



# CHARTBOOK

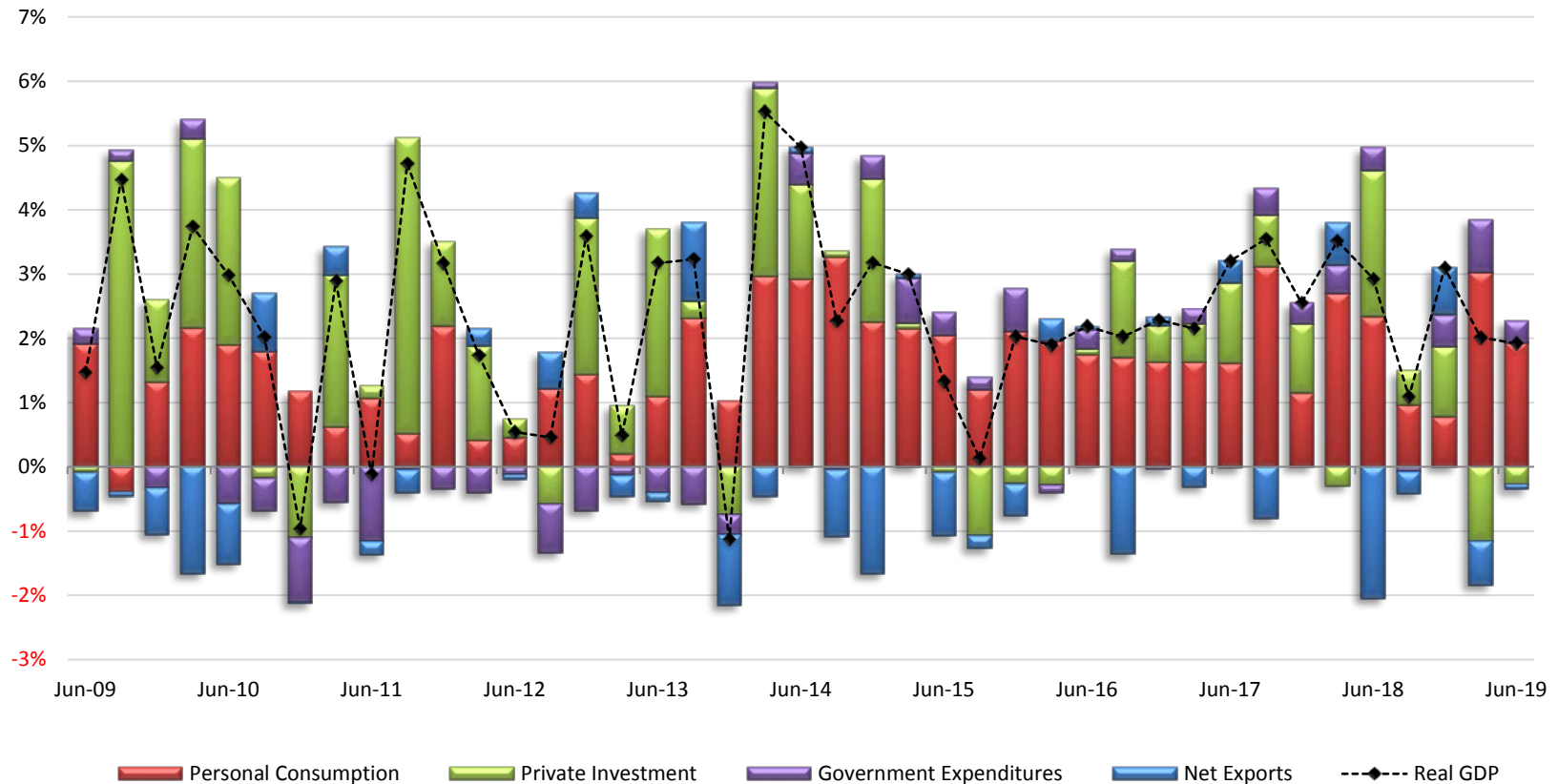
## OCTOBER 31, 2019



# ECONOMIC PERSPECTIVE

# Economic Growth

U.S. economic growth decelerated in the third quarter as gross domestic product grew at a 1.9% annualized rate. The slowdown in economic growth comes as trade uncertainty and fears of a manufacturing slowdown sapped private business investment in the U.S. However, personal consumption continues to show resilience. The Atlanta Fed's GDPNow estimate for 4Q 2019 currently stands at 1.1%.

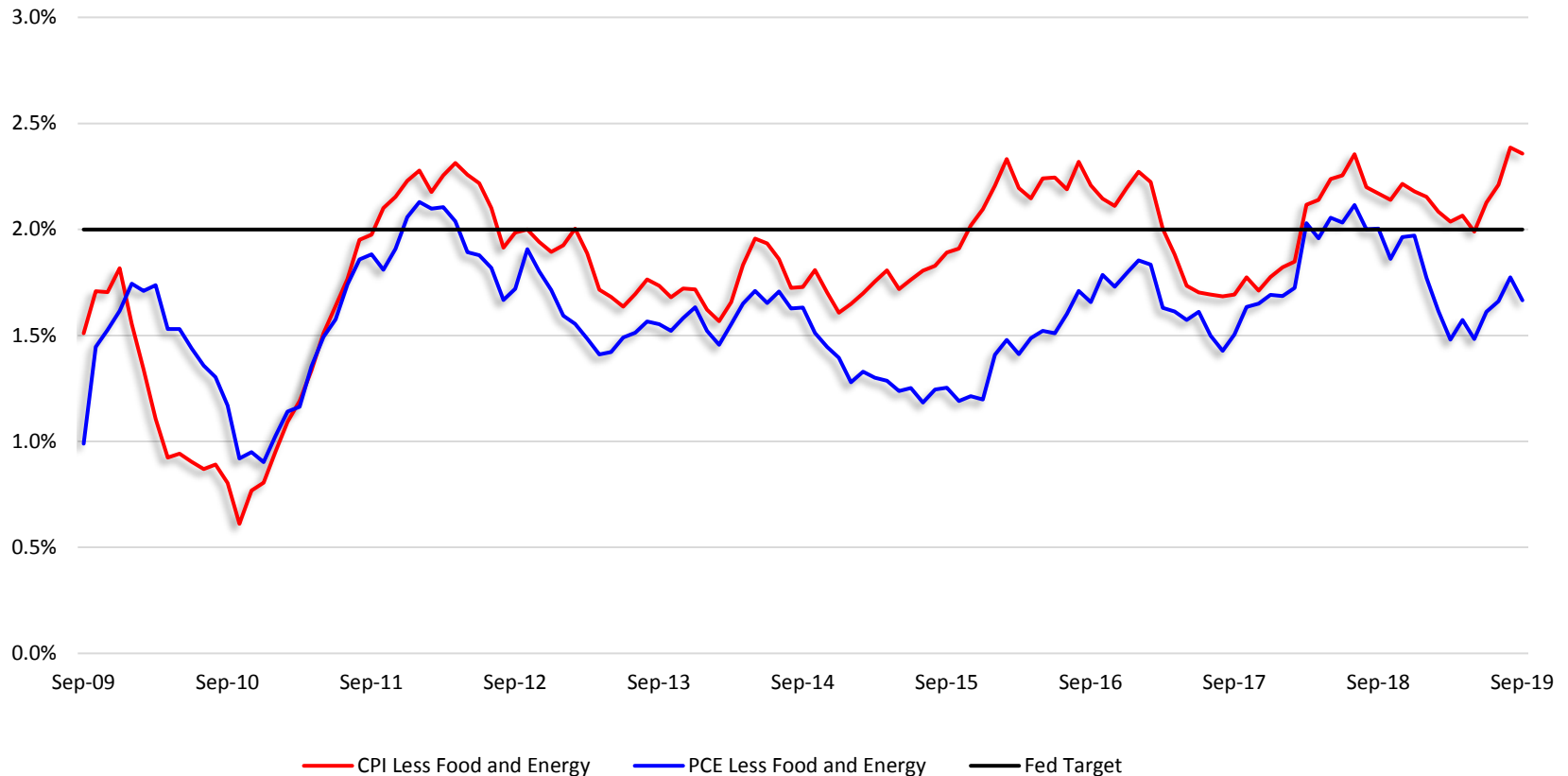


## Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)

Source: U.S. Bureau of Economic Analysis (Reported quarterly)

# Inflation Outlook

The Federal Reserve's preferred measure of inflation registered 1.7% in August. The Fed is aiming for a Core PCE inflation rate of 2.0% year-over-year, a goal it is having difficulty reaching consistently since the global financial crisis. The index has remained below the Fed's target since August of 2018.

