b>	<b>16.03%</b>	<b>DAX Index (Germany)</b>	<b>12,124.33</b>	<b>164.70</b>	<b>1.38%</b>	<b>-6.14%</b>
<b>Russell Global</b>	<b>2,167.11</b>	<b>19.68</b>	<b>0.92%</b>	<b>1.1%</b>	<b>Irish Overall Index</b>	<b>6,637.63</b>	<b>-8.71</b>	<b>-0.13%</b>	<b>-5.69%</b>
<b>Russell Global EM</b>	<b>3,199.21</b>	<b>-15.85</b>	<b>-0.49%</b>	<b>-12.2%</b>	<b>Nikkei 225</b>	<b>23,094.67</b>	<b>787.61</b>	<b>3.53%</b>	<b>1.45%</b>
<b>S&amp;P/TSX (Canada)</b>	<b>16,013.49</b>	<b>-76.78</b>	<b>-0.48%</b>	<b>-1.21%</b>	<b>Hang Seng Index</b>	<b>27,286.41</b>	<b>312.94</b>	<b>1.16%</b>	<b>-8.80%</b>
<b>Mexico IPC</b>	<b>49,611.93</b>	<b>588.66</b>	<b>1.20%</b>	<b>0.42%</b>	<b>Shanghai Composite</b>	<b>2,681.64</b>	<b>-20.66</b>	<b>-0.76%</b>	<b>-18.91%</b>
<b>Brazil Bovespa</b>	<b>75,429.13</b>	<b>-986.91</b>	<b>-1.29%</b>	<b>-1.27%</b>	<b>Kospi Index (S. Korea)</b>	<b>2,318.25</b>	<b>36.67</b>	<b>1.61%</b>	<b>-6.05%</b>
<b>Euro Stoxx 600</b>	<b>377.85</b>	<b>4.08</b>	<b>1.09%</b>	<b>-2.91%</b>	<b>Taiwan Taiex Index</b>	<b>10,868.14</b>	<b>21.15</b>	<b>0.19%</b>	<b>2.12%</b>
<b>FTSE 100</b>	<b>7,304.04</b>	<b>26.34</b>	<b>0.36%</b>	<b>-4.99%</b>	<b>Tel Aviv 25 Index</b>	<b>1,627.84</b>	<b>-6.34</b>	<b>-0.39%</b>	<b>7.82%</b>
<b>IBEX 35 (Spain)</b>	<b>9,365.30</b>	<b>194.10</b>	<b>2.12%</b>	<b>-6.76%</b>	<b>MOEX Index (Russia)</b>	<b>2,360.26</b>	<b>38.44</b>	<b>1.66%</b>	<b>11.87%</b>

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



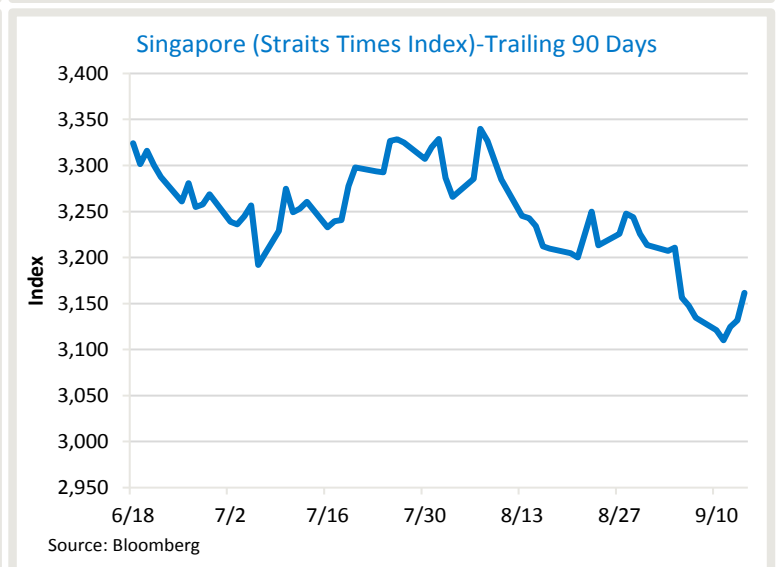
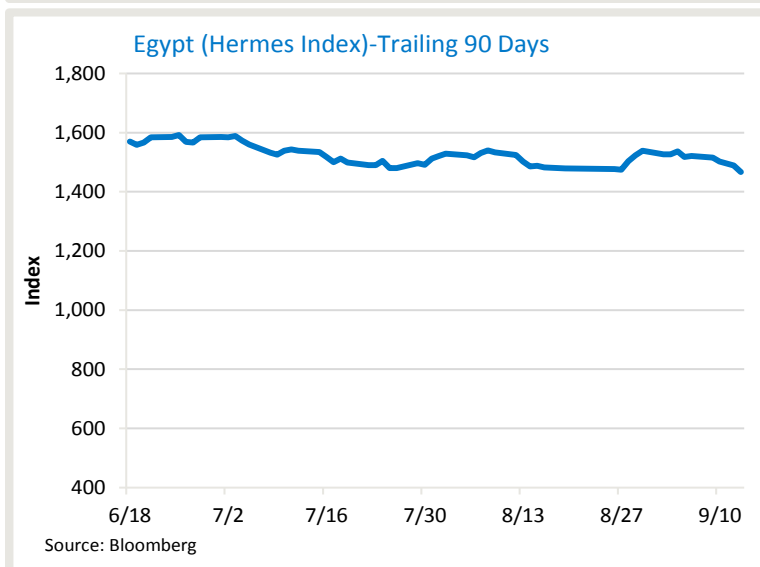
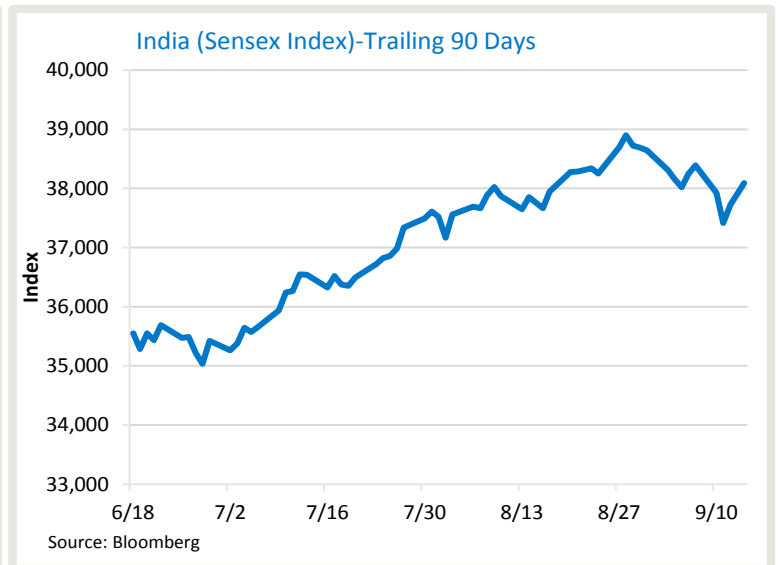
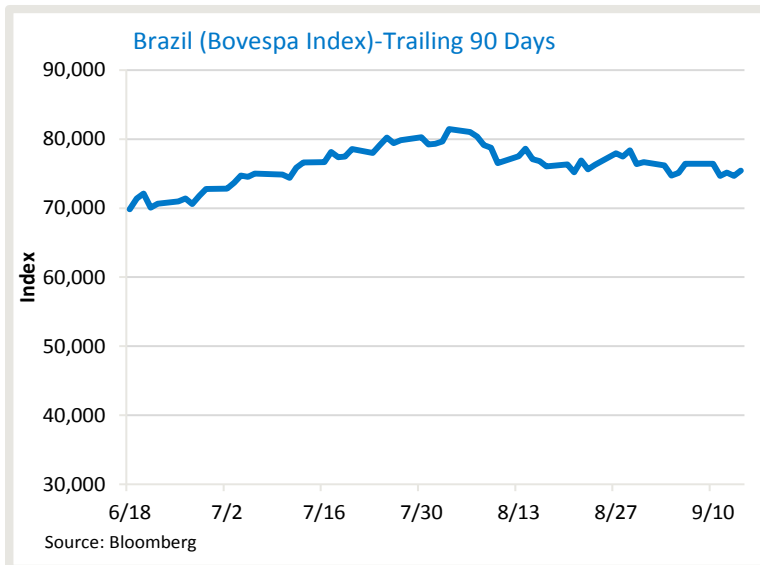
## Equities – Emerging and Frontier Markets

### EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	49,611.93	588.66	1.2%	0.4%
Brazil (Bovespa Index)	75,429.13	-986.91	-1.3%	-1.3%
MOEX Index (Russia)	2,360.26	38.44	1.7%	11.9%
Czech Republic (Prague)	1,095.46	25.26	2.4%	1.6%
Turkey (Istanbul)	94,759.63	1485.49	1.6%	-17.8%
Egypt (Hermes Index)	1,466.17	-55.08	-3.6%	2.0%
Kenya (Nairobi 20 Index)	2,993.38	-106.46	-3.4%	-19.4%
Saudi Arabia (TASI Index)	7,590.65	-97.11	-1.3%	5.0%
Lebanon (Beirut BLOM Index)	979.06	-7.29	-0.7%	-14.8%
Palestine	542.29	0.43	0.1%	-5.6%

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

	Last	Change	% Chg.	YTD %
Hang Seng Index	27,286.41	312.94	1.2%	-8.8%
India (Sensex 30)	38,090.64	-299.18	-0.8%	11.8%
Malaysia (KLCI Index)	1,803.76	5.19	0.3%	0.4%
Singapore (Straits Times Index)	3,161.42	27.03	0.9%	-7.1%
Thailand (SET Index)	1,722.21	32.72	1.9%	-1.8%
Indonesia (Jakarta)	5,931.28	155.19	2.7%	-6.7%
Pakistan (Karachi KSE 100)	40,920.31	65.54	0.2%	1.1%
Vietnam (Ho Chi Minh)	991.34	22.44	2.3%	0.7%
Sri Lanka (Colombo)	6,031.26	-86.63	-1.4%	-5.3%
Cambodia (Laos)	903.01	20.56	2.3%	-9.6%

