Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P 500), followed a relatively muted August with a stronger September. The index ended the month 2.1% higher, pushing the year-to-date (YTD) performance up to 14.2%.
- Sector performance within the S&P 500 was strong with eight of 11 sectors posting returns in the black. Energy led the way rising 9.9% due in large part to increasing oil prices. Despite the strong month, Energy remains the worst performing sector for the year. Utilities finished as the worst performing sector in September, falling 2.7%.
- Companies with smaller market capitalizations outperformed their larger-cap counterparts due to a strong end-of-month rally. Small-caps (Russell 2000 Index) rose 6.2% in September, followed by Mid-caps (Russell Mid Cap Index) and Large-caps (Russell 1000) which rose 2.8% and 2.1%, respectively. Value outperformed growth in both large and small-caps, but lagged moderately within mid-caps.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S., ended the month 1.9% higher, as strength within international markets continues to be a theme of 2017. Developed markets (DM), represented by MSCI EAFE Index, finished up 2.5% while the Emerging markets (EM), represented by MSCI EM Index, finished down 0.4%. This represented the first down month for EM in 2017 and the first since November 2016. On the year, both developed and emerging markets have maintained strong returns of 20.0% and 27.8%, respectively.
- Mirroring domestic equity markets, within the ACWI ex-U.S. Index, Energy was the strongest performer over the month, gaining 6.4%, while Utilities suffered the worst losses of 1.5%. Small-caps outperformed large-caps across both developed and emerging markets, however, the gap was much less pronounced relative to their domestic counterparts. Value indices outperformed growth in Developed Markets while the opposite held true in Emerging Markets.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index fell 0.5% as yields rose across the curve during the month.
- Investment grade (IG) credit within the Aggregate performed well on a relative basis, despite falling 0.2% in absolute terms. While IG credit spreads tightened modestly, yield increases negated these gains. Within the IG credit spectrum, returns were tilted towards lower-quality with BBB staying a relatively flat 0.0%. A-rated bonds followed falling 0.3%, with AAA (-0.4%) and AA (-0.5%) lagging behind. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, rose 0.9% in September as HY spreads tightened.
- While the U.S. Treasury Yield curve has flattened so far in 2017, September marked a different narrative. Yields picked up across all tenors with three-through 10-years rising at least 20 basis points. Most of the increases were in the intermediate to longer durations, resulting in the curve steepening.

Other Asset Classes

- After a down August, real estate investment trusts (REITs), represented by FTSE NAREIT Index, ended September relatively flat leaving the YTD return at 3.7%. Individual real estate sectors were relatively mixed with four of the nine REIT sectors ending the month in the red. Despite a relatively weak 2017, Self-Storage was the top performer of the month rising 5.6%. Health Care was the biggest laggard, dropping 3.0% largely due to missed healthcare reform.
- Commodities, represented by the Bloomberg Commodity Index, ended the month slightly in the red as the index posted a loss of 0.2%, leaving the YTD losses at 3.5%. Despite the negative return, performance was supported by moderately rising oil prices. The active contract for West Texas Intermediate (WTI) crude finished the month higher, ending at $52/barrel.

Items to Watch

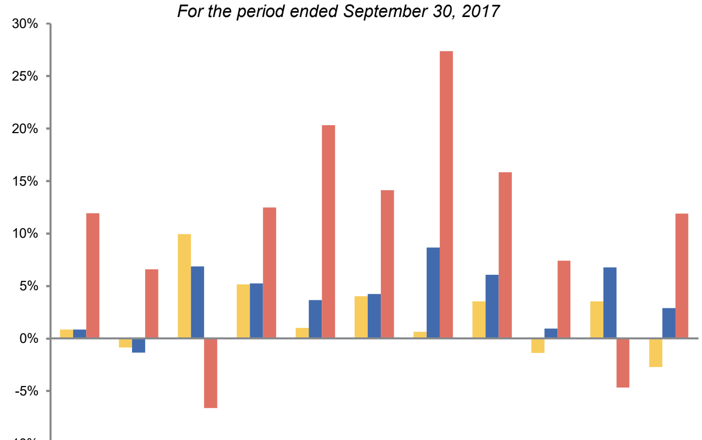
- In late September, the Federal Reserve (Fed) gave greater clarity into its $4.5 trillion bond roll-off agenda. The plan comprises an initial reduction of $10 billion per month starting in October, which would increase $10 billion quarterly, until the amount reaches $50 billion. Despite the scale of the program, immediate overall market response was relatively muted with yields pushing up modestly on both ends of the curve. Further impact will be seen in the coming months, especially when accounting for an increasing probability of a December rate hike in the eyes of the market.
- Following another strong quarter of 10.3% YoY earnings growth for the S&P 500 during the second quarter, the spotlight will turn to the third quarter projections. Current forecasts project a moderate 4.2% YoY gain, decreasing from earlier June 30 projections of 7.5% (Factset, 9/29/17). More insight should materialize during October to see if earnings gains continue.
- Tensions between North Korea and the U.S. remain high as aggressive rhetoric continues to be passed between the two countries. Asia has recently continued to be a hotbed for geopolitical uncertainty including continued conflict over the South China Sea. Despite recent turmoil, the CBOE Volatility Index (VIX) continues to sit near 10-year lows and overall market reaction has been limited.
- Coming on the heels of failed healthcare reform, plans for tax reform were released at the end of September. The plan includes a cut in the corporate tax rate from the existing 35% to 20% along with changes in personal income tax. The probability of it passing through Congress will be seen in the coming months as more details emerge and the plan is deliberated.
- In Spain, Catalonia held an early-October referendum to remain in or break free from the country. While an astounding majority of voters chose "leave," questions surrounding the viability of the departure exist with the Spanish government displaying strong dissent.