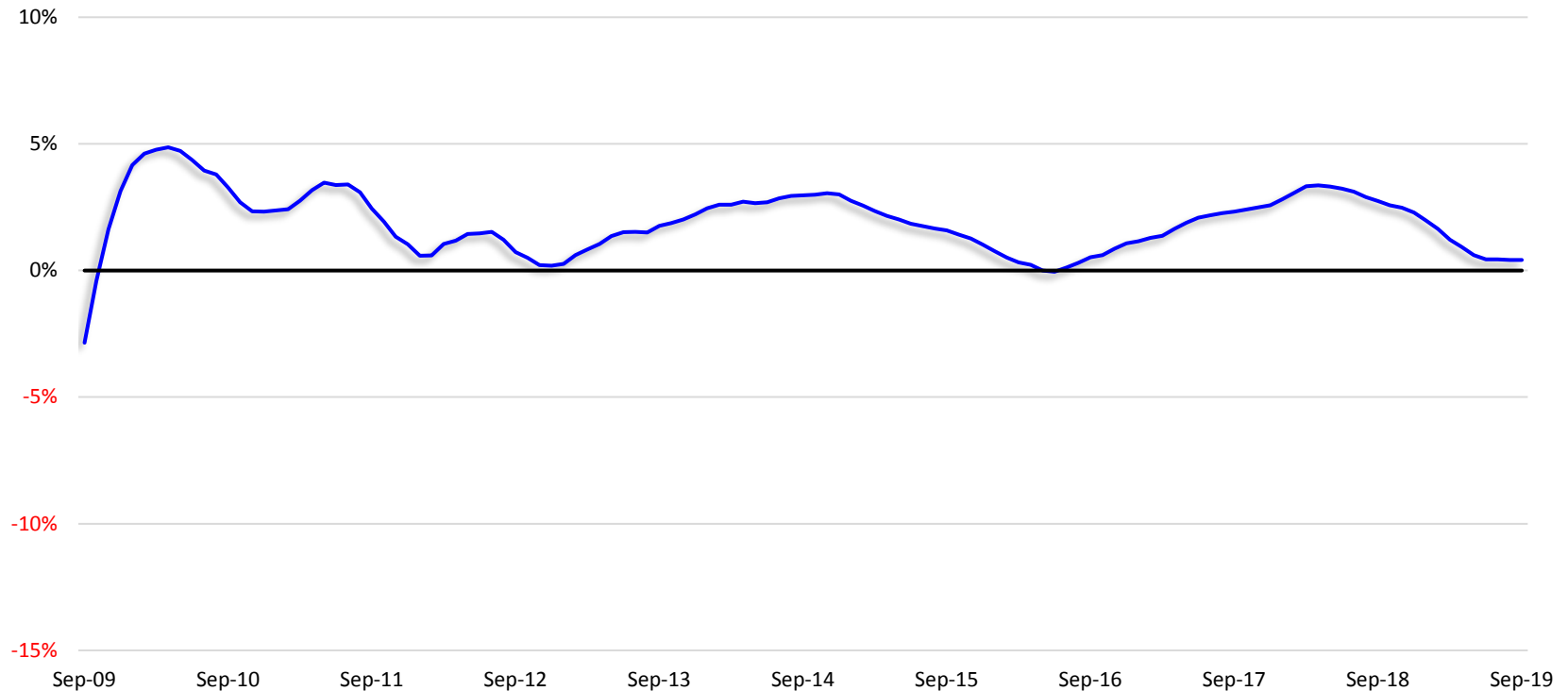


## Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)

Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (Reported monthly)

# U.S. Economic Outlook

*The US LEI declined slightly in September. The decline reflects uncertainty in the economic outlook and falling business expectations, brought on by the downturn in the industrial sector and trade disputes. Looking ahead, the LEI is consistent with an economy that is still growing, albeit more slowly, through the end of the year and into 2020.*

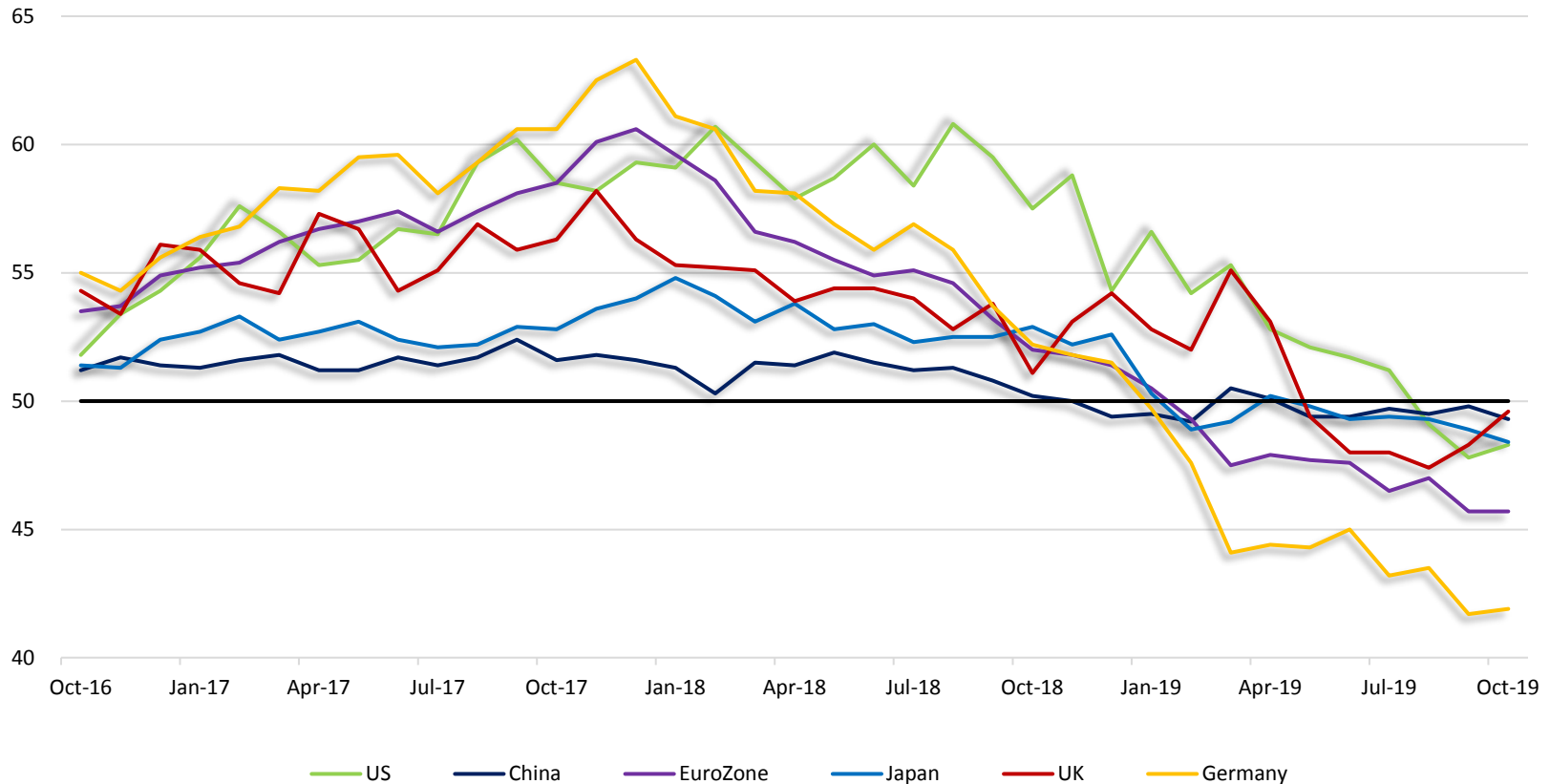


**Leading Economic Index** (Six-Month Moving Average of the Six-Month Rate of Change)

Source: Conference Board (Reported monthly)

# Global Economic Outlook

*Although manufacturing is only a small part of the global economy, it is one of the most volatile sectors and often acts as a leading indicator of global swings in economic fortunes. As of September, all of the world's largest economies, with the notable exception of the U.K., posted manufacturing declines amid a continuing slowdown in global growth.*