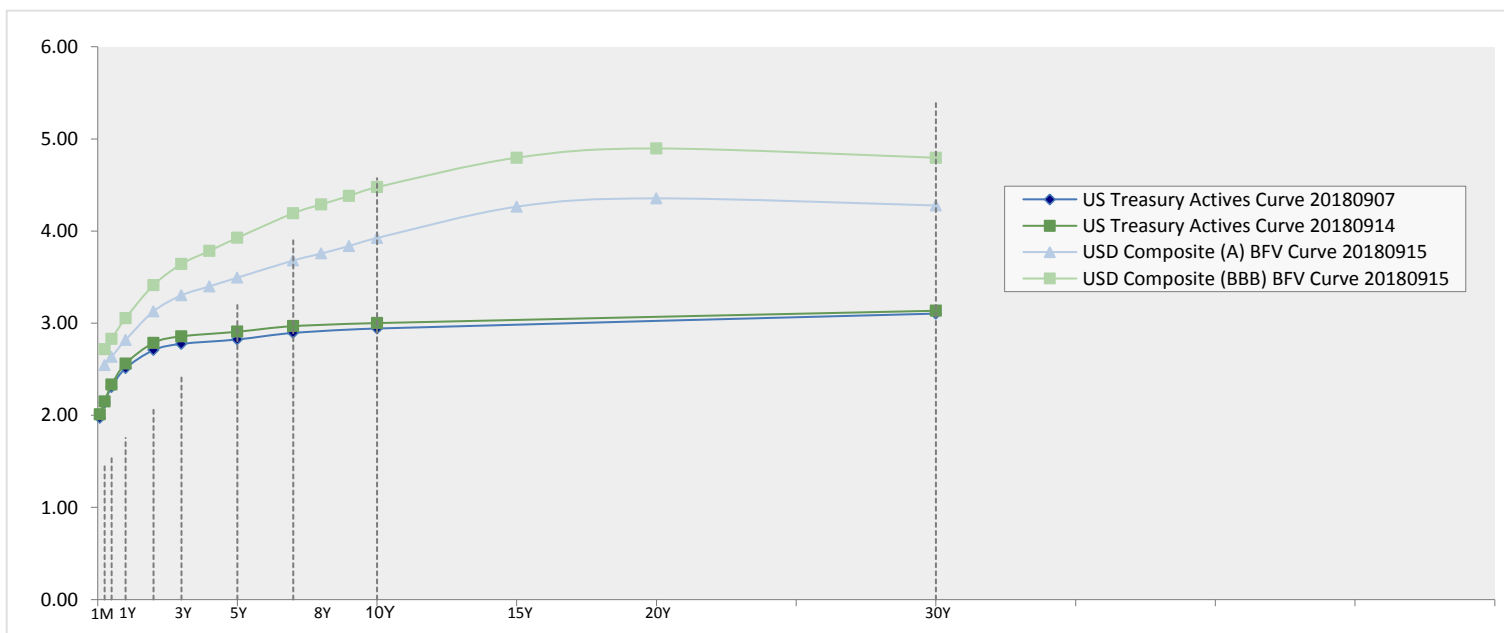


## Interest Rates

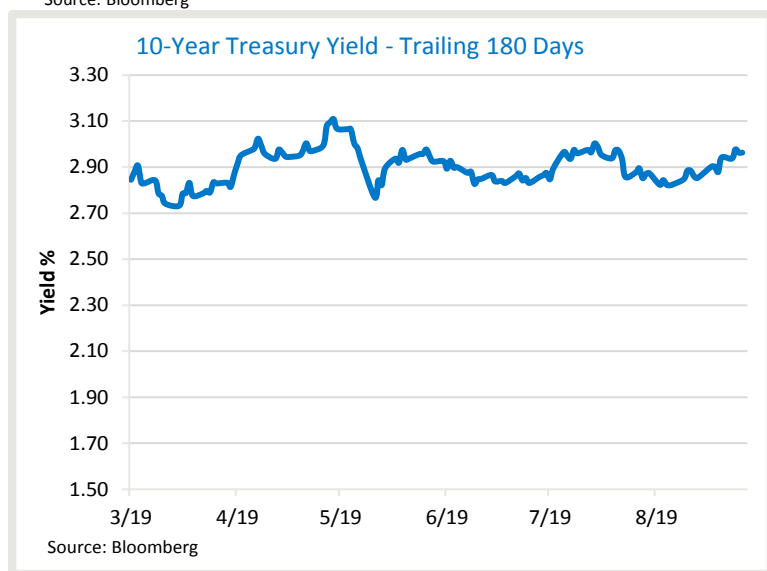
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	2.78%	-1 bps	NM	NM	Prime Rate	5.00%	0.00	NM	NM
5-Yr. U.S. Treasury	2.90%	8 bps	NM	NM	Fed Funds Rate	2.00%	0.00	NM	NM
10-Yr. U.S. Treasury	2.99%	5 bps	NM	NM	Discount Rate	2.50%	0.00	NM	NM
30-Yr. U.S. Treasury	3.13%	3 bps	NM	NM	LIBOR (3 Mo.)	2.33%	0 bps	NM	NM
German 10-Yr. Govt.	0.45%	-6 bps	NM	NM	Bond Buyer 40 Muni	4.01%	5 bps	NM	NM
France 10-Yr.	0.76%	-5 bps	NM	NM	Bond Buyer 40 G.O.	4.06%	NA	NM	NM
Italy 10-Yr.	2.98%	4 bps	NM	NM	Bond Buyer 40 Rev.	4.57%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.09%	2 bps	NM	NM					

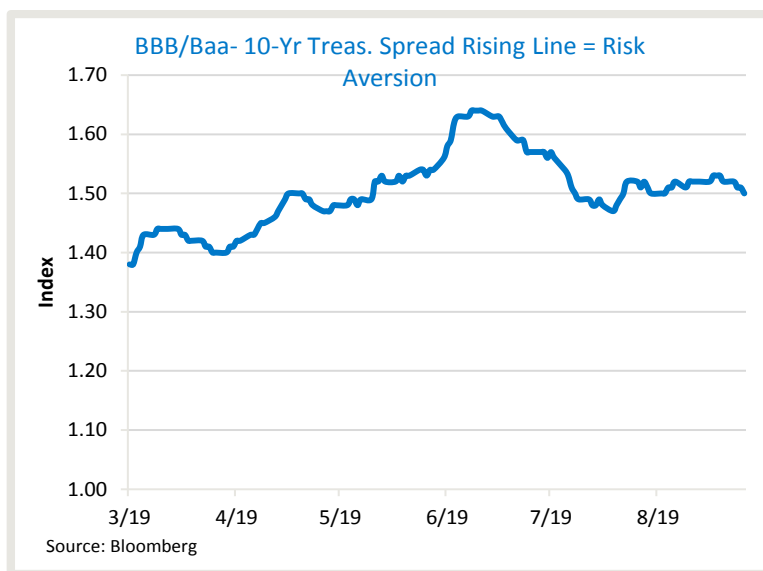
Source: Bloomberg



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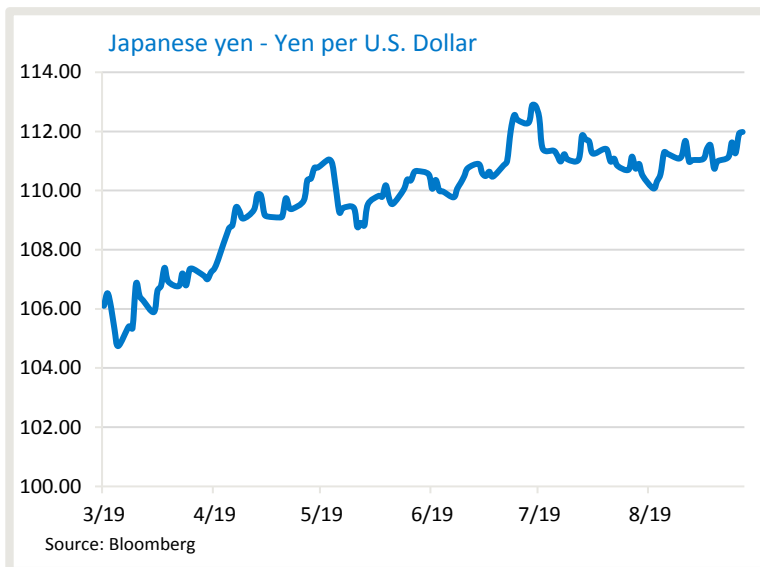
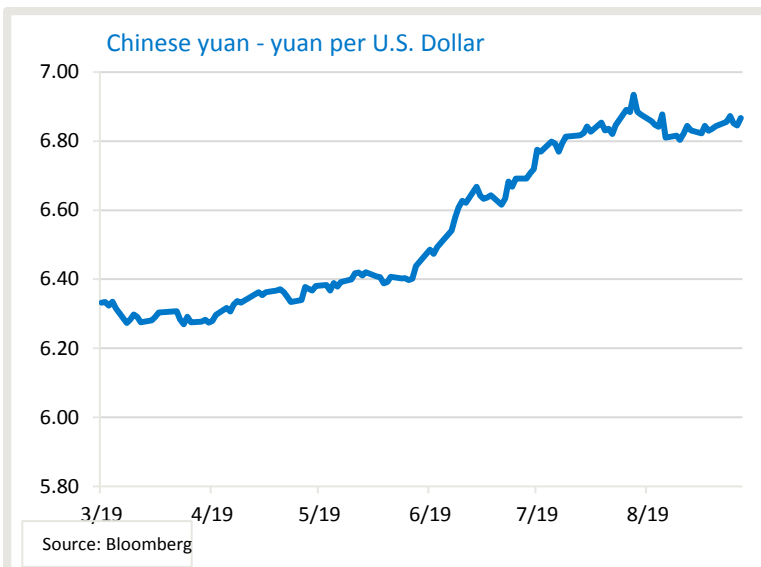
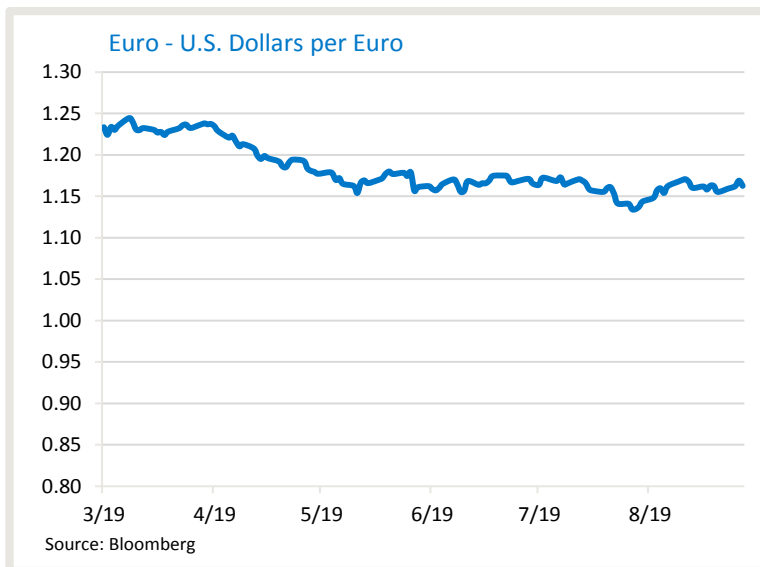
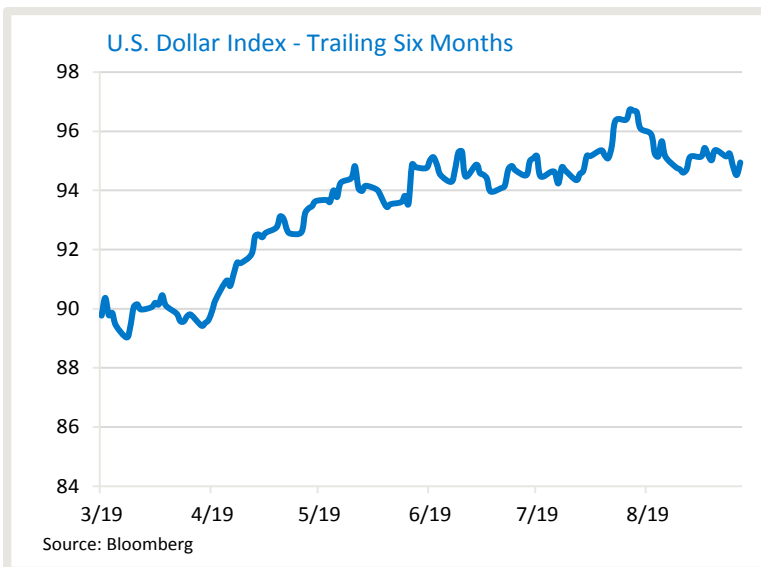
## Currencies

### SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Dollar Index</b>	<b>94.95</b>	<b>-0.420</b>	<b>-0.44%</b>	<b>3.06%</b>
<b>Euro</b>	<b>1.16</b>	<b>0.007</b>	<b>0.63%</b>	<b>-3.16%</b>
<b>Japanese Yen</b>	<b>112.00</b>	<b>0.990</b>	<b>-0.88%</b>	<b>0.63%</b>
<b>British Pound</b>	<b>1.31</b>	<b>0.015</b>	<b>1.16%</b>	<b>-3.28%</b>
<b>Canadian Dollar</b>	<b>1.30</b>	<b>-0.013</b>	<b>0.98%</b>	<b>-3.54%</b>

	Last	Change	% Chg.	YTD %
<b>Chinese Yuan</b>	<b>6.87</b>	<b>0.024</b>	<b>-0.35%</b>	<b>-5.25%</b>
<b>Swiss Franc</b>	<b>0.97</b>	<b>-0.002</b>	<b>0.22%</b>	<b>0.74%</b>
<b>New Zealand Dollar</b>	<b>0.65</b>	<b>0.002</b>	<b>0.23%</b>	<b>-7.73%</b>
<b>Brazilian Real</b>	<b>4.17</b>	<b>0.109</b>	<b>-2.62%</b>	<b>-20.62%</b>
<b>Mexican Peso</b>	<b>18.87</b>	<b>-0.453</b>	<b>2.40%</b>	<b>4.21%</b>

Source: Bloomberg



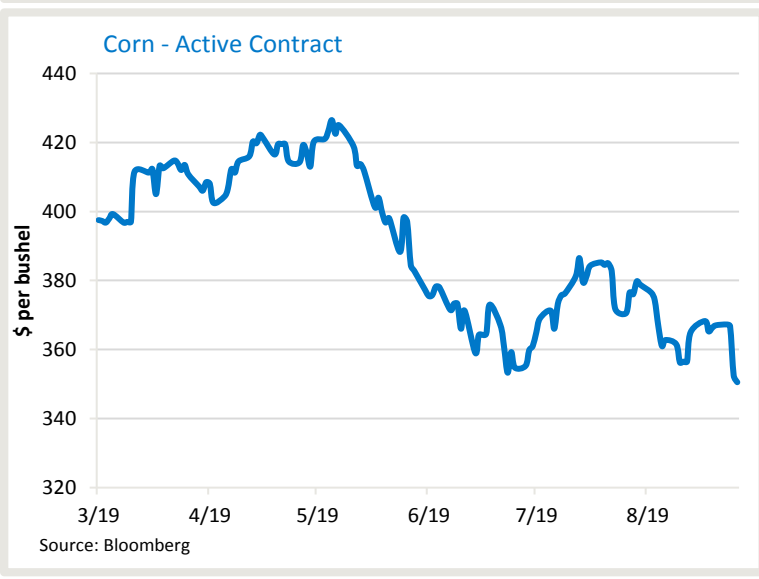
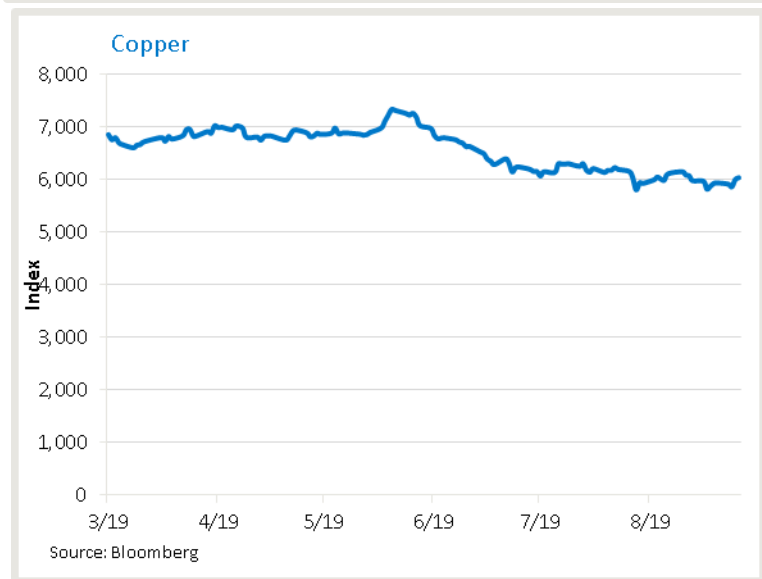
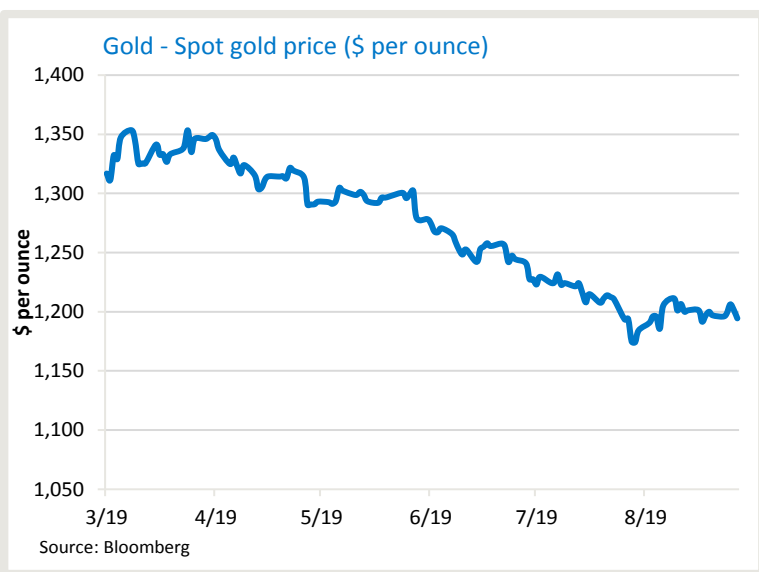
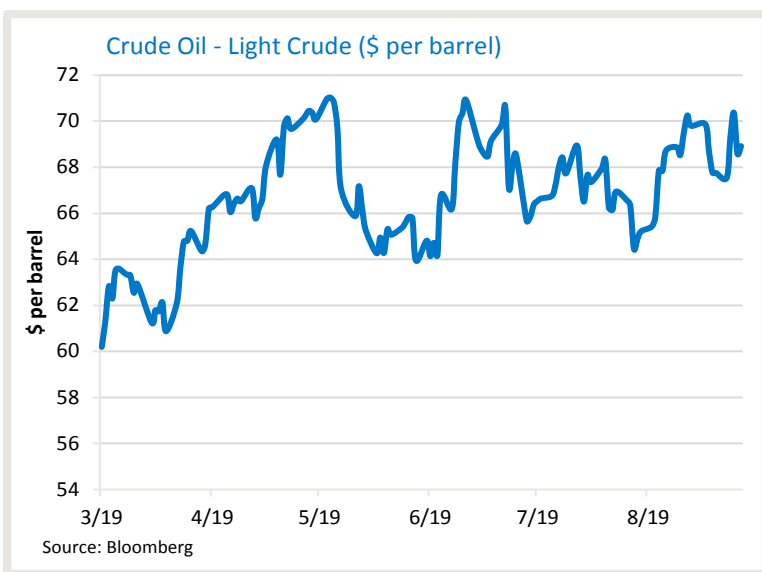
## Commodities

### SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
<b>Bloomberg Comm. Idx.</b>	<b>82.46</b>	<b>-0.13</b>	<b>-0.15%</b>	<b>-6.47%</b>
<b>Crude Oil</b>	<b>\$68.95</b>	<b>\$1.17</b>	<b>1.73%</b>	<b>17.37%</b>
<b>Natural Gas</b>	<b>\$2.77</b>	<b>-\$0.01</b>	<b>-0.36%</b>	<b>-1.64%</b>
<b>Gasoline (\$/Gal.)</b>	<b>\$2.85</b>	<b>\$0.00</b>	<b>0.11%</b>	<b>14.68%</b>
<b>Heating Oil</b>	<b>220.99</b>	<b>-0.80</b>	<b>-0.36%</b>	<b>12.94%</b>
<b>Gold Spot</b>	<b>\$1,194.16</b>	<b>-\$2.58</b>	<b>-0.22%</b>	<b>-8.32%</b>
<b>Silver Spot</b>	<b>\$14.07</b>	<b>-\$0.09</b>	<b>-0.64%</b>	<b>-16.86%</b>

Source: Bloomberg; % change is based on price.

	Last	Change	% Chg.	YTD %
<b>Platinum Spot</b>	<b>\$795.47</b>	<b>\$14.18</b>	<b>1.81%</b>	<b>-14.20%</b>
<b>Corn</b>	<b>351.75</b>	<b>-15.25</b>	<b>-4.16%</b>	<b>-8.40%</b>
<b>Wheat</b>	<b>511.50</b>	<b>0.25</b>	<b>0.05%</b>	<b>6.12%</b>
<b>Soybeans</b>	<b>830.50</b>	<b>-13.50</b>	<b>-1.60%</b>	<b>-14.89%</b>
<b>Sugar</b>	<b>12.02</b>	<b>0.24</b>	<b>2.04%</b>	<b>-23.39%</b>
<b>Orange Juice</b>	<b>153.50</b>	<b>-3.30</b>	<b>-2.10%</b>	<b>8.10%</b>
<b>Aluminum</b>	<b>2,064.00</b>	<b>-6.00</b>	<b>-0.29%</b>	<b>-8.99%</b>
<b>Copper</b>	<b>6,033.00</b>	<b>100.00</b>	<b>1.69%</b>	<b>-16.75%</b>

