

Open-End Net Fund Flows (\$)	10/17	9/17	YTD (Oct)
Equity	-15.89B	-22.00B	-104.79B
Taxable Bond	27.84B	22.46B	205.64B
Municipal Bond	2.00B	2.71B	26.14B
Hybrid	-2.84B	-2.73B	-26.28B
Taxable Money Market	-10.24B	29.47B	4.57B

Key Interest Rates	11/30/17	12/30/16	11/30/16
Federal Funds Target Rate	1.25%	0.75%	0.50%
LIBOR (3-Month)	1.49%	1.00%	0.93%
2-Year T-Note	1.78%	1.19%	1.12%
10-Year T-Note	2.41%	2.45%	2.38%
Bond Buyer 40	3.98%	4.25%	4.39%

Commodities/U.S. Dollar	11/17	YTD	12 Mo.
U.S. Dollar Index (DXY)	-1.59%	-8.96%	-8.33%
TR/CC CRB Commodity Index	0.86%	-1.73%	-0.07%
Crude Oil (Barrel)	5.55%	6.85%	16.10%
Natural Gas (per million BTUs)	4.48%	-18.55%	-9.55%
Gold Bullion (Ounce)	0.21%	10.55%	8.75%

Total Return Performance

U.S. Stock Indices	11/17	YTD	12 Mo.
S&P 500	3.07%	20.49%	22.87%
DJIA	4.24%	25.69%	30.02%
NASDAQ 100	2.06%	32.31%	33.82%
S&P 400	3.67%	15.97%	18.51%
Russell 2000	2.88%	15.10%	18.32%
Russell 3000	3.04%	19.93%	22.26%

U.S. Styles/Market Caps	11/17	YTD	12 Mo.
S&P 500 Growth	2.82%	26.70%	28.50%
S&P 500 Value	3.39%	13.46%	16.34%
S&P MidCap 400 Growth	3.65%	20.08%	22.96%
S&P MidCap 400 Value	3.69%	11.64%	13.84%
Russell 2000 Growth	2.86%	22.00%	23.67%
Russell 2000 Value	2.90%	8.87%	13.36%

Foreign Stock Indices (USD)	11/17	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.01%	22.01%	26.00%
MSCI Emerging Markets NET	0.20%	32.53%	32.82%
MSCI Europe NET	0.22%	23.64%	30.12%
MSCI BRIC NET	0.60%	37.79%	36.14%
MSCI EM Latin America NET	-3.01%	18.48%	19.51%
Nikkei 225	4.31%	25.37%	28.26%

Barclays Bond Indices	11/17	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.31%	1.11%	1.08%
GNMA 30 Year	-0.15%	1.64%	1.62%
Municipal Bond (22+)	0.20%	6.55%	8.23%
U.S. Aggregate	-0.13%	3.07%	3.21%
Intermediate Corporate	-0.35%	3.61%	3.87%
U.S. Corporate High Yield	-0.26%	7.18%	9.16%
Global Aggregate	1.11%	7.02%	6.53%
EM Hard Currency Aggregate	0.18%	9.09%	10.21%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

In our June 2017 issue, we noted that House Speaker Paul Ryan did not think that the U.S. economy could achieve a 3% GDP growth rate without passing tax reform legislation. The last time that real GDP growth in the U.S. reached or exceeded the 3% mark for a calendar year was in 2005 (3.3%), according to data from the Bureau of Economic Analysis. Since the U.S. economic recovery commenced in Q3'09, real GDP growth has achieved a rate of 3% or more on an annualized basis in just 10 of the 33 quarters (thru Q3'17). The goal for the Trump administration is to get a tax reform bill passed by Congress that he can sign into law before the end of 2017, which is looking more feasible of late, in our opinion.

Stock Market

The S&P 500 Index closed at 2,647.58 on 11/30/17. It was the 57th all-time high posted this year (as of 11/30), according to data from Bloomberg. The most all-time highs for the S&P 500 Index in a calendar year was 77, set in 1995, according to Bespoke Investment Group. The index posted a total return of 3.07% in November. All 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Telecommunication Services, up 6.03%, while the worst showing came from Materials, up 0.99%. Year-to-date through 11/30/17, the S&P 500 Index posted a total return of 20.49%. Nine of the 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 38.82%, while the worst showing came from Telecommunication Services, down 6.64%. From 11/8/16 (date Donald Trump was elected 45th President) through 11/30/17, the S&P 500 Index posted a total return of 26.49%. All 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 40.52%, while the worst showing came from Energy, up 2.86%. Total U.S. equity market capitalization increased from \$23.89 trillion to \$29.11 trillion from 11/8/16 through 11/30/17, according to Bloomberg. The S&P 500 Index has spent the entire year in positive territory. Bespoke Investment Group reported that there have only been 10 years over the past seven decades in which the index stayed "in the black" for the whole year, according to MarketWatch. Bespoke found that the S&P 500 Index was up the following year eight times and down twice. On average, the next year's gain was 11.31%.

Bond Market

The yield on the benchmark 10-year Treasury note stood at 2.41% on 11/30/17, up three basis points (bps) from the close on 10/31/17, but 18 bps lower than its average yield of 2.59% for the 10-year period ended 11/30/17, according to Bloomberg. Based on mutual fund flows, investors seem content with the prospects for the bond market. As indicated in the table located at the top left of this page, year-to-date (thru October) net inflows to taxable bond and municipal bond funds totaled \$205.64 billion and \$26.14 billion, respectively. For comparative purposes, equity funds experienced net outflows totaling \$104.79 billion over the same period. Investors still continue to funnel huge amounts of capital into relatively low-yielding bonds, based on historical measures, despite the superior returns posted by the major U.S. and foreign stock indices. At this point in the eight-plus year economic recovery, about the only thing that is missing is inflation, in our opinion. It seems to be stuck near the 2% level.