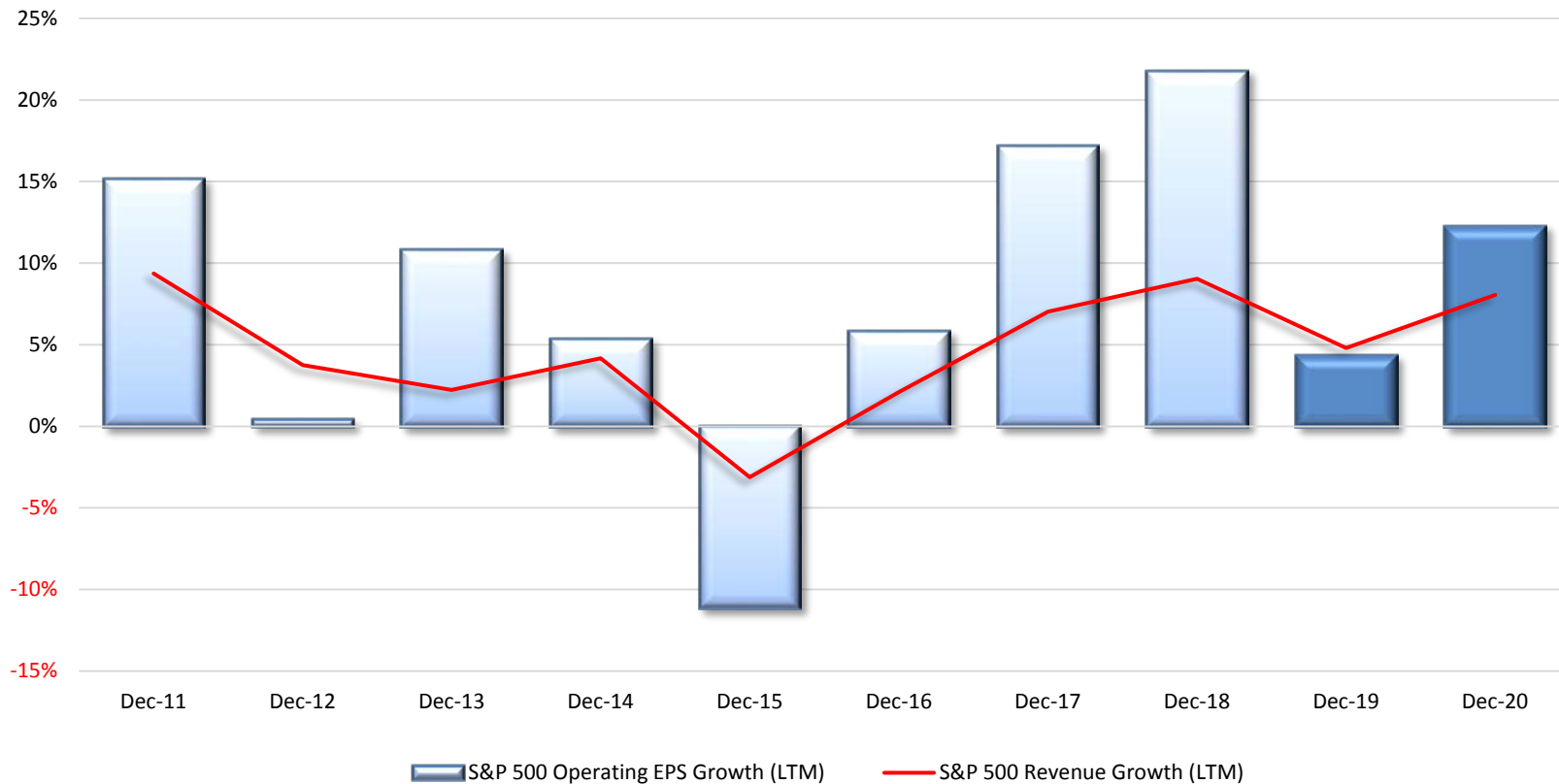


**Manufacturing Purchasing Managers Index (PMI)** (A PMI over 50 represents growth in manufacturing)

Source: ISM, Markit

# Corporate Profitability

Revisions to earnings estimates for companies in most sectors continue to be negative. Analysts see a decline in earnings for both the 3Q19 and 4Q19 followed by high-single-digit earnings growth in 2020. Blended earnings growth for 2019 is projected to be between 0-4% on revenue growth of 4%. Blended earnings growth for 2020 is projected to be between 10-12% on revenue growth of 6%.



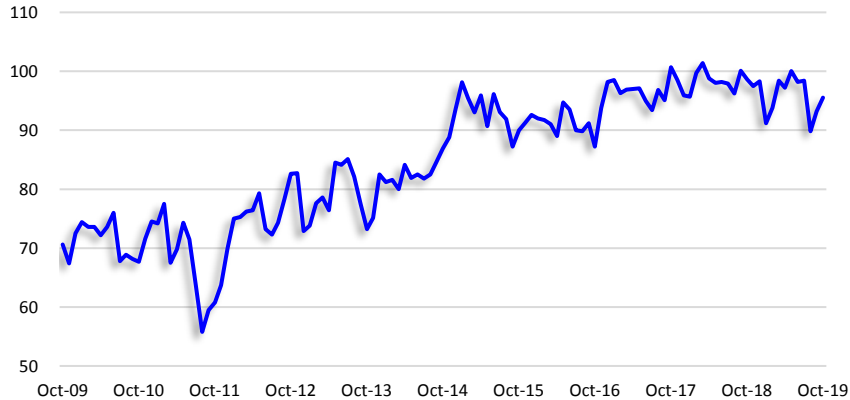
## ***S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)***

Source: S&P Dow Jones Indices (Reported quarterly)

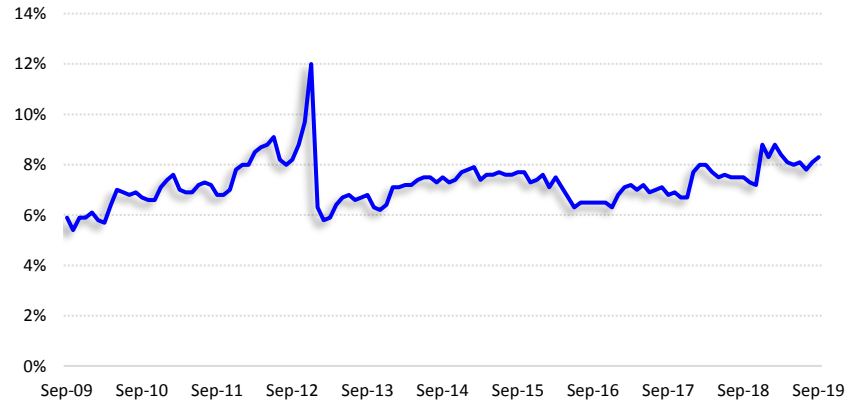
# Consumer Outlook

Recent reports do not suggest consumers, which represent ~70% of U.S. GSP, will be pulling the rug out from under the economy with a reduction in their purchases. Analysts predict consumer spending is likely to remain moderate going into 2020.

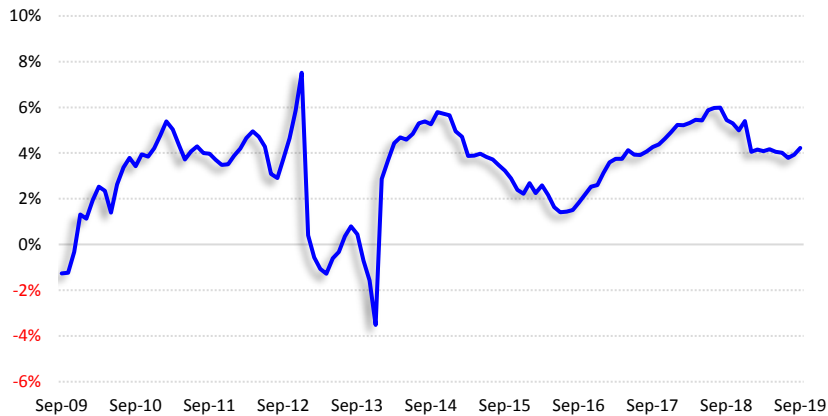
**Consumer Sentiment Index**



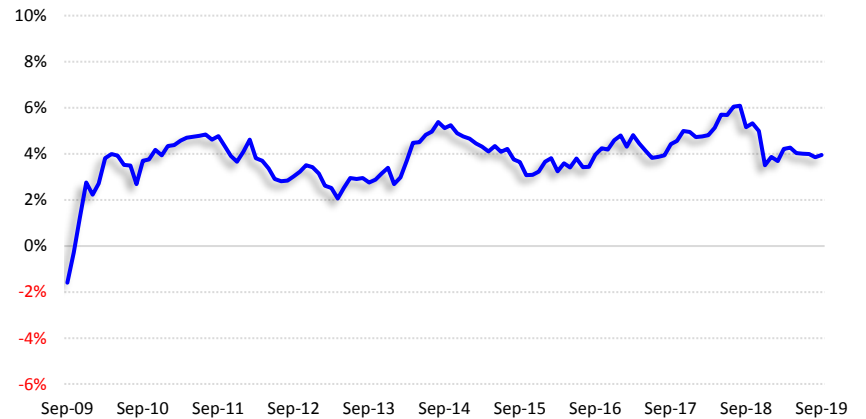
**Personal Saving Rate (Seasonally Adjusted Annual Rate)**



**Disposable Personal Income Per Capita (Y/Y % Change)**



**Personal Consumption Expenditures (Y/Y % Change)**

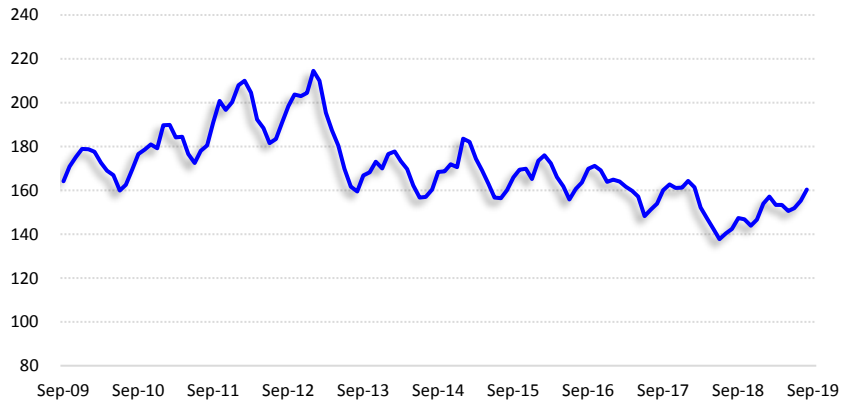


Source: Thompson Reuters/University of Michigan, U.S. Bureau of Economic Analysis (Reported monthly)

