



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), declined -6.84% in October.
- Sector performance within the S&P was mostly negative in October with nine of the 11 sectors posting negative returns. The Consumer Staples and Utilities sectors led gains with 2.31% and 1.95%, respectively. Consumer Discretionary and Energy lagged during the month, returning -11.27% and -11.26%, respectively.
- By market capitalization, large-caps (Russell 1000 Index) were the best performers during the month, returning -7.08%. Mid-caps (Russell Midcap Index) followed with a return of -8.31%. Small-caps (Russell 2000 Index) lagged during the month with a return of -10.86%. Value stocks outperformed growth stocks within all three market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, ended the month down -9.59%. Developed markets, represented by the MSCI EAFE Index, finished down -7.96%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned -8.71% in October.
- Within the MSCI ACWI ex-U.S. Index, all 11 sectors posted negative returns. Utilities and Consumer Staples were the best performers in October, returning -3.58% and -5.79%, respectively. Information Technology and Industrials lagged the index in October, returning -12.19% and -9.66%, respectively.
- EM Latin America and the UK were the best-performing regions in October, returning 3.46% and -6.75%, respectively. EM Asia was the worst-performing region, returning -10.92% in October.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned -0.79% in October.
- Investment-grade (IG) credit within the Aggregate returned -1.40%. Within the IG credit spectrum, returns were negative across all qualities. AAA-rated bonds returned -0.39%, AA-rated bonds returned -0.95%, A-rated bonds returned -1.33% and BBB-rated bonds returned -1.76%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned -1.60% in October.
- Yields rose across the U.S. Treasury yield curve in October. Yields for two-year and five-year notes increased by 5 basis points (bps) and 2 bps, respectively. Ten-year yields increased by 8 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 -2.97% in October, bringing the year-to-date (YTD) return to -1.21%. Returns were negative for six of the nine individual real estate sectors. Self-Storage, Healthcare, and Retail REITs were the strongest performers, returning 2.21%, 1.75, and 0.30%, respectively. The worst performer of the month was Data Centers, which had a return of -11.52%, followed by Lodging/Resorts, which returned -10.01% in the month. Healthcare emerged as the best-performing sector in 2018 with a return of 6.19% YTD.
- Commodities, represented by the Bloomberg Commodity Index, posted a -2.36% return. The active contract for West Texas Intermediate (WTI) crude closed at \$65.31/barrel, down from \$73.25/barrel in September.

Items to Watch

- Rising rates, signs of slowing global and corporate growth and trade tensions all contributed to a volatile month that saw the CBOE Volatility Index (VIX) end the month up over 58%. However, strong gross domestic product (GDP) growth of 3.5% and a solid labor market indicate the U.S. economy is on strong footing.
- The October jobs report showed the unemployment rate unchanged at 3.7%, and a jump in nonfarm payrolls of 250,000. Wage growth, which has been muted throughout the economic recovery, rose to 3.1% year over year (YoY), the highest rate since April 2009. Strong wage growth is likely to support the Federal Reserve's (Fed's) current pace of normalization, as it seeks to head off runaway inflation. The market-implied probability of a rate hike in December 2018, based on effective Fed funds futures, is 75%.
- Geopolitical risks also continue to mount as instability and uncertainty follow political events across the globe. Chancellor of Germany, Angela Merkel, announced she would step down as head of her party, and would not seek a 2021 reelection as leader of the European Union's most powerful country. Also threatening the financial stability of the region is Italy's rising fiscal deficit, and potential fallout from Brexit negotiations. The annual GDP growth rate in the European Union for the third quarter of 2018 slipped to 1.9%, its slowest rate in two years.
- Trade tensions with China continue to be a focal point, considering the impact the world's largest and second-largest economies have on global markets. China GDP growth slowed to 6.5% in the third quarter of 2018, its slowest rate since the financial crisis. The two sides have planned negotiations at the G20 Summit beginning November 30, although reaching a complete trade deal is expected to drag on well into 2019.

