

Open-End Net Fund Flows (\$)	9/15	8/15	YTD (Sep)
Equity	-9.16B	-9.21B	-9.85B
Taxable Bond	-19.52B	-22.09B	-2.00B
Municipal Bond	-0.53B	-1.45B	4.12B
Hybrid	-5.06B	-6.39B	-1.84B
Taxable Money Market	-2.18B	6.36B	-44.96B

Key Interest Rates	10/30/15	12/31/14	10/31/14
Federal Funds Target Rate	0.25%	0.25%	0.25%
LIBOR (3-Month)	0.33%	0.26%	0.23%
2-Year T-Note	0.73%	0.67%	0.49%
10-Year T-Note	2.14%	2.17%	2.34%
Bond Buyer 40	4.34%	4.27%	4.37%

Commodities/U.S. Dollar	10/15	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.62%	7.40%	11.54%
TR/CC CRB Commodity Index	0.95%	-14.94%	-28.07%
Crude Oil (Barrel)	3.33%	-12.54%	-42.15%
Natural Gas (per million BTUs)	-7.94%	-19.72%	-40.05%
Gold Bullion (Ounce)	2.32%	-3.61%	-2.58%

Total Return Performance

U.S. Stock Indices	10/15	YTD	12 Mo.
S&P 500	8.44%	2.70%	5.19%
DJIA	8.59%	1.04%	4.06%
NASDAQ 100	11.24%	10.78%	13.14%
S&P 400	5.63%	0.71%	3.41%
Russell 2000	5.63%	-2.53%	0.34%
Russell 3000	7.90%	2.02%	4.49%

U.S. Styles/Market Caps	10/15	YTD	12 Mo.
S&P 500 Growth	9.40%	7.03%	9.23%
S&P 500 Value	7.32%	-1.98%	0.80%
S&P MidCap 400 Growth	5.17%	4.25%	7.04%
S&P MidCap 400 Value	6.16%	-3.05%	-0.44%
Russell 2000 Growth	5.67%	-0.10%	3.53%
Russell 2000 Value	5.60%	-5.02%	-2.88%

Foreign Stock Indices (USD)	10/15	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	7.52%	0.33%	-1.81%
MSCI Emerging Markets NET	7.13%	-9.45%	-14.53%
MSCI Europe NET	7.16%	1.58%	-0.20%
MSCI BRIC NET	6.68%	-8.86%	-14.78%
MSCI EM Latin America NET	6.10%	-24.80%	-34.83%
Nikkei 225	8.81%	9.97%	9.90%

Barclays Bond Indices	10/15	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.34%	1.72%	1.97%
GNMA 30 Year	0.18%	1.41%	2.04%
Municipal Bond (22+)	0.44%	2.48%	3.89%
U.S. Aggregate	0.02%	1.14%	1.96%
Intermediate Corporate	0.26%	1.76%	1.92%
U.S. Corporate High Yield	2.75%	0.23%	-1.94%
Global Aggregate	0.21%	-2.04%	-3.07%
EM Hard Currency Aggregate	2.56%	1.66%	-1.48%

Sources: Bloomberg, Barclays, Investment Company Institute

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Climate

In last month's *Talking Points*, we identified three issues that we believed were the most pressing for the markets in the current climate. All three were still unresolved as of the end of October. The Federal Reserve ("Fed") met the last week of October and decided once again to leave the federal funds target rate unchanged. The next meeting is scheduled for December 15-16. We still also need better guidance on the strength of China's economy and the direction of crude oil prices.

Stock Market

In hindsight, there was no reason to fear the market in October this year. It has been 28 years since the Crash of 1987. As indicated in the performance tables to the left, stocks posted big gains across the board. Investors seemed particularly interested in some of the more beaten down sectors. Three of the top four performing sectors in October were the three worst performers over the first nine months of 2015. In October, Materials, Energy, and Industrials posted total returns of 13.52%, 11.44% and 9.19%, respectively, according to Bloomberg. The other sector that cracked the top four was Information Technology, up 10.76%. Year-to-date through October, the top performing sector was Consumer Discretionary, with a total return of 13.53%. In October, performance was positive at the subsector level as well. Of the 131 subsectors that comprise the S&P 500 Index, 118 were positive, according to S&P Dow Jones Indices. Of the 505 stocks in the S&P 500 Index, 420 were up in October and 85 were down, according to S&P Dow Jones Indices. Y-T-D through October, 232 stocks in the index were up, 267 were down, with six unchanged. S&P Capital IQ Global Markets Intelligence reported that stock dividends and buybacks are on pace to hit a new high in 2015 and could top \$1 trillion for the first time, according to CNNMoney. Total payouts from S&P 500 companies increased 84% over the past 10 years from \$507 billion in 2005 to \$934 billion in 2014.

Bond Market

In October, the yield on the benchmark 10-Year Treasury Note rose 10 basis points to 2.14%, which was 20 basis points lower than its 2.34% yield on 10/31/14, according to Bloomberg. Investors favored U.S. speculative-grade (high yield corporates) and emerging markets debt in October. One of the concepts that we have been discussing in other pieces and blog posts is the realization that the prolonged period of low interest rates in the U.S. would likely result in lower total returns at some point. The 12-month total returns in the table at the lower left of this page is the type of scenario we envisioned. One of the primary goals of a typical bond investor is for the total return on their debt holdings to be commensurate with the rate of interest, or yield, they are earning, in our opinion. Only two of the indices in the table (U.S. Treasury: Intermediate and Municipal Bond: Long Bond 22+) accomplished that feat for the 12-month period ended 10/30/15, according to Barclays.

