



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), ended the month increasing 2.3%, pushing the year-to-date (YTD) performance up to 16.9%.
- Sector performance within the S&P was positive with seven of 11 sectors posting higher returns. Information Technology was the best performing sector, with a 7.8% return. The Telecom sector finished as the worst performing sector, falling 7.6%.
- Companies with larger market capitalizations outperformed their small-cap counterparts. Large-caps (Russell 1000 Index) rose 2.3% in October, followed by Mid-caps (Russell Mid Cap Index, 1.7%), and Small-caps (Russell 2000 Index, 0.9%). Growth outperformed value across all market capitalizations.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S., ended the month 1.9% higher. Developed Markets, represented by MSCI EAFE Index finished up 1.5% while the Emerging Markets, represented by MSCI Emerging Markets Index, finished up 3.5% after having a negative return in the prior month for the first time in 2017. On the year, both Developed and Emerging Markets have maintained strong returns of 21.8% and 32.3% respectively.
- Mirroring domestic equity markets, within the ACWI ex-U.S. Index, Information Technology was the strongest performer over the month, gaining 5.9%, while Healthcare was the weakest, losing 1.6%. Small-caps outperformed Large-caps in the Developed Markets while the opposite held true in Emerging Markets. Growth indices outperformed value in both Developed and Emerging Markets.

## Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index rose 0.1% as yields rose moderately across the curve and spreads tightened during the month.
- Investment grade (IG) credit within the Aggregate performed well on a relative basis, rising 0.3% in absolute terms as IG credit spreads tightened. Within the IG credit spectrum, returns were tilted towards lower-quality with BBB rising 0.39%. A rated bonds followed rising 0.37%, with AA (0.28%) and AAA (0.0%) lagging behind. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, rose 0.4% as high yield spreads moderately tightened.
- After the U.S. Treasury Yield curve steepened in September, the curve shifted back to the trend in 2017 and flattened during the month of October. Although yields increased across all tenors, the intermediate term yields increased more than the longer term. Yields along the 3-month and 5-year terms increased between 8 and 13 basis points.

## Other Asset Classes

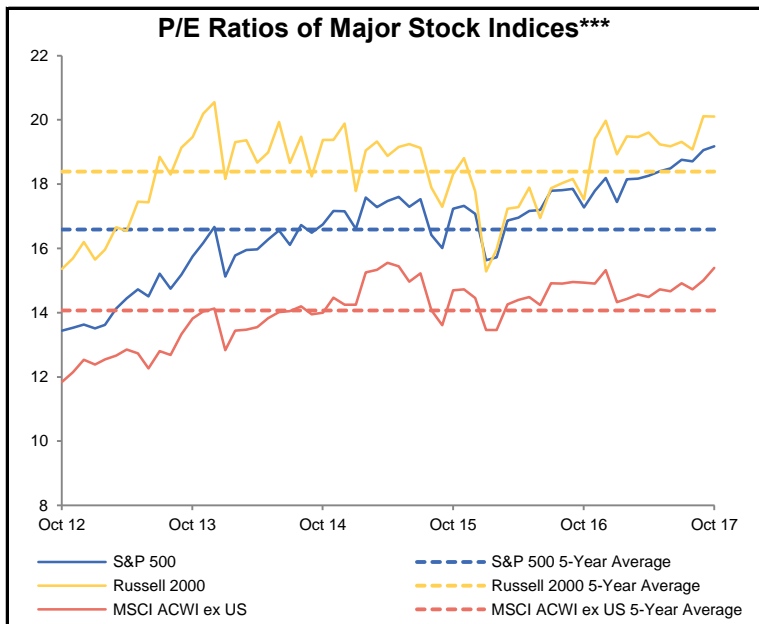
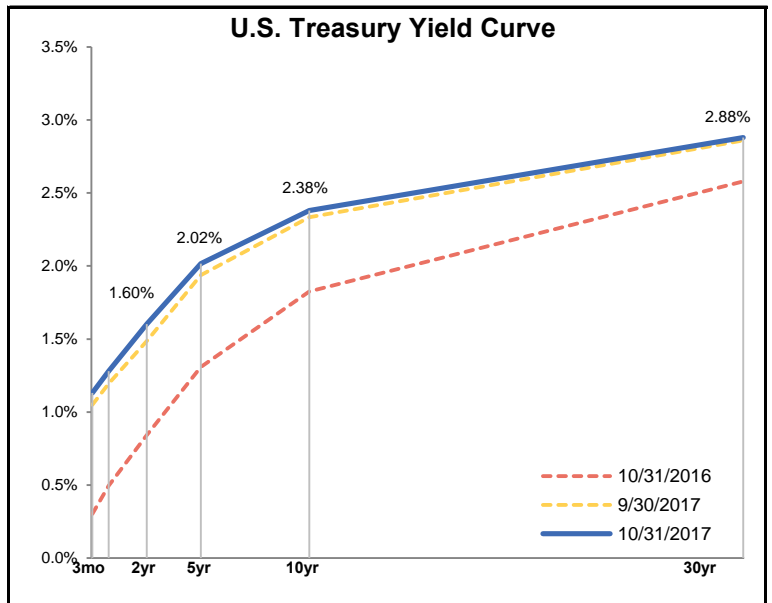
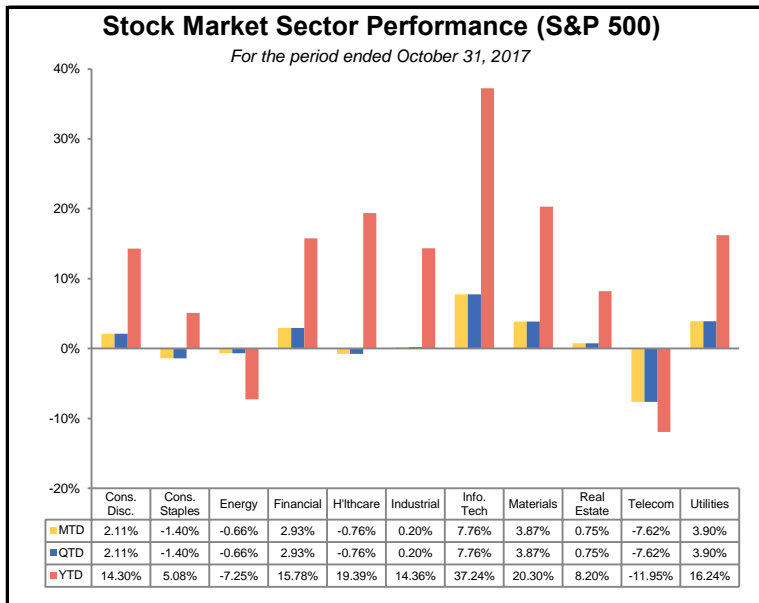
- After a flat September, real estate investment trusts (REITs), represented by FTSE NAREIT index, fell 1.0% in October dropping the YTD return to 2.7%. Individual real estate sectors were relatively mixed with five of the nine REIT sectors ending the month in the red. Data Centers were the top performer of the month rising 2.6%. Retail was the biggest laggard, dropping 4.0%.
- Commodities, represented by the Bloomberg Commodity Index, rose as the index posted a gain of 2.1%, bringing the YTD losses to 1.5%. Performance was supported by moderately rising oil prices. The active contract for West Texas Intermediate (WTI) crude finished the month higher, ending at \$54.4/barrel.

