Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), gained 0.57% in September. This month also marked a restructuring of Global Industry Classification Standard (GICS) sectors, with Communication Services replacing Telecom and the inclusion of certain companies from Information Technology and Consumer Discretionary sectors into Communication Services.
- Sector performance within the S&P was mixed in September, with six of the 11 sectors posting positive returns. The Communication Services, Healthcare and Energy sectors led gains with 4.26%, 2.93% and 2.59%, respectively. Real Estate and Financials lagged during the month, returning -2.65% and -2.22%, respectively.
- By market capitalization, large-caps (Russell 1000 Index) were the best performers during the month, returning 0.38%. Mid-caps (Russell Midcap Index) followed, with a return of -0.64%. Small-caps (Russell 2000 Index) lagged during the month, with a return of -2.41%. Growth stocks outperformed value stocks within all three market capitalization ranges.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S. Index, ended the month up 0.45%. Developed markets, represented by MSCI EAFE Index, finished up 0.87%, while emerging markets (EM), represented by MSCI Emerging Markets Index, returned -0.53% in September.
- Within the ACWI ex-U.S. Index, about half of all sectors posted positive returns. Energy, Telecom and Materials were the best performers in September, returning 4.38%, 2.09% and 2.04%, respectively. Information Technology and Consumer Discretionary lagged the index in September, returning -2.70% and -0.73%, respectively.
- EM Latin America and Japan were the best-performing regions in September, returning 4.69% and 3.04% respectively. EM Asia was the worst-performing region, returning -1.69% in September.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned -0.64% in September.
- Investment-grade (IG) credit within the Aggregate returned -0.34%. Within the IG credit spectrum, returns were negative across all qualities. AAA-rated bonds returned -0.42%, AA-rated bonds returned -0.51%, A-rated bonds returned -0.54% and BBB-rated bonds returned -0.11%. High yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 0.56% in September.
- The U.S. Treasury yield curve rose and steepened in September. Yields for three-month and six-month bills increased by 10 basis points (bps), five-year yields increased by 22 bps, while 30-year bond yields rose by 19 bps.

Alternatives and Other Asset Classes

- Real estate investment trusts (REITs), represented by FTSE Nareit All Equity REITs Index, returned -2.54% in September, bringing the year-to-date (YTD) return to 1.81%. Returns were negative for eight out of nine of the individual real estate sectors. Industrial and Residential REITs were the strongest performers, returning 0.07% and -0.77% respectively. The worst performer of the month was Self-Storage, which had a return of -4.57%, followed by Healthcare and Data Centers, which returned -4.31% and -4.20%, respectively. Lodging/Resorts remains one of the best-performing sectors in 2018, with a return of 9.60% YTD.
- Commodities, represented by the Bloomberg Commodity Index, posted a 1.75% return. The active contract for West Texas Intermediate (WTI) Crude Index closed at $73.25/barrel, up slightly from $69.80/barrel in August.

Items to Watch

- The Federal Reserve (Fed) increased its target federal funds rate in September from 1.75%-2.00% to 2.00%-2.25%. In a statement issued after the Federal Open Market Committee (FOMC) meeting on September 25-26, the Fed indicated an optimistic view of the economy, noting the strengthening labor market and low unemployment rate, while inflation remains near its 2% target.
- The U.S. and Canada set a September 30 deadline to include Canada in a trade deal the U.S. had recently struck with Mexico. The U.S. and Canada did agree on a deal that the White House is calling the United States-Mexico-Canada Agreement (USMCA). The deal must be ratified by Congress in 2019. U.S. dairy farmers are poised for big gains as a result of the new trade deal.
- Trade tensions continued to mount in September with the U.S. imposing 10% tariffs on an additional $200 billion worth of Chinese goods bringing the total amount to $250 billion in 2018. China responded by cancelling plans for trade talks in Washington, and placing tariffs on $60 billion of U.S. exports. The White House says it is prepared to place tariffs on the remainder of China's U.S. exports estimated at $257 billion. Tariffs on U.S. imports have yet to significantly affect the U.S. economy; however, trade tensions remain one of the largest risks to the economic outlook in the U.S.
- The European Central Bank (ECB) announced during its September meeting that it would not change its policy stance amid steady inflation and solid growth. The Bank of Japan also left its monetary policy unchanged, stating that the nation's economy is seeing moderate expansion, although inflation remains distant from its 2% target.

Total Return of Major Indices as of 9/30/18

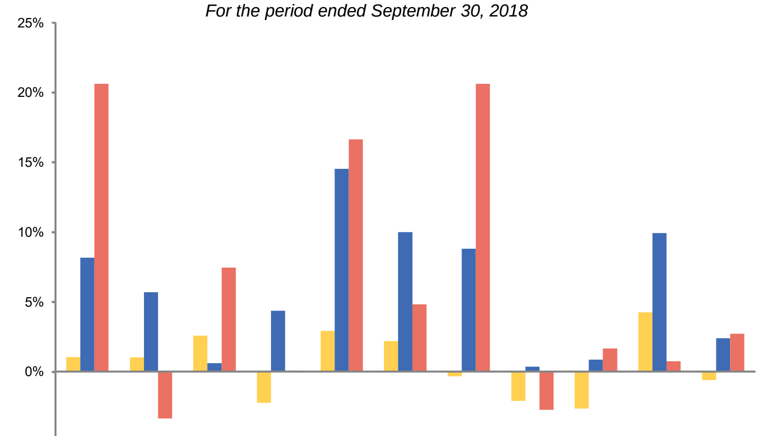
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	0.57%	7.71%	10.56%	17.90%
Russell 3000	0.17%	7.12%	10.57%	17.57%
Russell 2000	-2.41%	3.57%	11.51%	15.23%
Russell 1000	0.38%	7.42%	10.48%	17.75%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	0.45%	0.70%	-3.09%	1.76%
MSCI EAFE	0.87%	1.35%	-1.43%	2.74%
MSCI Emerging Markets	-0.53%	-1.10%	-7.68%	-0.81%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-0.64%	0.02%	-1.60%	-1.22%
Bloomberg Barclays Global Agg	-0.86%	-0.92%	-2.37%	-1.32%
Bloomberg Barclays U.S. HY	0.56%	2.40%	2.57%	3.05%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-2.54%	0.79%	1.81%	3.35%
Bloomberg Commodity	1.75%	-2.53%	-3.36%	0.88%