Takeaway

Investors around the globe remain on Fed watch. Inflation and interest rate levels are still exceptionally low by historical standards. Companies are creating jobs. Consumers are purchasing homes and autos. The U.S. dollar has settled into a trading range since its rally, which began at the start of July 2014, stalled in March 2015. The U.S. Dollar Index (DXY) closed 10/30/15 at a reading of 96.95, below its 2015-high of 100.33 on 3/13/15, but slightly above its 10-month average of 95.78, according to Bloomberg. This is a positive for those U.S. investors holding foreign securities and are not hedging the U.S. dollar. The recovery in the U.S. banking industry has made significant strides, in our opinion. Year-to-date through 10/31/15, the number of U.S. bank failures reported by the Federal Deposit Insurance Corporation (FDIC) totaled eight, according to its own release. The number of bank failures has dropped every calendar year since 2010, when the number hit 157. Those totals were as follows: 92 (2011); 51 (2012); 24 (2013); and 18 (2014). The number of institutions on the FDIC's list of "problem banks" stood at 228 in Q2'15, down from 291 in Q4'14, according to Weiss Ratings. The post-crisis high for the list was 888 in Q1'11. There are many silver linings in this recovery, in our opinion.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2130.82	5/21/2015	676.53	3/9/2009	2079.36	-2.42%	2.70%	2.09%
S&P 500 Growth	1195.28	7/20/2015	363.99	3/9/2009	1184.51	-0.90%	7.03%	1.64%
S&P 500 Value	944.41	5/21/2015	307.16	3/9/2009	891.01	-5.65%	-1.98%	2.62%
S&P MidCap 400	1549.44	6/23/2015	404.62	3/9/2009	1444.77	-6.76%	0.71%	1.68%
S&P MidCap 400 Growth	707.04	8/17/2015	174.44	11/20/2008	669.22	-5.35%	4.25%	1.33%
S&P MidCap 400 Value	533.88	6/23/2015	144.98	3/9/2009	488.76	-8.45%	-3.05%	2.09%
S&P 100	945.61	7/20/2015	322.13	3/9/2009	926.74	-2.00%	3.93%	2.20%
DJIA	18312.39	5/19/2015	6547.05	3/9/2009	17663.54	-3.54%	1.04%	2.43%
NASDAQ 100	4679.67	7/20/2015	1036.51	11/20/2008	4648.83	-0.66%	10.78%	1.19%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1161.86	-10.34%	-2.53%	1.58%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	717.60	-11.20%	-0.10%	0.87%
Russell 2000 Value	1572.13	6/23/2015	469.32	3/9/2009	1423.88	-9.43%	-5.02%	2.28%
Russell 3000	1273.39	6/23/2015	389.61	3/9/2009	1229.53	-3.44%	2.02%	1.99%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4950.25	-9.94%	0.33%	3.18%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	363.60	-23.19%	-9.45%	2.96%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	10720.71	9/29/2015	11888.66	-73.37%	-36.87%	4.13%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	845.54	-66.01%	11.51%	4.99%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	163.15	-27.82%	-2.61%	1.30%
Shanghai Composite/China (USD)	832.07	6/12/2015	133.55	12/5/2005	535.45	-35.65%	4.37%	1.82%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.78	-22.24%	1.85%	1.31%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	2921.26	-28.44%	-0.83%	3.78%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1230.71	-38.02%	3.11%	3.23%
S&P 500 Consumer Discretionary	642.34	10/30/2015	125.72	3/9/2009	642.34	0.00%	13.53%	1.49%
S&P 500 Consumer Staples	521.22	10/22/2015	199.80	3/9/2009	512.23	-1.72%	4.79%	2.68%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	502.11	-31.88%	-12.27%	3.35%
S&P 500 Utilities	251.40	1/29/2015	113.81	3/9/2009	222.13	-11.64%	-4.82%	3.76%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	323.97	-36.42%	-1.26%	2.02%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	232.08	-43.99%	-0.39%	1.99%
FTSE NAREIT All Equity REITs	685.39	1/26/2015	163.57	3/6/2009	622.02	-9.25%	1.67%	3.91%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	824.99	-7.54%	5.46%	1.56%
S&P 500 Pharmaceuticals	639.79	7/20/2015	214.50	3/3/2009	599.44	-6.31%	4.67%	2.37%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3519.92	-20.58%	2.72%	0.20%
S&P 500 Information Technology	742.57	10/28/2015	198.51	11/20/2008	734.33	-1.11%	7.47%	1.53%
Philadelphia Semiconductor	746.08	6/1/2015	171.32	11/20/2008	662.52	-11.20%	-2.12%	2.69%
S&P 500 Telecom Services	181.06	5/31/2007	88.10	3/9/2009	149.37	-17.50%	2.92%	5.14%
S&P 500 Industrials	498.14	2/20/2015	132.83	3/9/2009	471.16	-5.42%	-1.46%	2.21%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	284.64	-12.85%	-5.19%	2.21%
Philadelphia Gold & Silver	228.95	4/8/2011	43.97	8/26/2015	51.45	-77.53%	-24.50%	1.56%
TR/CC CRB Commodity	473.52	7/2/2008	185.28	8/26/2015	195.61	-58.69%	-14.94%	N/A
BofA ML Perpetual Preferred	222.81	10/28/15	51.79	3/9/2009	222.65	-0.07%	6.34%	5.29%
BofA ML U.S. High Yield Constrained	360.88	05/31/15	130.37	12/12/2008	347.24	-3.78%	0.15%	7.72%

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