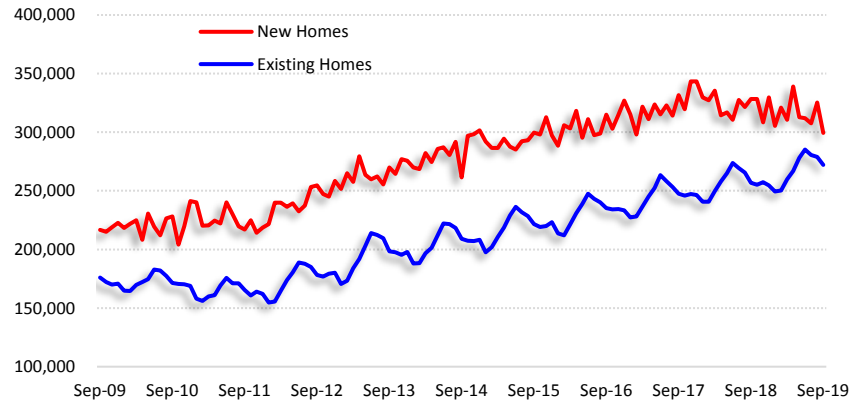
# Housing Market Outlook

Recently released indicators point to a housing market that is gaining strength thanks to lower mortgage rates. However, tighter mortgage lending standards combined with a limited supply of affordable entry-level homes will continue to create headwinds for this sector.

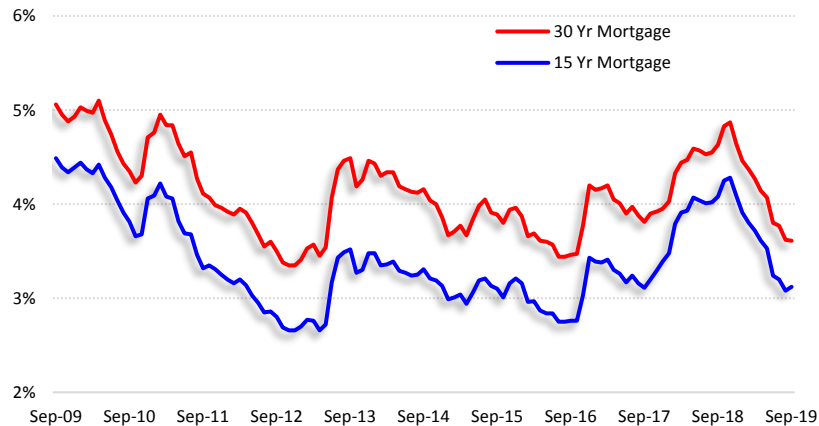
**Housing Affordability (higher = more affordable)**



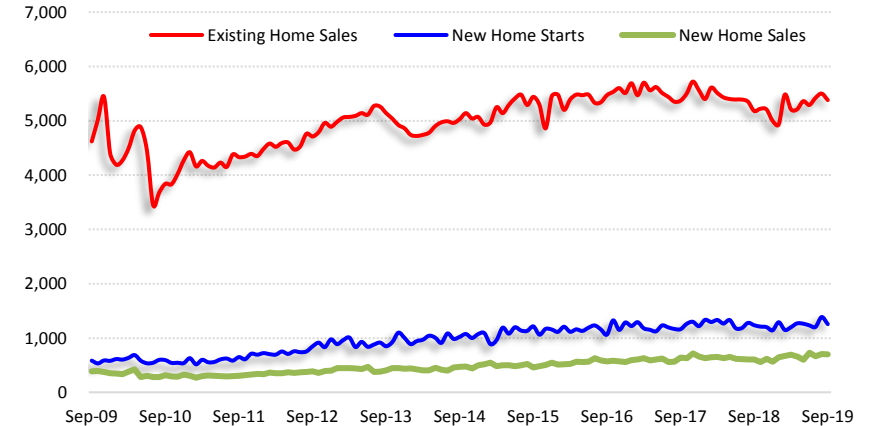
**Median Selling Price of New and Existing Homes**



**Fixed Rate Mortgage Average in the United States @**



**Housing Starts, Existing Home Sales and New Home Sales (000's)**

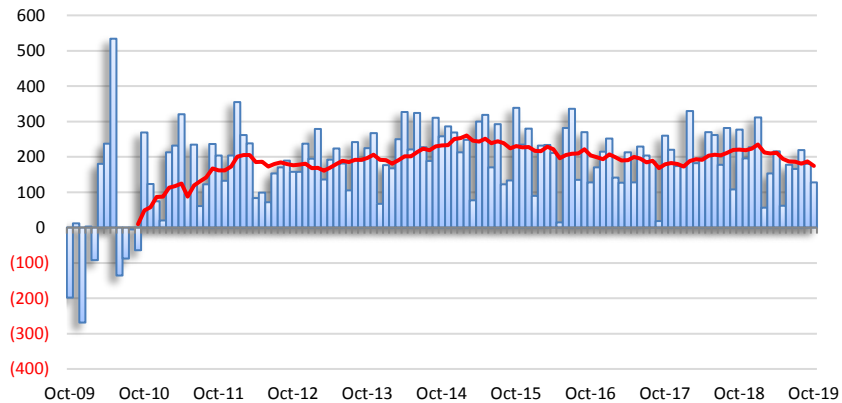


Source: National Association of Realtors, Freddie Mac, U.S. Bureau of the Census (Reported monthly)

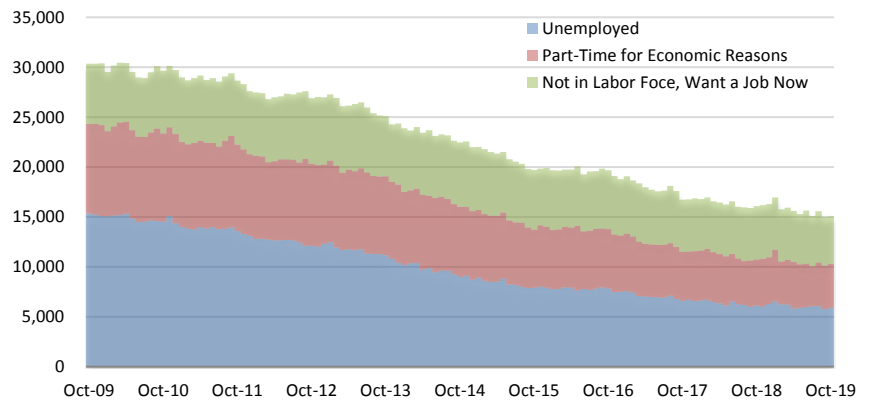
# Labor Market Outlook

Employers added 128,000 jobs in October, and the unemployment rate rose to 3.6%. Job gains for the two previous months were revised upward by a total of 95,000. Over the past three months, monthly job growth has averaged about 175,000 - down from 233,000 in the final three months of 2018.

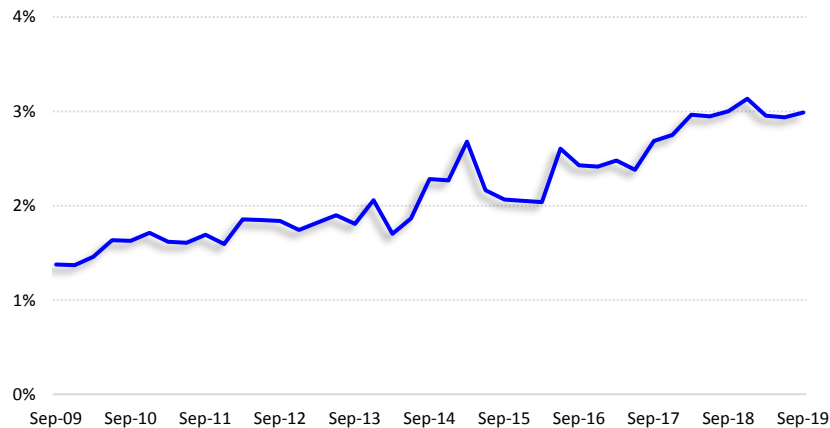
**Jobs Gained/Lost (000's) with 12-Month Moving Average**