Total Return of Major Indices as of 10/31/18

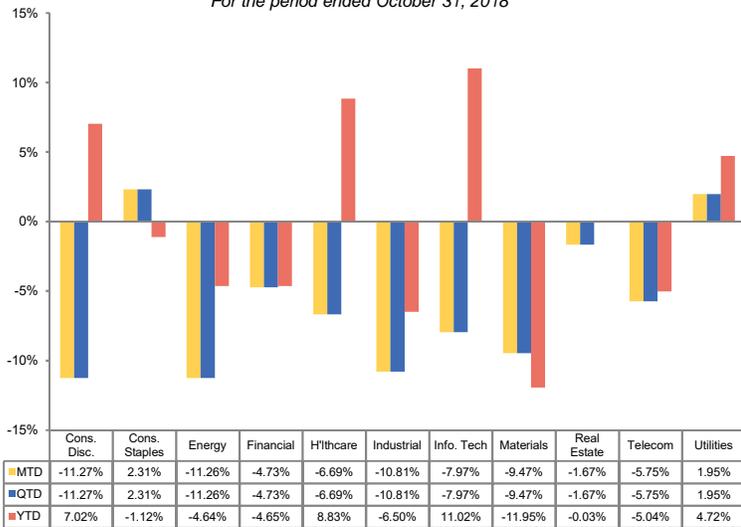
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-6.84%	-6.84%	3.00%	7.34%
Russell 3000	-7.36%	-7.36%	2.43%	6.59%
Russell 2000	-10.86%	-10.86%	-0.60%	1.85%
Russell 1000	-7.08%	-7.08%	2.67%	6.97%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-8.13%	-8.13%	-10.97%	-8.24%
MSCI EAFE	-7.96%	-7.96%	-9.28%	-6.85%
MSCI Emerging Markets	-8.71%	-8.71%	-15.72%	-12.52%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.79%	-0.79%	-2.38%	-2.05%
Bloomberg Barclays Global Agg	-1.12%	-1.12%	-3.46%	-2.05%
Bloomberg Barclays U.S. HY	-1.60%	-1.60%	0.93%	0.97%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-2.97%	-2.97%	-1.21%	1.26%
Bloomberg Commodity	-2.36%	-2.36%	-5.65%	-3.48%

Economic Indicators

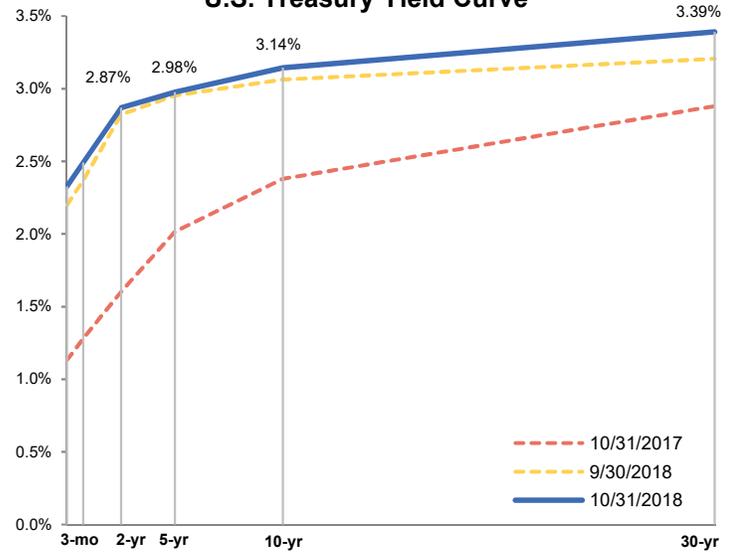
Domestic	Current	Previous
Unemployment Rate (%)	3.7%	3.9%
Initial Jobless Claims (4 week avg)	213.8 K	212 K
CB Leading Economic Indicators	0.5	0.4
Capacity Utilization	78.1%	78.1%
GDP (annual growth rate)	3.5%	4.2%
University of Michigan Consumer Confidence	98.6	100.1
New Home Starts	553 K	585 K
Existing Home Sales	5.2 MM	5.3 MM
Retail Sales (YoY)	5.7%	7.0%
U.S. Durable Goods (MoM)	0.8%	4.6%
Consumer Price Index (YoY)	2.3%	2.7%
Producer Price Index (MoM)	-0.1%	0.0%
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)

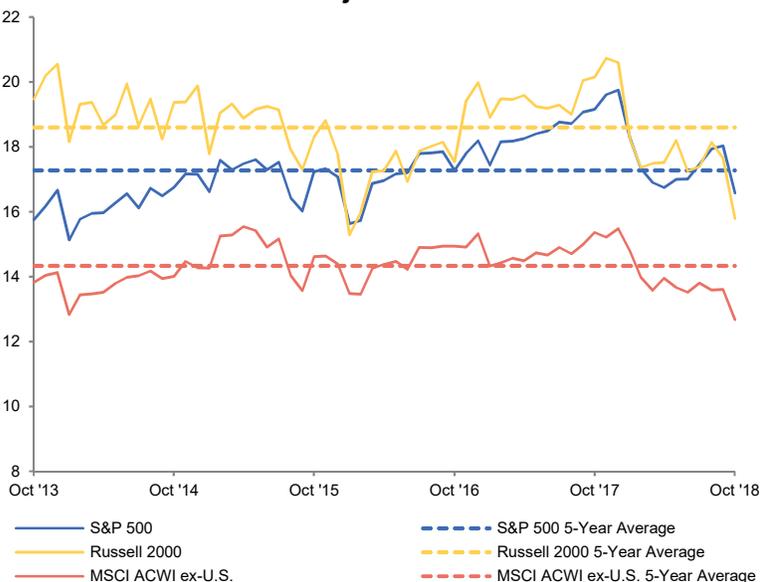
For the period ended October 31, 2018



U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of October 31, 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.

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