

MARKET COMMENTARY

Global securities markets took a step back in October, as equity markets weighed the potential investment implications of a tight (and contentious) presidential race in the U.S. Bond markets, too, sold-off given continued rhetoric from the Federal Reserve all-but-stating that economic data is supportive of a possible interest rate hike in December. Financials were the lone bright spot during the month given that banks benefit directly from higher interest rates; healthcare stocks lost nearly 7% as policymakers mulled regulation to address recent drug price inflation. A steepening yield curve provided a headwind for bonds, compelling investors to sell corporate bond funds and other "bond surrogates" such as MLPs and REITs.

MARKET NEWS

- Corporations in the U.S. are on track to post quarterly profits in Q3; to date, 73% of S&P 500 constituents have reported a YOY gain of 1.6%; while below long-term averages, Q3 earnings are noteworthy given that the S&P has posted a loss in each of the last 5 quarters
- The U.S. economy expanded by 2.9% in Q3, its highest GDP growth rate in two years; much of the growth is attributed to inventory build-up and an increase in exports, the latter of which has benefitted from a weaker U.S. dollar
- Inflationary pressures continue to mount in the U.S., with the most recent sign of positive inflation coming from the BLS, which reported that wages grew at 2.8% YOY in October, the fastest growth since 2009

INDEX RETURNS & MARKET LEVELS^{1,2}

	Description	Month	3 Months	YTD	1yr
Equities					
S&P 500	U.S. large cap	-1.82%	-1.67%	5.87%	4.51%
Russell 2000	U.S. small cap	-4.75%	-1.99%	6.16%	4.11%
MSCI EAFE	Non-U.S. developed	-2.05%	-0.77%	-0.35%	-3.23%
MSCI EM	Emerging markets	0.24%	4.05%	16.30%	9.27%

Fixed Income					
	Description	Month	3 Months	YTD	1yr
Barclays U.S. Aggregate	U.S. core inv. grade	-0.76%	-0.94%	4.99%	4.37%
Barclays Municipal	U.S. municipal	-1.05%	-1.41%	2.92%	4.06%
BofAML High Yield Master II	U.S. sub inv. grade	0.31%	3.21%	15.68%	10.16%
JPMorgan EMBI Global TR	Emerging markets	-1.46%	0.65%	13.35%	11.59%

Alternatives					
	Description	Month	3 Months	YTD	1yr
HFRX Global Hedge Fund	Hedge funds	-0.57%	0.14%	0.75%	-1.30%
Alerian MLP	MLPs	-4.45%	-3.96%	10.78%	-1.80%
S&P U.S. REIT	REITs	-5.82%	-11.01%	5.30%	6.62%
Bloomberg Commodity TR	Commodities	-0.49%	0.82%	8.34%	-2.62%

U.S. Economic Measures		
U.S. GDP ³	2.9%	(Q3 2016, advance est.)
CPI-U ex Food & Energy ⁴	2.2%	(9/30/2016)
Unemployment Rate	4.9%	(10/31/2016)

	Levels		
	10/28/2016	12/31/2015	10/28/2015
Rates			
2yr U.S. Treasury	0.86%	1.06%	0.73%
10yr U.S. Treasury	1.86%	2.27%	2.10%
3mo LIBOR	0.89%	0.61%	3.20%
Prime Rate	3.50%	3.50%	3.25%
30yr Mortgage Fixed	3.71%	4.19%	3.98%

Commodities			
Gold (\$/oz.)	1,273	1,060	1,180
Copper (\$/MT)	4,787	4,702	5,179
Oil-WTI (\$/barrel)	48.72	37.13	45.93
Nat. Gas (\$/mcf)	2.65	2.28	2.14
Corn (\$/bushel)	3.35	3.49	3.67

Currencies			
Euro (\$/€)	1.09	1.09	1.11
Pound (\$/£)	1.21	1.47	1.53
Jap. Yen (¥/\$)	105.41	120.30	120.55

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Notes: 1) Sources: Bloomberg, J.P. Morgan Asset Management, Morningstar, Hedge Fund Research, Bureau of Labor Statistics, Bureau of Economic Analysis. 2) Data as of the date of this report unless otherwise noted. 3) U.S. GDP measures the percentage change during the referenced quarter as published by BEA. 4) Consumer Price Index for All Urban Consumers: U.S. City Average, All Items Less Food and Energy is based on 12-month percent change as published by BLS.

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