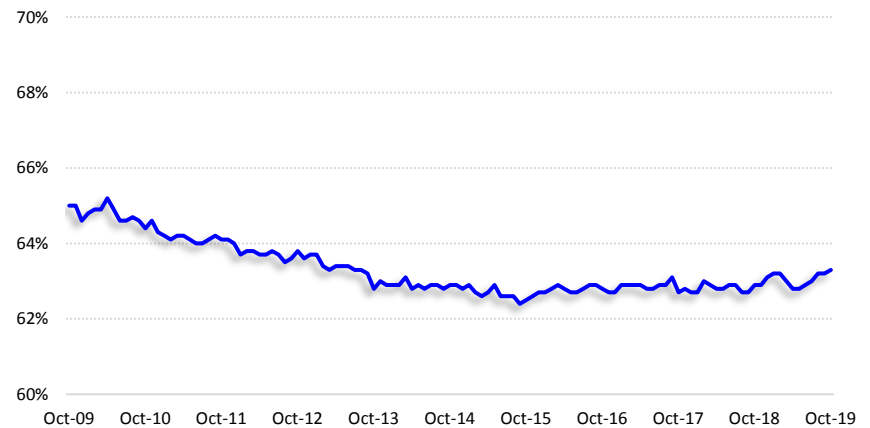
**Labor Market Slack (000's)**



**Wage Growth (Y/Y % Change)**



**Labor Force Participation Rate**



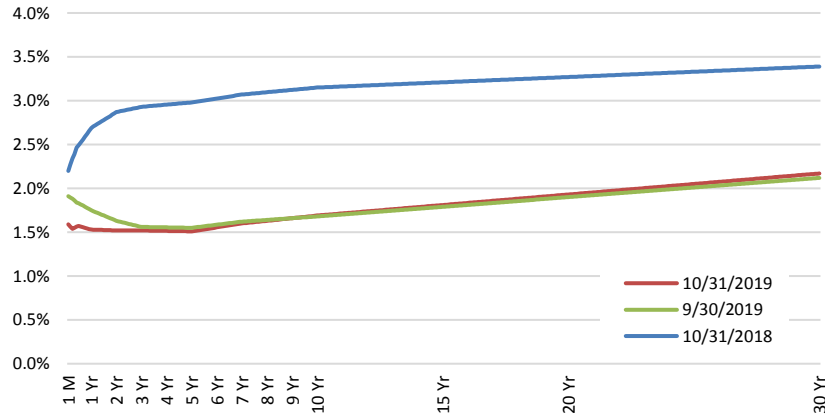
Source: U.S. Bureau of Labor Statistics, (Reported monthly, Wage Growth reported quarterly)



# BOND MARKET PERSPECTIVE DATA AS OF OCTOBER 31, 2019

# U.S. Treasury Market

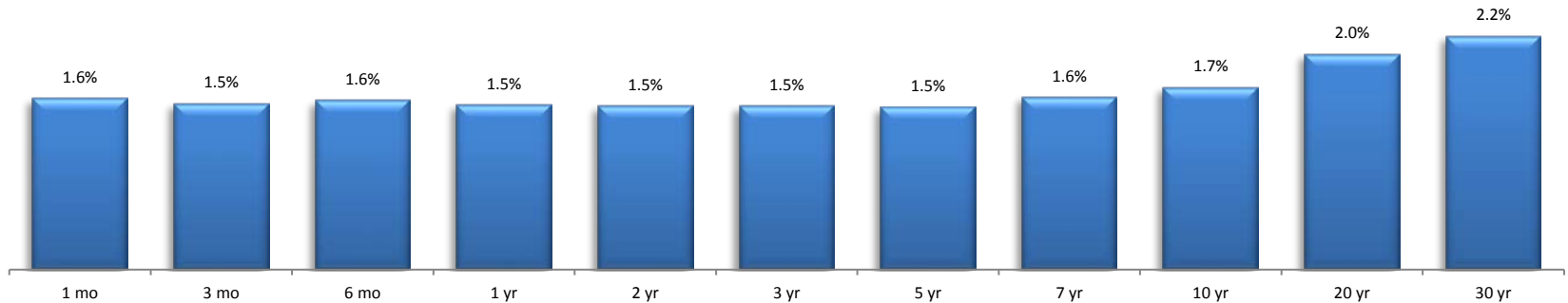
**U.S. Treasury Yield Curve**



**Historical U.S. 10-Year Treasury Rate**

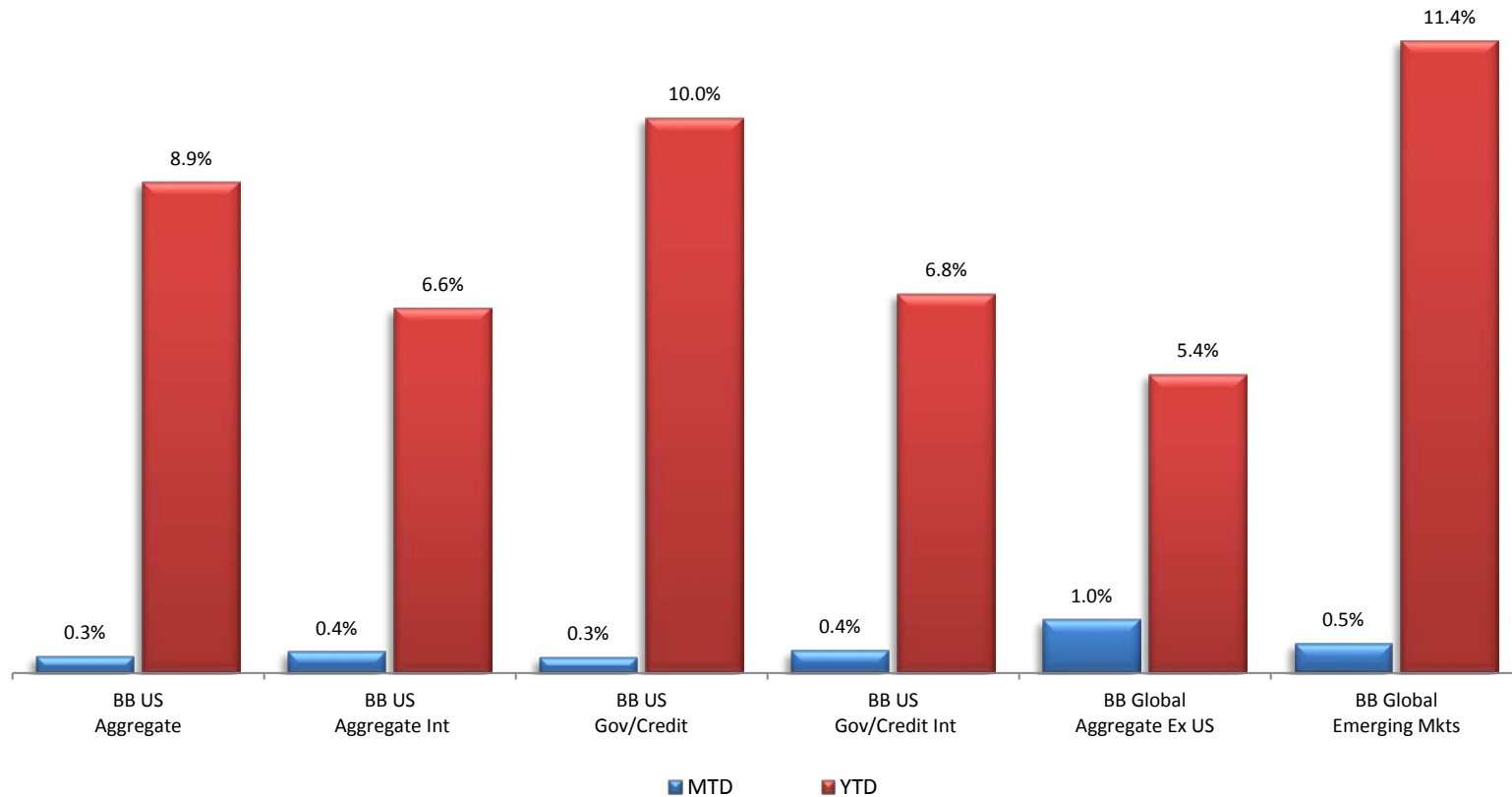


**Current U.S. Treasury Yields by Maturity**



Source: U.S. Department of Treasury

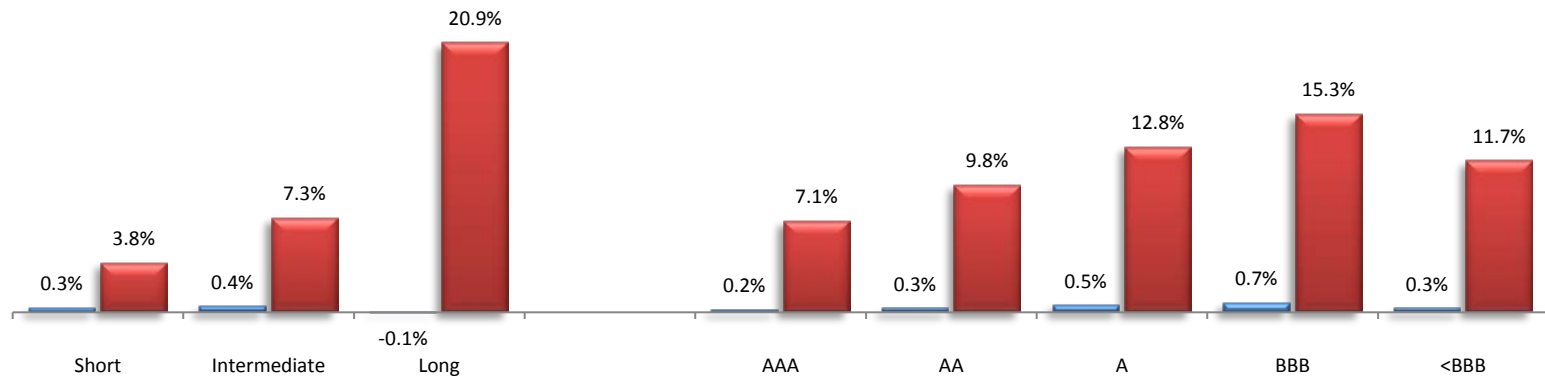
# Global Fixed Income Returns by Bellwether Index