Total Return of Major Indices as of 9/30/17				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	2.06%	4.48%	14.24%	18.60%
Russell 3000	2.44%	4.57%	13.91%	18.70%
Russell 2000	6.24%	5.67%	10.93%	20.71%
Russell 1000	2.13%	4.48%	14.16%	18.53%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex US	1.86%	6.17%	21.13%	19.61%
MSCI EAFE	2.49%	5.40%	19.96%	19.10%
MSCI Emerging Markets	-0.40%	7.89%	27.78%	22.46%
Fixed Income*	**MTD**	**QTD**	**YTD**	**1 YR**
Barclays Aggregate	-0.48%	0.85%	3.14%	0.07%
Barclays Global Agg	-0.90%	1.76%	6.25%	-1.26%
Barclays US High Yield	0.90%	1.98%	7.00%	8.88%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-0.03%	0.94%	3.67%	0.67%
Bloomberg Commodity	-0.23%	2.25%	-3.49%	-1.03%

Economic Indicators		
Domestic	**Current**	**Previous**
Unemployment Rate (%)	4.2%	4.4%
Initial Jobless Claims (4 week avg)	268.3 K	277.8 K
CB Leading Economic Indicators	0.4	0.3
Capacity Utilization	76.1%	76.9%
GDP (annual growth rate)	3.1%	1.2%
Univ Michigan Consumer Confidence	95.1	96.8
New Home Starts	560 K	580 K
Existing Home Sales	5.4 MM	5.4 MM
Retail Sales (YoY)	3.6%	3.4%
U.S. Durable Goods (MoM)	2.0%	-6.8%
Consumer Price Index (YoY)	1.9%	1.7%
Producer Price Index (MoM)	0.5%	-0.2%
Developed International**	**6/30/2017**	**3/31/2017**
Market GDP (ann'l rate)	2.1%	2.0%
Market Unemployment	5.2%	5.3%

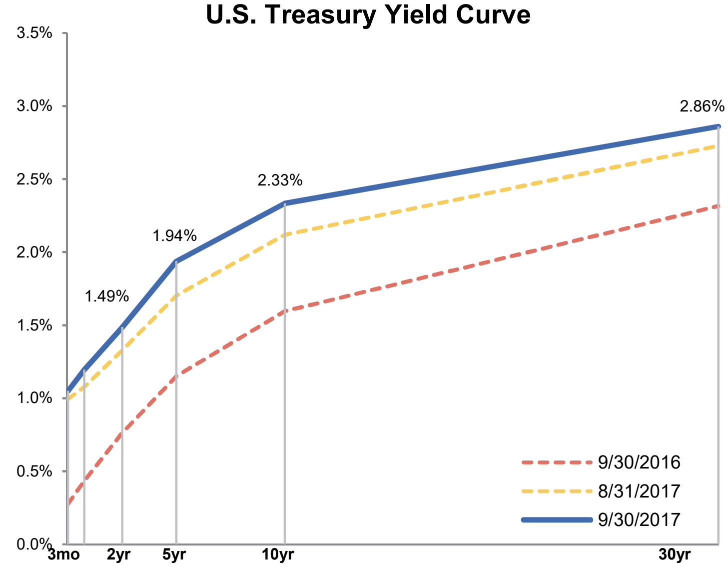
Stock Market Sector Performance (S&P 500)

For the period ended September 30, 2017

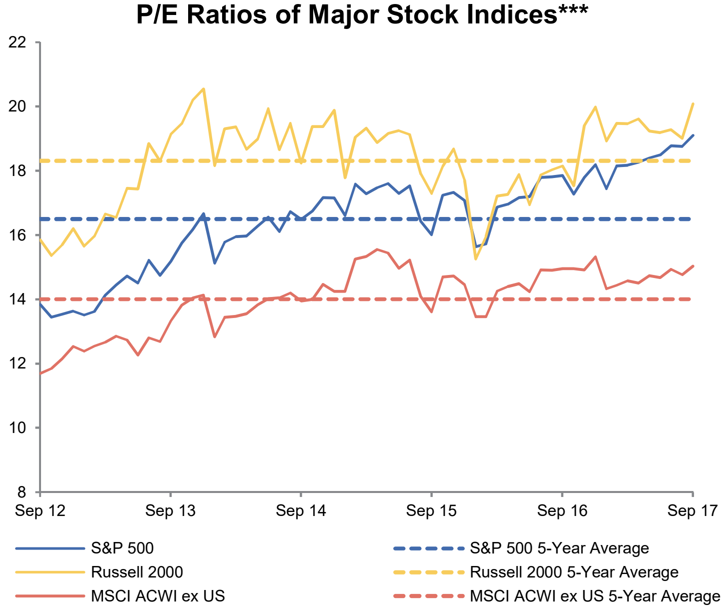


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	0.84%	-0.86%	9.94%	5.14%	0.99%	4.00%	0.64%	3.52%	-1.39%	3.52%	-2.74%
QTD	0.84%	-1.35%	6.84%	5.24%	3.65%	4.22%	8.65%	6.05%	0.93%	6.78%	2.87%
YTD	11.93%	6.57%	-6.63%	12.48%	20.31%	14.13%	27.36%	15.82%	7.39%	-4.69%	11.87%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices***



Source: Bloomberg. Data as of September 30, 2017 unless otherwise noted.
*Effective 8/25/2016, all Barclays fixed income indices were transitioned to Bloomberg and renamed Bloomberg Barclays indices.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-US index. Most current data is as of June 30, 2017 due to release dates of numerous countries.
***P/E ratios are calculated based on 1-year-forward estimates and adjusted to include only positive earning results for consistency.