Takeaway

Let's stay with the topic of tax reform and focus on the proposed change to the federal corporate tax rate. The Trump administration would like to lower it from 35% to 20% for large corporations. While a tax cut of that magnitude should be a win-win scenario for all, some sectors of the economy stand to benefit more than others, according to S&P Global Data and Bloomberg. Here are the effective tax rates (includes deductions) paid by the 11 major sectors: Telecommunication Services (33.8%); Industrials (29.7%); Consumer Staples (29.1%); Financials (29.0%); Materials (28.7%); Consumer Discretionary (28.5%); Utilities (25.3%); Health Care (22.2%); Information Technology (18.5%); Energy (18.0%); and Real Estate (3.4%). Since sentiment in the stock market can at times be theme-driven, we encourage investors to keep this in mind should tax reform come to fruition.

Data as of 11/30/17

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	2647.58	11/30/2017	676.53	3/9/2009	2647.58	0.00%	20.49%	1.90%
S&P 500 Growth	1526.07	11/30/2017	363.99	3/9/2009	1526.07	0.00%	26.70%	1.52%
S&P 500 Value	1110.20	11/30/2017	307.16	3/9/2009	1110.20	0.00%	13.46%	2.38%
S&P MidCap 400	1899.18	11/30/2017	404.62	3/9/2009	1899.18	0.00%	15.97%	1.54%
S&P MidCap 400 Growth	878.54	11/30/2017	174.44	11/20/2008	878.54	0.00%	20.08%	1.28%
S&P MidCap 400 Value	637.80	11/30/2017	144.98	3/9/2009	637.80	0.00%	11.64%	1.83%
S&P 100	1167.79	11/30/2017	322.13	3/9/2009	1167.79	0.00%	20.28%	2.04%
DJIA	24272.35	11/30/2017	6547.05	3/9/2009	24272.35	0.00%	25.69%	2.15%
NASDAQ 100	6422.56	11/28/2017	1036.51	11/20/2008	6365.56	-0.89%	32.31%	1.05%
Russell 2000	1544.14	11/30/2017	343.26	3/9/2009	1544.14	0.00%	15.10%	1.34%
Russell 2000 Growth	946.26	11/30/2017	190.73	3/9/2009	946.26	0.00%	22.00%	0.74%
Russell 2000 Value	1911.57	11/29/2017	469.32	3/9/2009	1906.14	-0.28%	8.87%	1.97%
Russell 3000	1569.22	11/30/2017	389.61	3/9/2009	1569.22	0.00%	19.93%	1.82%
MSCI World Net (ex U.S.) (USD)	6013.12	11/24/2017	2131.84	3/9/2009	5997.73	-0.26%	22.01%	3.04%
MSCI Emerging Markets Net (USD)	519.42	11/22/2017	164.51	10/27/2008	503.39	-3.09%	32.53%	2.32%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	22068.19	-50.56%	19.40%	2.51%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1131.56	-54.52%	3.05%	4.86%
S&P BSE 500/India (USD)	227.33	11/27/2017	57.52	3/9/2009	224.46	-1.26%	39.94%	1.17%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	502.22	-39.64%	14.61%	1.88%
KOSPI/South Korea (USD)	2.34	11/24/2017	0.63	11/20/2008	2.28	-2.79%	36.16%	1.41%
Hang Seng (USD)	3840.74	11/22/2017	1420.72	10/27/2008	3735.61	-2.74%	36.75%	3.47%
MSCI Euro (USD)	1981.86	12/10/2007	682.47	3/9/2009	1432.73	-27.71%	27.70%	3.07%
S&P 500 Consumer Discretionary	767.82	11/30/2017	125.72	3/9/2009	767.82	0.00%	20.08%	1.35%
S&P 500 Consumer Staples	588.35	6/5/2017	199.80	3/9/2009	576.07	-2.09%	11.03%	2.83%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	509.28	-30.91%	-5.62%	3.37%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	285.52	-0.80%	19.44%	3.25%
S&P 500 Financials	455.61	11/30/2017	81.74	3/6/2009	455.61	0.00%	19.84%	1.61%
S&P 500 Banks	331.68	11/30/2017	49.02	3/5/2009	331.68	0.00%	19.08%	1.89%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	689.25	-5.01%	8.99%	3.91%
S&P 500 Health Care	970.40	10/20/2017	252.84	3/5/2009	963.64	-0.70%	22.87%	1.58%
S&P 500 Pharmaceuticals	657.95	10/23/2017	214.50	3/3/2009	633.78	-3.67%	12.46%	2.61%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	4248.58	-4.14%	38.47%	0.36%
S&P 500 Information Technology	1124.85	11/28/2017	198.51	11/20/2008	1106.53	-1.63%	38.82%	1.21%
Philadelphia Semiconductor	1341.69	11/24/2017	171.32	11/20/2008	1272.55	-5.15%	42.62%	1.50%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	157.01	-14.60%	-6.64%	5.30%
S&P 500 Industrials	626.69	11/30/2017	132.83	3/9/2009	626.69	0.00%	18.78%	2.02%
S&P 500 Materials	372.52	10/26/2017	108.33	3/2/2009	372.44	-0.02%	21.48%	1.93%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	79.42	-65.31%	1.27%	0.73%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	189.17	-60.05%	-1.74%	N/A
ICE BofA ML Perpetual Preferred	257.06	11/24/2017	51.79	3/9/2009	256.79	-0.11%	10.55%	5.26%
ICE BofA ML U.S. High Yield Constrained	418.23	10/24/2017	130.37	12/12/2008	416.45	-0.43%	7.17%	6.17%

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