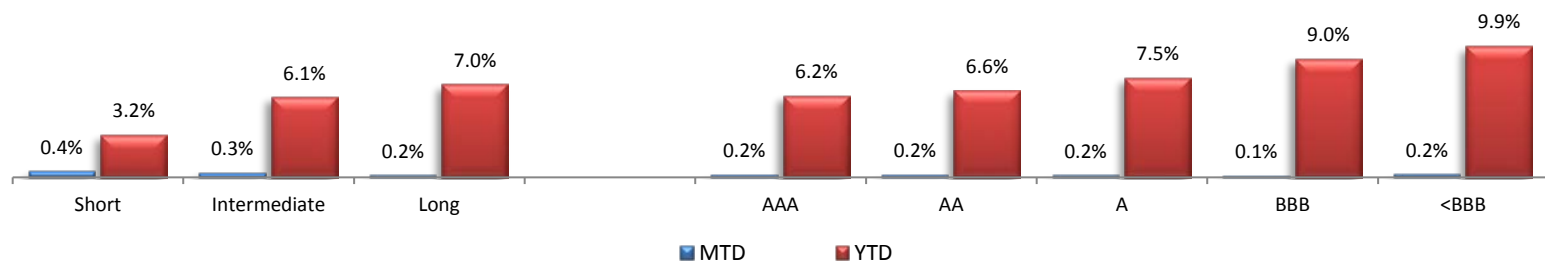
Source: Bloomberg Barclays

# Domestic Fixed Income Returns by Maturity and Credit Quality

## Domestic Bond Market - Taxable



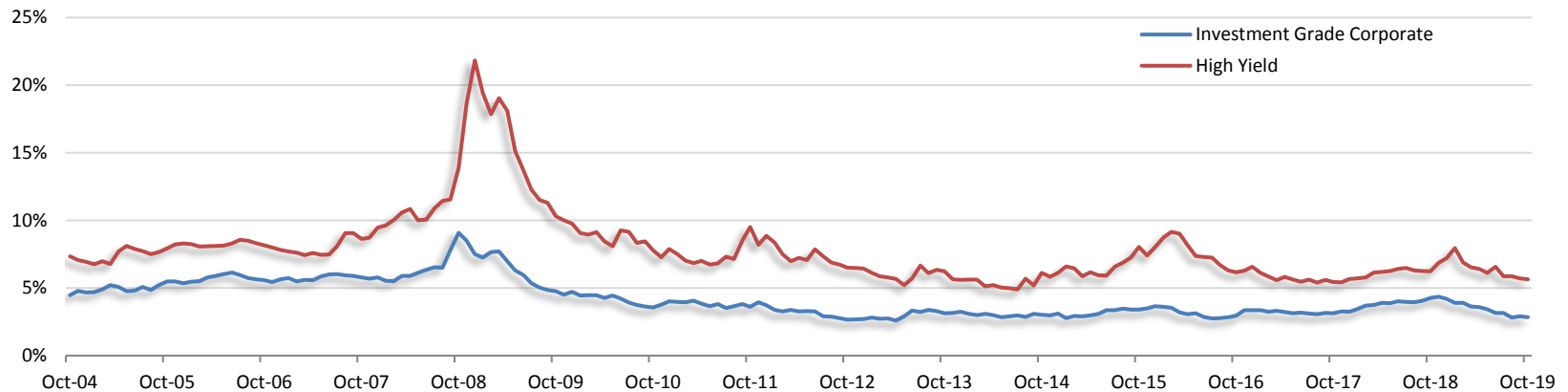
## Domestic Bond Market - Municipal



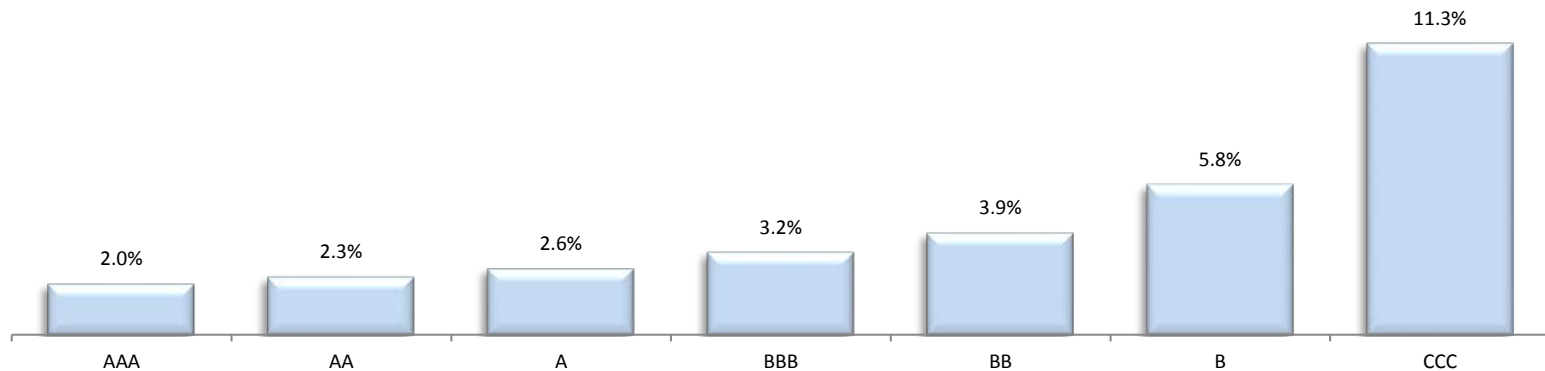
**Short** is defined as 1-3 years for taxable and 3 years for municipal, **Intermediate** is 5-7 years for taxable and 6-8 years for municipal, **Long** is 10+ years for taxable and 8-12 years for municipal. Source: Bloomberg Barclays Aggregate Bond Index (taxable bond market) and Bloomberg Barclays Municipal Index (municipal bond market).

# Domestic Corporate Bond Yields

**Historical Corporate Bond Market Yield to Worst**



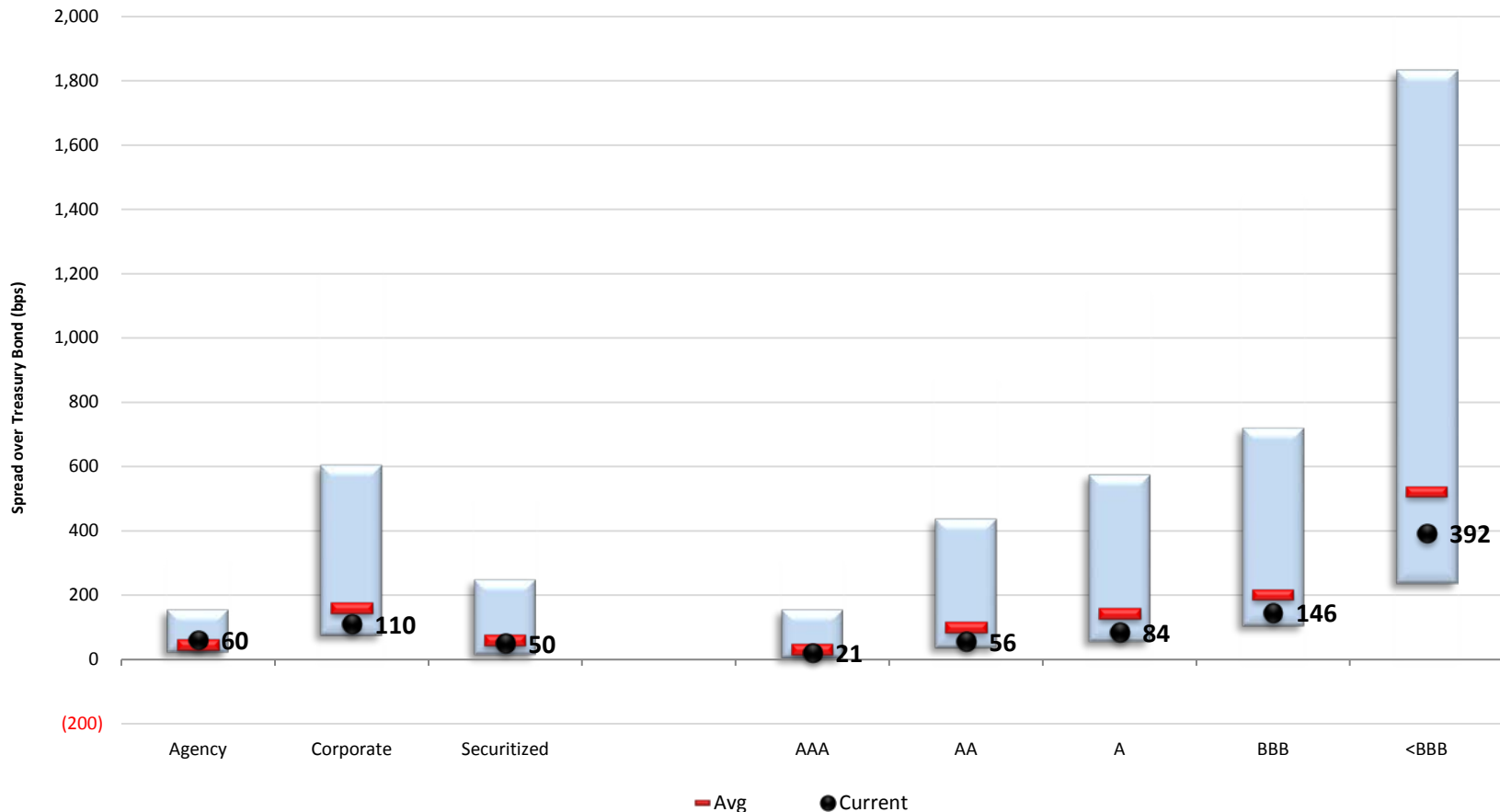
**Current Corporate Bond Market Yields by Credit Quality**