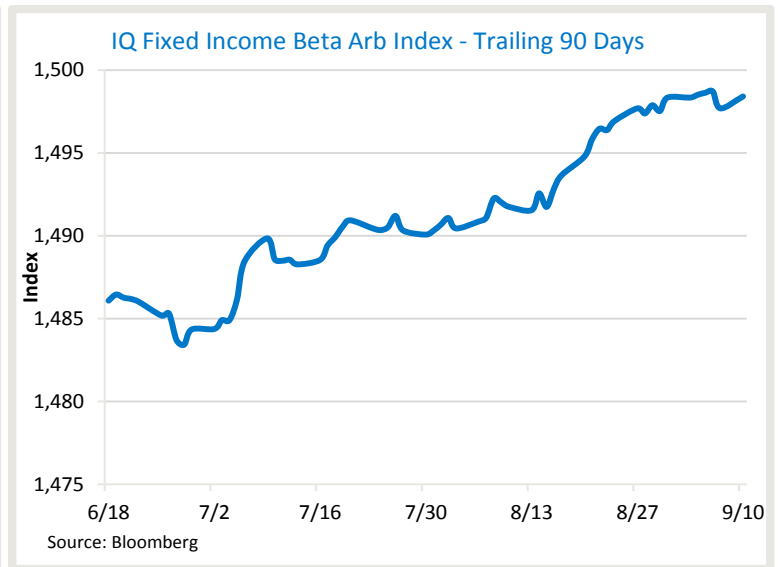
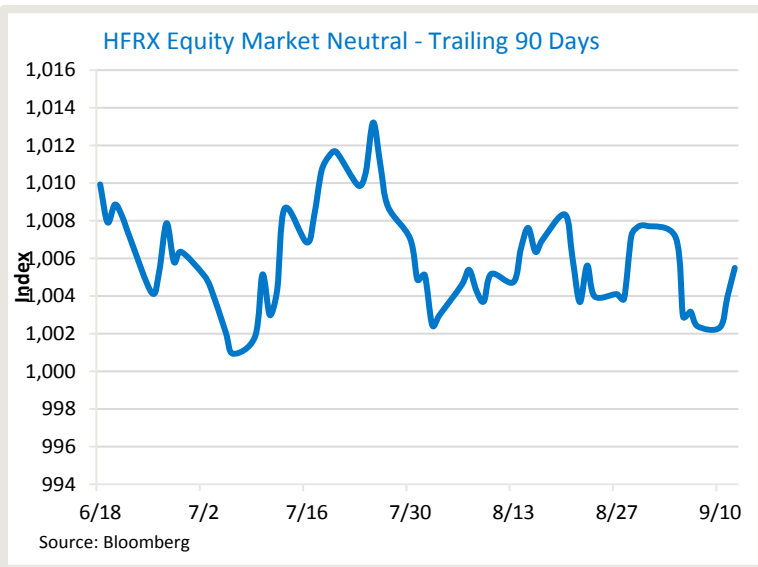
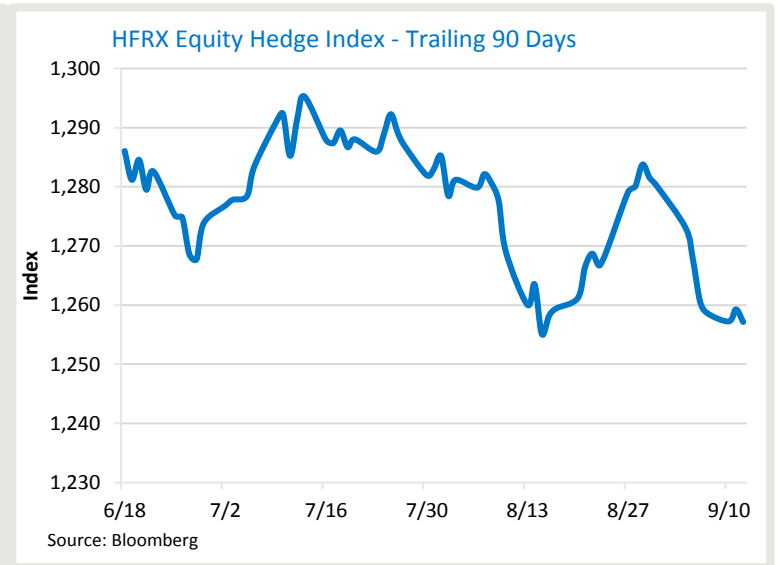
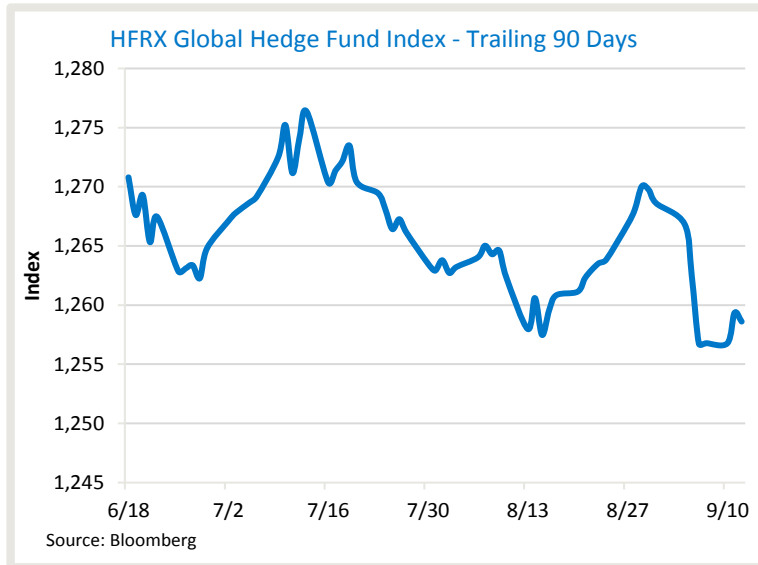


## Alternative Investments

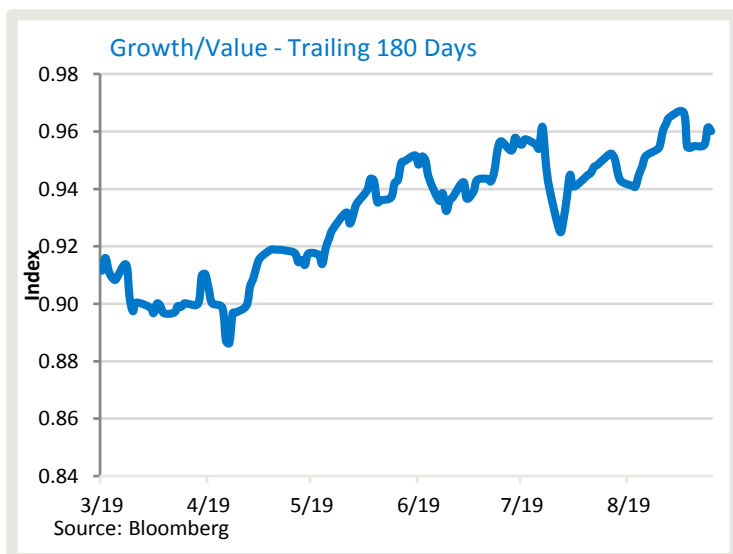
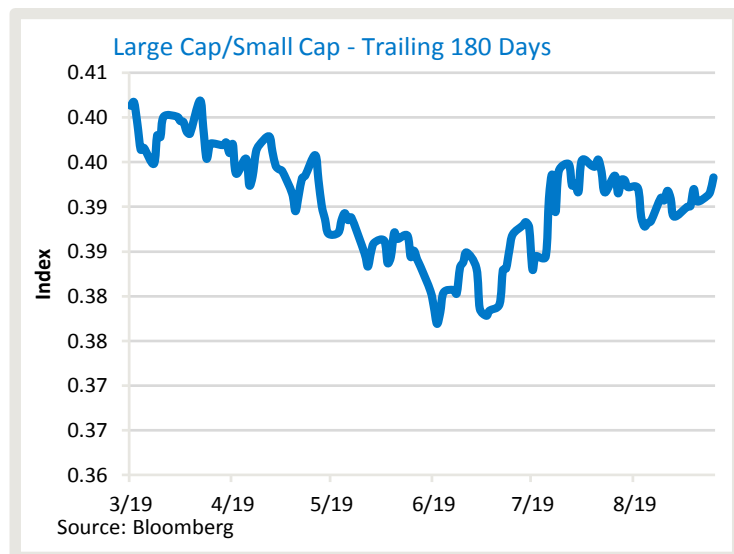
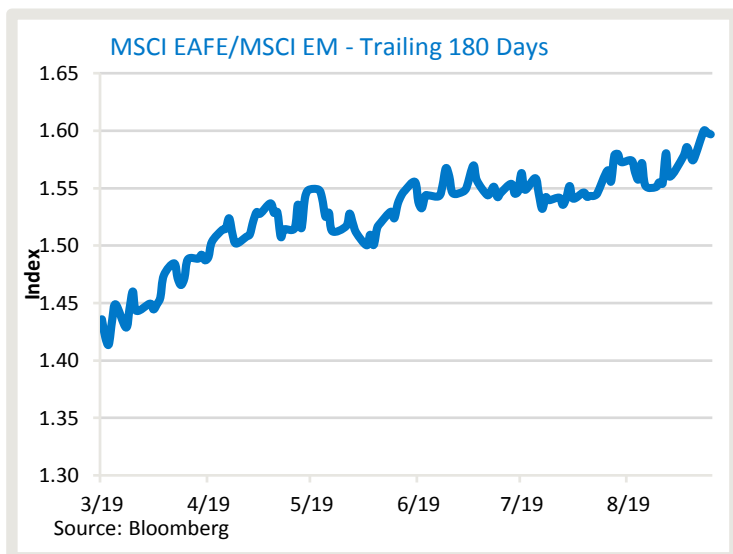
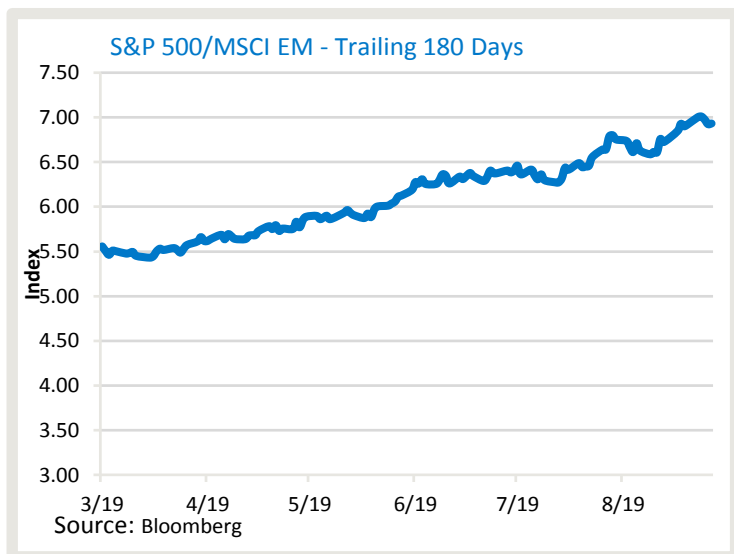
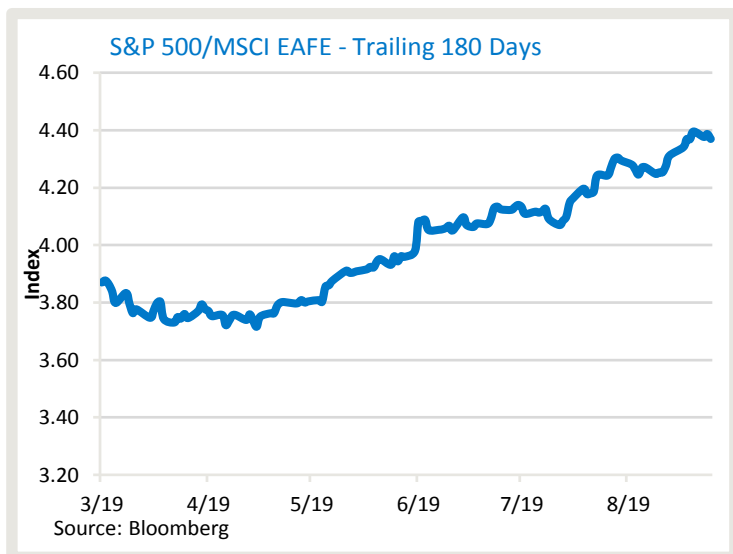
SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1258.26	1.48	0.12%	-1.36%	HFRX Distressed Index	1043.25	2.08	0.20%	-5.73%
HFRX Equity Market Neutral	1003.23	0.85	0.08%	-0.12%	HFRX Merger Arbitrage Index	1832.22	-11.42	-0.62%	-1.12%
HFRX Equity Hedge Index	1260.16	1.53	0.12%	-0.83%	HFRX Convertible Arbitrage Index	803.82	0.85	0.11%	0.95%
HFRX Event-Driven Index	1577.40	7.35	0.47%	-5.30%	HFRX Macro CTA Index	1140.51	-4.79	-0.42%	-2.01%
HFRX Absolute Return Index	1075.70	0.61	0.06%	1.17%	IQ Fixed Income Beta Arb Index	1498.41	0.72	0.05%	1.90%