## Items to Watch

- U.S. GDP increased at a 3.0% rate in the third quarter, beating economists' forecasts of 2.5%. Solid consumer and business spending were the key factors for growth. Third quarter earnings growth for S&P continues to be strong. According to FactSet Earnings Insight (as of 11/3/2017), 81% of the S&P 500 companies have reported so far, and the earnings growth rate for the quarter is expected to be 5.9%. For 2017, the earnings growth rate and revenue growth rate are projected to be 9.5% and 6.1% respectively.
- The Bank of England raised its benchmark rate for the first time in a decade, from 0.25% to 0.50% citing the threat of domestic inflationary pressures. Currently, United Kingdom inflation stands at its highest level since 2012, at 3.0%.
- The U.S. House of Representatives released the much-awaited tax plan, titled the "Tax Cut and Jobs Act." Major highlights include a slash in the corporate tax rate from 35% to 20% and a collapse of the income tax brackets from seven to four with the highest tax rate remaining constant at 39.6%. To offset some of the lost revenue from the reduction, deductions for mortgage interest and businesses' interest paid on debt will be reduced. The immediate response to the proposal has largely been mixed so far. The House Ways and Means Committee is still evaluating the bill but plan to turn it into law before the December recess, to take effect in 2018.
- President Trump nominated Federal Reserve governor Jerome Powell as the next chairman of the Federal Reserve. A lawyer by education and an investment banker by profession, Powell has been a member of the Board of Governors since 2012. Monetary policy and balance sheet adjustments are not expected to change significantly from the course laid out by Yellen.

Total Return of Major Indices as of 10/31/17				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.33%	2.33%	16.91%	23.62%
Russell 3000	2.18%	2.18%	16.40%	23.97%
Russell 2000	0.85%	0.85%	11.88%	27.82%
Russell 1000	2.29%	2.29%	16.78%	23.66%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex US	1.88%	1.88%	23.41%	23.64%
MSCI EAFE	1.52%	1.52%	21.78%	23.44%
MSCI Emerging Markets	3.51%	3.51%	32.26%	26.45%
Fixed Income*	MTD	QTD	YTD	1 YR
Barclays Aggregate	0.06%	0.06%	3.20%	0.90%
Barclays Global Agg	-0.38%	-0.38%	5.85%	1.18%
Barclays US High Yield	0.42%	0.42%	7.45%	8.92%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-0.96%	-0.96%	2.67%	5.67%
Bloomberg Commodity	2.05%	2.05%	-1.52%	1.52%

Economic Indicators		
Domestic	Current	Previous
Unemployment Rate (%)	4.1%	4.2%
Initial Jobless Claims (4 week avg)	232.5 K	239.8 K
CB Leading Economic Indicators	-0.2	0.4
Capacity Utilization	76.0%	75.8%
GDP (annual growth rate)	3.0%	3.1%
Univ Michigan Consumer Confidence	100.7	95.1
New Home Starts	667 K	561 K
Existing Home Sales	5.4 MM	5.4 MM
Retail Sales (YoY)	4.6%	4.1%
U.S. Durable Goods (MoM)	2.0%	2.1%
Consumer Price Index (YoY)	2.2%	1.9%
Producer Price Index (MoM)	0.8%	0.5%
Developed International**	6/30/2017	3/31/2017
Market GDP (ann'l rate)	2.1%	1.9%
Market Unemployment	5.3%	5.5%



Source: Bloomberg. Data as of October 31, 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.

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