**Investment Grade Corporate** bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. **High Yield** bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

# Domestic Taxable Bond Spreads

*Current Bond Spreads Compared to 15-Year Range and 15-Year Average*

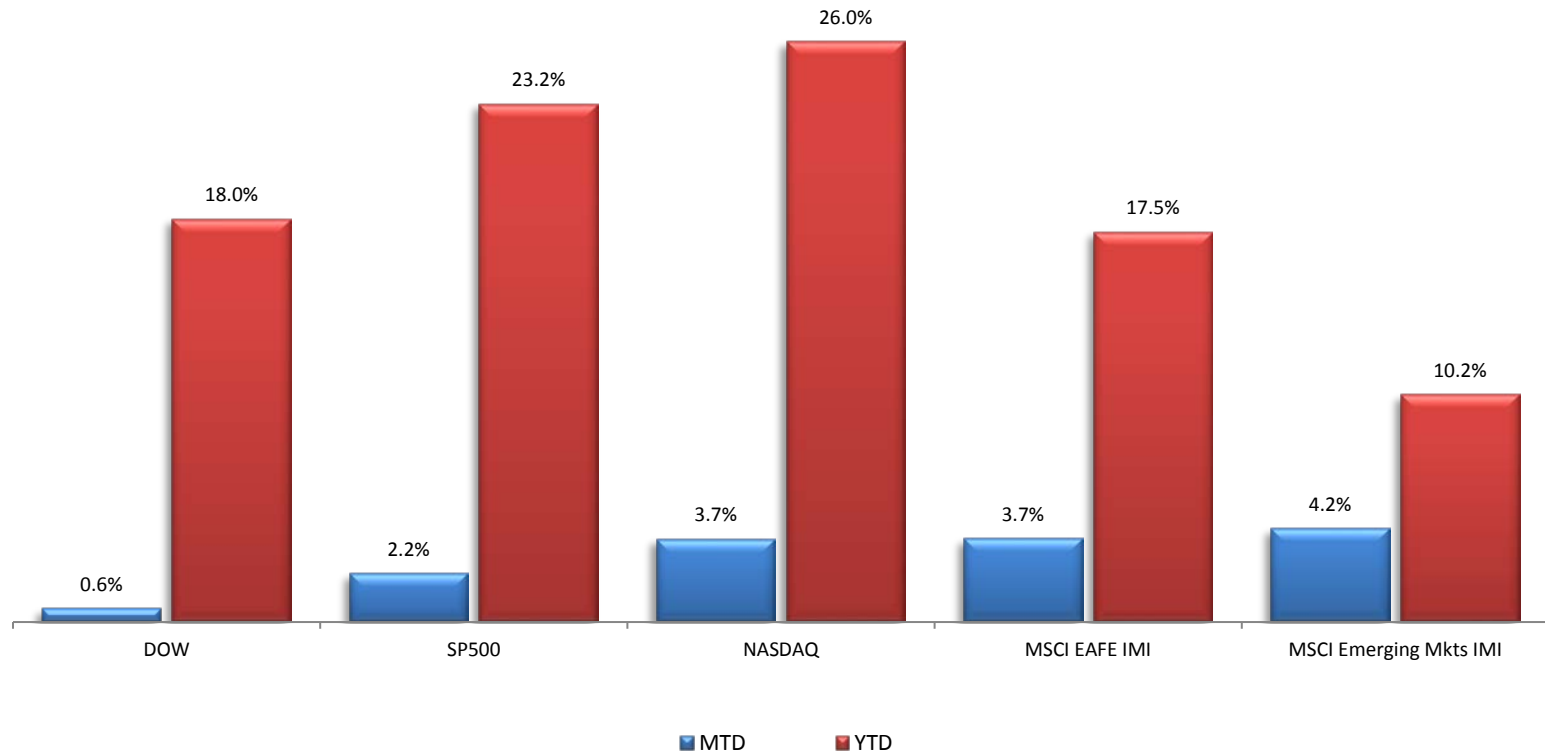


The length of each bar represents the **Range** of the highest and lowest spread to the Treasury benchmark over the past 15 years. **Average** represents the average spread over the past 15 years. **Current** represents the most recent month. Source: Bloomberg Barclays



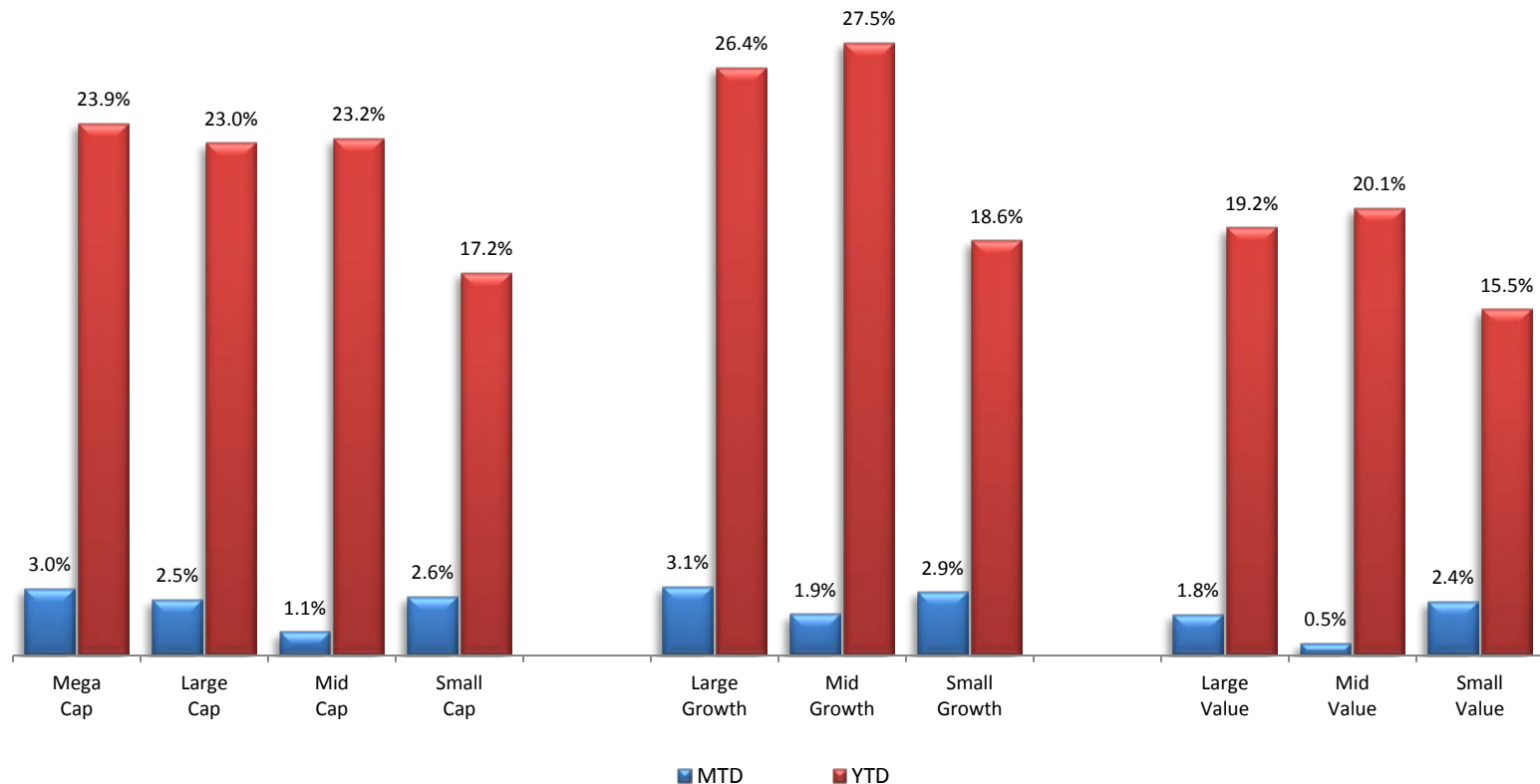
# EQUITY MARKET PERSPECTIVE DATA AS OF OCTOBER 31, 2019