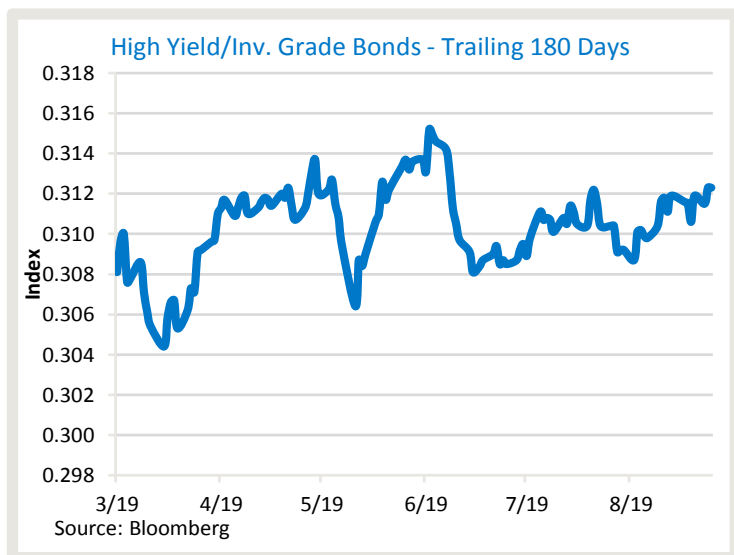
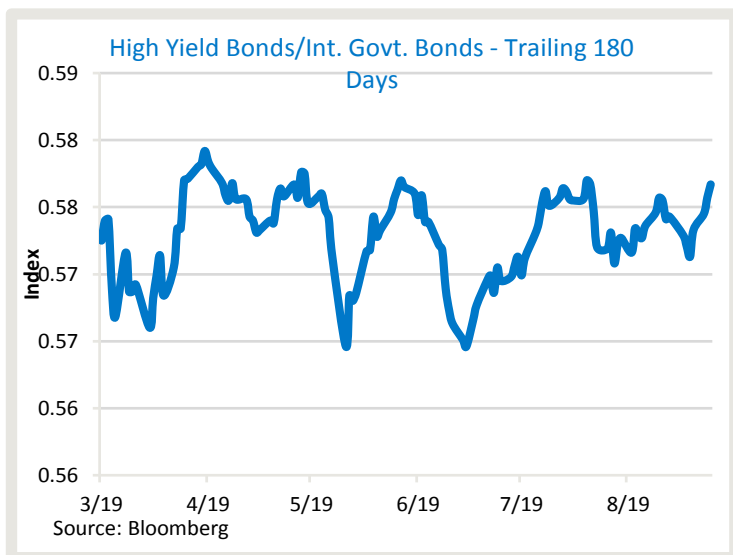
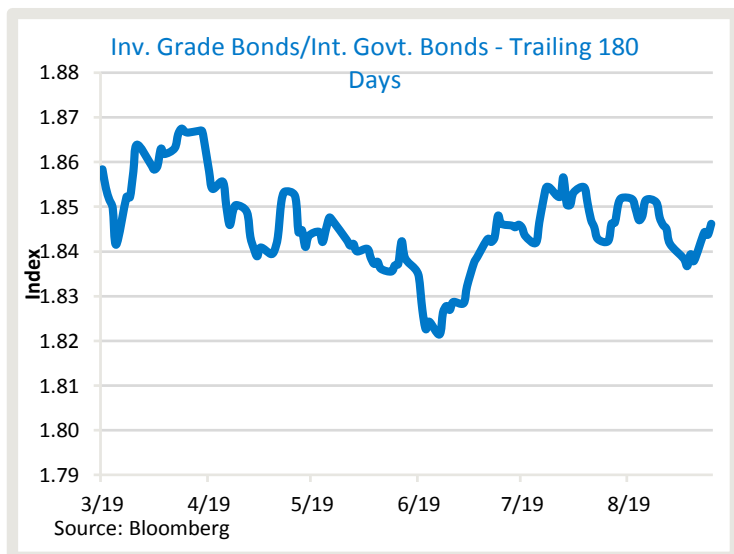
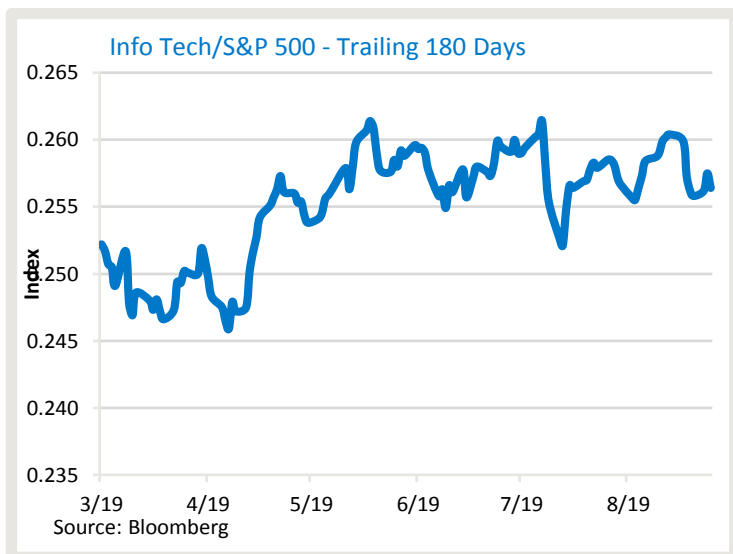
Source: Bloomberg; Index % change is based on price.