Economic Indicators

Domestic	Current	Previous
Unemployment Rate (%)	3.9%	3.9%
Initial Jobless Claims (4 week avg)	206 K	206 K
CB Leading Economic Indicators	0.4	0.7
Capacity Utilization	78.1%	77.9%
GDP (annual growth rate)	4.2%	2.2%
University of Michigan Consumer Confidence	100.1	96.2
New Home Starts	629 K	608 K
Existing Home Sales	5.3 MM	5.3 MM
Retail Sales (YoY)	7.3%	7.7%
U.S. Durable Goods (MoM)	4.5%	-1.2%
Consumer Price Index (YoY)	2.7%	2.9%
Producer Price Index (MoM)	0.0%	0.2%
Developed International*	**6/30/2018**	**3/31/2018**
Market GDP (annual rate)	2.1%	1.9%
Market Unemployment	4.8%	4.9%

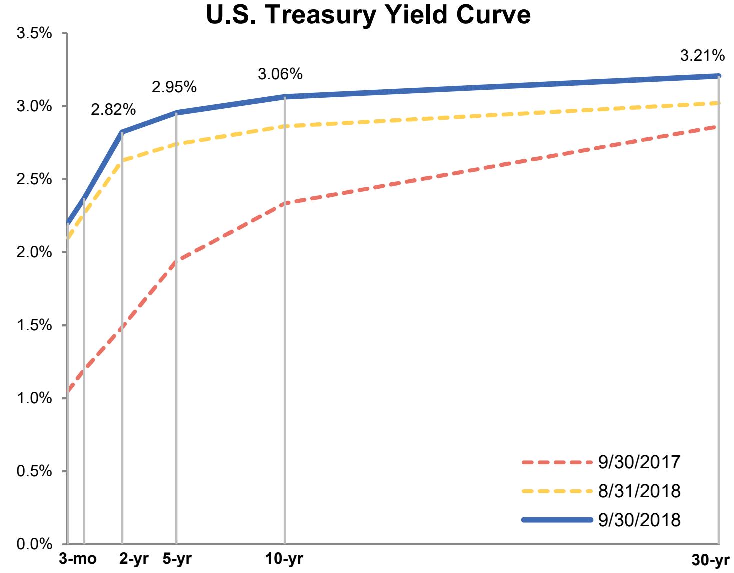
Stock Market Sector Performance (S&P 500)

For the period ended September 30, 2018

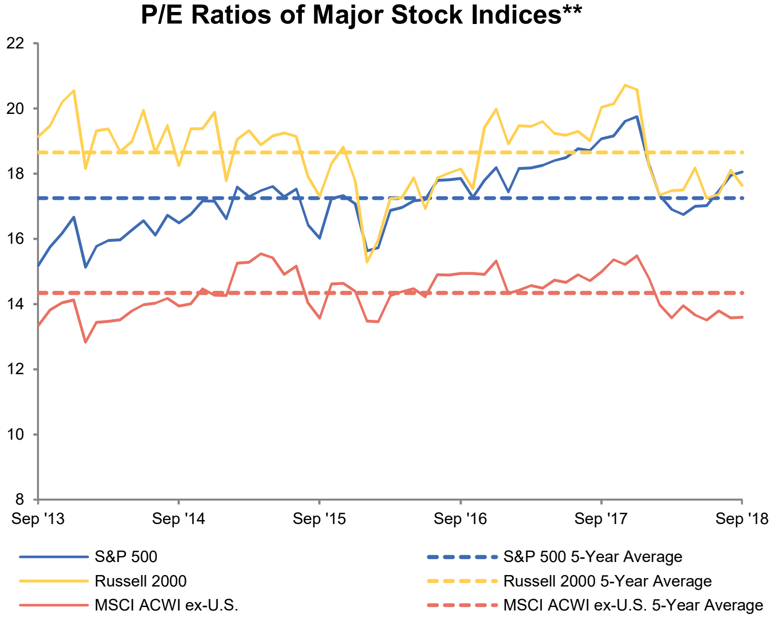


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	1.04%	1.04%	2.59%	-2.22%	2.93%	2.19%	-0.33%	-2.09%	-2.65%	4.26%	-0.60%
QTD	8.18%	5.69%	0.61%	4.36%	14.53%	10.00%	8.80%	0.36%	0.86%	9.94%	2.39%
YTD	20.62%	-3.35%	7.46%	0.09%	16.63%	4.84%	20.62%	-2.73%	1.67%	0.75%	2.72%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of September 30, 2018, unless otherwise noted.
* Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of June 30, 2018 due to release dates of numerous countries.
**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC, which is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit www.pfm.com.