# Global Equity Returns by Bellwether Index



Source: S&P Dow Jones, NASDAQ, MSCI

# Domestic Equity Returns by Market Cap and Style



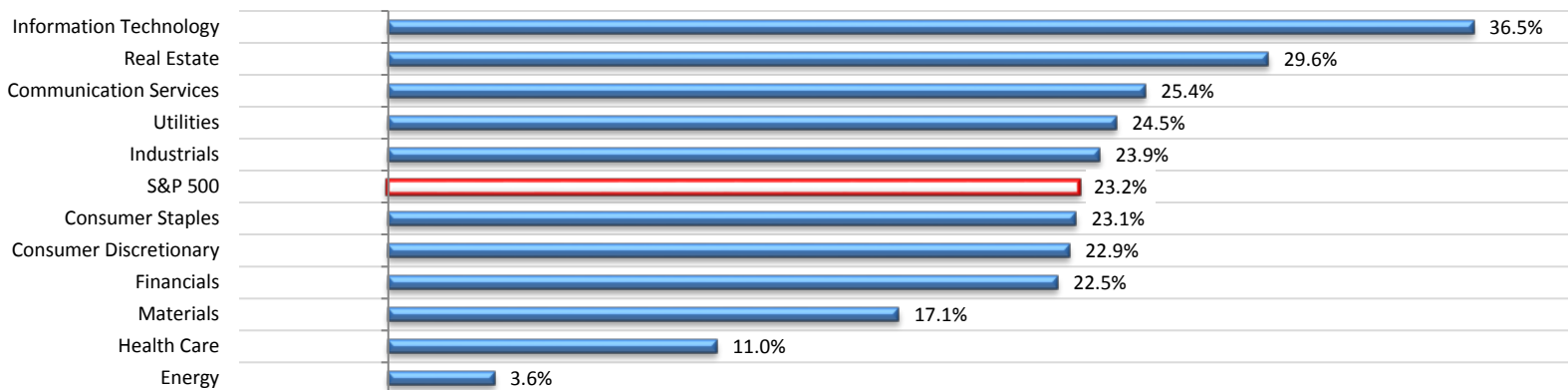
Asset classes are represented by the following benchmarks: Russell Top 50 (**Mega**), Russell Top 200 (**Large**), Russell Midcap (**Mid**), Russell 2000 (**Small**).  
Source: Russell

# Domestic Equity Returns by Sector

## MTD S&P 500 Returns by Sector



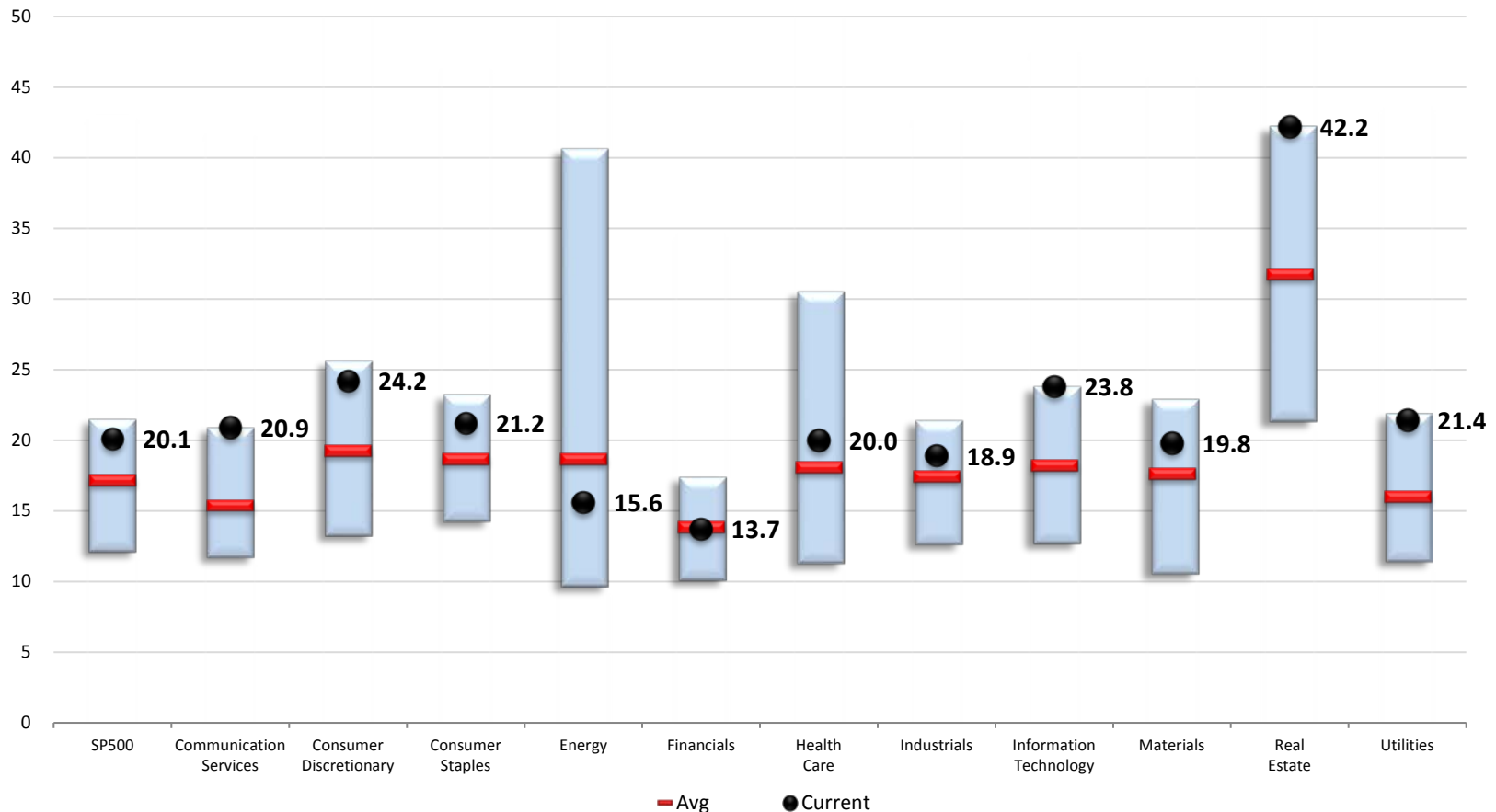
## YTD S&P 500 Returns by Sector



Source: S&P Dow Jones

# Domestic Equity Valuations by Sector

*Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average*



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the **Range** of the highest and lowest P/E ratio over the past 10 years. **Average** represents the average P/E ratio over the past 10 years. **Current** represents the most recent month. Source: Bloomberg

# Economic Indicator Descriptions

**Real Gross Domestic Product (GDP):** GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.

**Consumer Price Index (CPI):** Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.

**Personal Consumption Expenditure Chain-type Price Index (PCEPI):** Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

**Conference Board Index of Leading Economic Indicators (LEI):** The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.

**The Institute for Supply Management (ISM) PMI Index:** The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.

**The Institute for Supply Management (ISM) Non-manufacturing Index (NMI):** The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.

**Consumer Confidence Index (CCI) :** The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.

**Consumer Sentiment Index (MCSI):** The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MSCI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.

**Disposable Personal Income per Capita (DPI):** DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.

**Personal Consumption Expenditures (PCE):** PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.

**Retail Sales:** The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.

**Housing Affordability Index (HAI):** Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.

**Unemployment Rate:** Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.

**Wage Growth:** Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

# Benchmark Descriptions

**U.S. Aggregate Bond:** The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.

**U.S. Treasury:** The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

**U.S. Agency:** The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.

**U.S. Corporate:** The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

**U.S. MBS:** The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

**U.S. Municipal Bond:** The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.

**General Obligation Bond Index:** The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.

**Revenue Bond Index:** The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.

**Investment Style:** Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).

**Large Cap vs. Small Cap:** Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.

**Value vs. Growth:** Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.

**Mega Cap:** The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.

**Large Cap:** The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.

**Mid Cap:** The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.

**Small Cap:** The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

**Large Cap Growth:** The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

**Large Cap Value:** The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**Mid Cap Growth:** The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

**Mid Cap Value:** The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

**Small Cap Growth:** The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

**Small Cap Value:** The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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