

October 2017 Market Watch

This past month marked the 30th anniversary of Black Monday – one of the worst single day stock market sell-offs in history. Some of us weren't around back then to remember what living through that day felt like, while those who were would prefer to forget. History, however, can serve as a cautionary reminder that markets can be unpredictable, particularly in the short-term, and that periods of calm can be followed by periods of extreme volatility. While a reminder of the events of October 19, 1987 is not meant to suggest anything about where we are in today's markets, it does serve to remind investors that they should always remain focused on their long-term goals regardless of the current environment. In relatively calm periods, investors are best served by staying vigilant to the risks associated with complacency and recency biases.

Contrary to 1987, today's domestic indices continue to hit new all-time highs. The price-weighted Dow Jones Industrial Average (DJIA) led the group up +4.3% MTD, due to strong performance from names such as Intel, Wal-Mart and Microsoft. The S&P 500 and NASDAQ finished October up +2.2% and +3.6%, respectively.

Seven out of the eleven sectors in the S&P 500 finished the month in positive territory. The Information Technology sector far outpaced the rest of the U.S. market, advancing +7.8% in October after reporting 15% year-over-year growth in Q3 earnings.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	10/31/17	10/24/17	%chg	9/30/17	% chg	10/31/16	% chg	Return*
DJIA	23,377.24	23,441.76	-0.3%	22,405.1	4.3%	18,142.4	28.9%	18.3%
S&P 500	2,575.26	2,569.13	0.2%	2,519.4	2.2%	2,126.2	21.1%	15.0%
NYSE Comp Index	12,341.01	12,404.99	-0.5%	12,209.2	1.1%	10,481.9	17.7%	11.6%
NASDAQ Composite	6,727.67	6,598.43	2.0%	6,496.0	3.6%	5,189.1	29.6%	25.0%
Russell 2000	1,502.53	1,500.42	0.1%	1,490.9	0.8%	1,191.4	26.1%	10.7%
Japan Nikkei 225	22,011.61	21,805.17	0.9%	20,356.3	8.1%	17,425.0	26.3%	15.2%
MSCI EM (Emerging Markets)	1,119.08	1,113.32	0.5%	1,081.7	3.5%	905.1	23.6%	29.8%
MSCI EAFE	2,002.54	1,994.80	0.4%	1,973.8	1.5%	1,665.7	20.2%	18.9%
FTSE 100	7,493.08	7,526.54	-0.4%	7,372.8	1.6%	6,954.2	7.7%	8.5%
SSE Comp Index	3,393.34	3,388.25	0.2%	3,348.9	1.3%	3,100.5	9.4%	9.3%

US Equity Sector Performance

	October	YTD	1 Yr Ret.
Consumer Discretionary	2.1%	14.3%	19.7%
Consumer Staples	-1.4%	5.1%	3.8%
Energy	-0.7%	-7.3%	2.5%
Financials	2.9%	15.8%	37.1%
Health Care	-0.8%	19.4%	22.6%
Industrials	0.2%	14.4%	25.1%
Information Tech	7.8%	37.2%	39.0%
Materials	3.9%	20.3%	28.7%
Telecom	-7.6%	-12.0%	-1.4%
Utilities	3.9%	16.2%	15.4%
Real Estate	0.7%	7.9%	8.8%

US Equity Style Performance

	October	YTD	1 Yr Ret.
Dow Jones Utilities	4.1%	14.2%	11.5%
AMEX DJ TRANS Avg.	-1.6%	9.1%	22.9%
Russell 1000 Value	0.7%	8.7%	17.8%
Russell 1000 Growth	3.9%	25.4%	29.7%
Russell 2000 Value	0.1%	5.8%	24.8%
Russell 2000 Growth	1.5%	18.6%	31.0%

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International markets finished positive this month and continue their strong performance for the year. Japan's Nikkei 225 rallied +8.1% in October following Prime Minister Shinzo Abe's landslide victory in October's election. Year-to-date Japan's Nikkei 225, MSCI Emerging Markets, and MSCI EAFE have returned 26.3%, 23.6% and 20.2% respectively.

In fixed income, the Federal Open Market Committee released their September meeting minutes which indicated that the Fed expects to raise benchmark interest rates one additional time this year. Markets are now projecting a 97% chance that the Fed will raise benchmark interest rates in December. President Trump also announced in October that Jerome Powell will replace Janet Yellen as Federal Reserve Chairman when her term ends next year. Powell is expected to continue Yellen's monetary policy and gradually increase benchmark interest rates. This led to a rise in interest rates across the yield curve. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased nine basis points (bps) to 1.15%, while the yield on the 10-Year U.S. Treasury bond increased five bps to 2.38%.

The Bloomberg Commodity Index increased +2.0% during the month. Gold was down -1.1% MTD to finish at \$1,270.50/ounce but remains up +10.3% YTD. The U.S. Dollar Index increased +1.7% during the month but remains sharply lower than where it stood at the beginning of the year (-7.7% YTD). A weaker U.S. currency is seen by some experts as a positive for U.S. corporate profits as it makes exports less expensive for foreign buyers and increases the value of companies' international earnings. Roughly 30% of the S&P 500 earnings are derived internationally.

Bond Markets (%)

	10/31/17	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	1.15	1.06	0.30
US Benchmark Bond – 6 Mth	1.28	1.20	0.49
US Benchmark Bond – 2 Yr	1.59	1.47	0.84
US Benchmark Bond – 5 Yr	2.01	1.92	1.31
US Benchmark Bond – 10 Yr	2.38	2.33	1.82
US Benchmark Bond – 30 Yr	2.88	2.86	2.58

US Bond Sector Performance

	October	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	-0.10%	0.10%	-0.30%

Exchange Rates (per US dollar)

	10/31/17	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.289	1.251	1.340
Mexican New Peso	19.130	18.159	18.808
Euro	0.858	0.846	0.912
British Pound	0.753	0.745	0.819
Swiss Franc	0.997	0.968	0.989
Chinese Yuan	6.627	6.643	6.771
Indian Rupee	64.771	65.320	66.787
Japanese Yen	113.630	112.565	105.085

Commodities (In US dollars)

	10/31/17	1 Mth Ago	1 Yr Ago
Gold	1,270.50	1,284.80	1,273.10
Crude Oil	54.38	51.67	46.86
US Dollar Index	94.43	92.88	98.42
DJ UBS Commodity IDX	86.19	84.46	84.90

Interest Rates (%)

	10/31/17	1 Mth Ago	1 Yr Ago
Prime Rate	4.25	4.25	3.50
Federal Funds Rate	1.16	1.16	0.38
Libor Rate 30 Day	1.24	1.23	0.53
Libor Rate 3 Months	1.38	1.33	0.88
30yr Fixed Mortgage	3.94	3.83	3.54

Economic Sentiment

	10/31/17	1 Yr Ago
Unemployment Rate	4.10%	4.80%
Average Single Family Home	287,700	276,500
Capacity Utilization	75.98%	75.70%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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