## Portfolio Construction



## Portfolio Construction (continued)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			6/28	7/5	7/12	7/19	7/26	8/2	8/9	8/16	8/23	8/30	9/6	9/13
Equity	Domestic Equity	Large Cap (R200)	-1.14%	0.68%	2.47%	0.15%	1.22%	-0.21%	1.01%	-0.49%	0.49%	1.73%	-0.95%	1.03%
		Small Cap (R2000)	-2.60%	2.10%	0.64%	0.65%	-0.35%	-0.78%	0.52%	-0.30%	1.86%	0.89%	-1.03%	-0.01%
	Int'l. Equity	MSCI EAFE	-1.27%	0.80%	0.60%	0.25%	1.59%	-1.28%	0.54%	-3.26%	1.29%	1.49%	-3.13%	0.81%
		MSCI Em. Mkts.	-3.10%	0.73%	1.51%	-0.90%	2.69%	-2.00%	1.05%	-5.29%	2.61%	0.92%	-3.74%	-0.06%
Fixed Income	BarCap Agg. (AGG)	0.37%	0.08%	0.09%	0.07%	-0.45%	-0.25%	0.25%	0.38%	0.20%	-0.18%	-0.22%	-0.30%	
	High Yield (JNK)	-0.81%	-0.25%	0.62%	0.03%	0.45%	-0.11%	0.14%	-0.11%	0.33%	0.06%	-0.58%	0.62%	
Commodities	Bloomberg Commodity Index	0.43%	-1.45%	-1.78%	-1.12%	2.27%	-0.52%	0.45%	-2.21%	0.12%	0.61%	-1.42%	0.35%	
Alternatives	Hedge Funds (HFRX Global)	-0.24%	0.51%	0.44%	-0.06%	-0.49%	-0.36%	0.15%	-0.40%	0.32%	0.49%	-1.02%	0.12%	
Asset Allocation	60/40*	-0.86%	0.58%	1.03%	0.13%	0.57%	-0.52%	0.58%	-0.80%	0.74%	0.82%	-1.15%	0.35%	
	48/32/20 (w/Alts.)**	-0.74%	0.57%	0.91%	0.09%	0.36%	-0.49%	0.50%	-0.72%	0.66%	0.75%	-1.12%	0.30%	

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	1.00	1.05	1.05	1.00	1.12	1.12	1.07	1.21	1.39	1.55	1.07	1.45	1.33	1.12
Large Cap Growth	1.00	1.00	1.05	1.05	1.00	1.12	1.12	1.07	1.21	1.39	1.55	1.07	1.45	1.33	1.12
Large Cap Value	0.95	0.95	1.00	1.00	0.96	1.07	1.07	1.02	1.16	1.32	1.48	1.02	1.38	1.27	1.07
Mid Cap Core	0.95	0.95	1.00	1.00	0.95	1.07	1.06	1.02	1.15	1.32	1.47	1.02	1.38	1.27	1.06
Mid Cap Growth	1.00	1.00	1.04	1.05	1.00	1.12	1.11	1.07	1.21	1.38	1.54	1.07	1.44	1.33	1.12
Mid Cap Value	0.89	0.89	0.93	0.94	0.89	1.00	1.00	0.95	1.08	1.24	1.38	0.95	1.29	1.19	1.00
Small Cap Core	0.89	0.89	0.94	0.94	0.90	1.00	1.00	0.96	1.08	1.24	1.38	0.96	1.30	1.19	1.00
Small Cap Growth	0.94	0.94	0.98	0.98	0.94	1.05	1.05	1.00	1.13	1.30	1.45	1.00	1.36	1.25	1.05
Small Cap Value	0.83	0.82	0.86	0.87	0.83	0.93	0.92	0.88	1.00	1.14	1.28	0.88	1.20	1.10	0.92
Int'l. Developed	0.72	0.72	0.76	0.76	0.72	0.81	0.81	0.77	0.87	1.00	1.12	0.77	1.05	0.96	0.81
Emerging Markets	0.65	0.65	0.68	0.68	0.65	0.72	0.72	0.69	0.78	0.89	1.00	0.69	0.94	0.86	0.72
REITs	0.94	0.93	0.98	0.98	0.94	1.05	1.05	1.00	1.13	1.30	1.45	1.00	1.35	1.25	1.05
Commodities	0.69	0.69	0.72	0.73	0.69	0.77	0.77	0.74	0.84	0.96	1.07	0.74	1.00	0.92	0.77
Int. Bond	0.75	0.75	0.79	0.79	0.75	0.84	0.84	0.80	0.91	1.04	1.16	0.80	1.09	1.00	0.84
High Yield	0.89	0.89	0.94	0.94	0.90	1.00	1.00	0.96	1.08	1.24	1.38	0.96	1.29	1.19	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. **LIBOR or ICE LIBOR** (previously BBA LIBOR) is a benchmark rate, which some of the world's leading banks charge each other for short-term loans. It stands for Intercontinental Exchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.

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 **HFRI 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 HFRI Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRI 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 **S&P 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 **NFIB Small Business Optimism Index** is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members.

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