

Open-End Net Fund Flows (\$)	11/17	10/17	YTD (Nov)
Equity	-16.43B	-15.97B	-121.30B
Taxable Bond	13.62B	27.83B	219.26B
Municipal Bond	1.37B	2.00B	27.50B
Hybrid	-3.42B	-2.84B	-29.69B
Taxable Money Market	56.48B	-10.24B	61.05B

Key Interest Rates	12/29/17	6/30/17	12/30/16
Federal Funds Target Rate	1.50%	1.25%	0.75%
LIBOR (3-Month)	1.69%	1.30%	1.00%
2-Year T-Note	1.89%	1.38%	1.19%
10-Year T-Note	2.41%	2.31%	2.45%
Bond Buyer 40	3.87%	4.08%	4.25%

Commodities/U.S. Dollar	12/17	6 Mo.	12 Mo.
U.S. Dollar Index (DXY)	-1.00%	-3.67%	-9.87%
TR/CC CRB Commodity Index	2.48%	10.92%	0.70%
Crude Oil (Barrel)	5.26%	31.23%	12.47%
Natural Gas (per million BTUs)	-2.64%	-2.96%	-20.70%
Gold Bullion (Ounce)	2.84%	5.39%	13.68%

Total Return Performance

U.S. Stock Indices	12/17	YTD	12 Mo.
S&P 500	1.10%	21.82%	21.82%
DJIA	1.92%	28.11%	28.11%
NASDAQ 100	0.52%	32.99%	32.99%
S&P 400	0.22%	16.23%	16.23%
Russell 2000	-0.41%	14.63%	14.63%
Russell 3000	0.99%	21.12%	21.12%

U.S. Styles/Market Caps	12/17	YTD	12 Mo.
S&P 500 Growth	0.57%	27.43%	27.43%
S&P 500 Value	1.67%	15.35%	15.35%
S&P MidCap 400 Growth	-0.14%	19.91%	19.91%
S&P MidCap 400 Value	0.59%	12.30%	12.30%
Russell 2000 Growth	0.11%	22.14%	22.14%
Russell 2000 Value	-0.96%	7.82%	7.82%

Foreign Stock Indices (USD)	12/17	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.80%	24.21%	24.21%
MSCI Emerging Markets NET	3.59%	37.28%	37.28%
MSCI Europe NET	1.51%	25.51%	25.51%
MSCI BRIC NET	2.87%	41.75%	41.75%
MSCI EM Latin America NET	4.44%	23.74%	23.74%
Nikkei 225	0.23%	25.66%	25.66%

Barclays Bond Indices	12/17	YTD	12 Mo.
U.S. Treasury: Intermediate	0.03%	1.14%	1.14%
GNMA 30 Year	0.23%	1.87%	1.87%
Municipal Bond (22+)	1.55%	8.19%	8.19%
U.S. Aggregate	0.46%	3.54%	3.54%
Intermediate Corporate	0.30%	3.92%	3.92%
U.S. Corporate High Yield	0.30%	7.50%	7.50%
Global Aggregate	0.35%	7.39%	7.39%
EM Hard Currency Aggregate	0.48%	9.61%	9.61%

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

The outlook for 2018 is optimistic, in our opinion. The passage of the Tax Cuts and Jobs Act in December will hopefully boost economic activity moving forward. Small businesses appear to be ready to do their part. The National Federation of Independent Business (NFIB) reported that its Small Business Optimism Index hit 107.5 in November, the second-highest reading in its 44-year history, according to its own release. The index commenced in October 1974. The all-time high was 108.0, set in September 1983. The NFIB noted that "small business owners are exuberant about the economy and are ready to lead the U.S. economy in a period of robust growth." Over the past 25 years, small businesses (fewer than 500 employees) have created 62% of the net new private-sector jobs, according to the U.S. Small Business Administration.

Stock Market

The S&P 500 Index (index) closed at 2,673.61 on 12/29/17, 0.62% below its all-time high of 2,690.16, established on 12/18/17, according to Bloomberg. The index registered 62 all-time highs in 2017, the second most behind the 77 record new highs posted in 1995, according to S&P Dow Jones Indices. The index posted a total return of 1.10% in December. Eight of the 11 major sectors that comprise the S&P 500 Index were up on a total return basis. The top-performer was Telecommunication Services, up 5.77%, while the worst showing came from Utilities, down 6.14%. In 2017, the S&P 500 Index posted a total return of 21.82%. Nine of the 11 sectors were up on a total return basis. The top-performer was Information Technology, up 38.83%, while the worst showing came from Telecommunication Services, down 1.25%. From 11/8/16 (date Donald Trump was elected 45th President) through 12/29/17, the S&P 500 Index posted a total return of 27.88%. All 11 sectors were up on a total return basis. The top-performer was Financials, up 42.60%, while the worst showing came from Energy, up 7.88%. Bloomberg's consensus estimated earnings growth rates for 2018 and 2019 for the S&P 500 Index were 10.75% and 10.35%, respectively, as of 12/31/17. Companies boosted their dividend payments significantly in 2017. S&P Dow Jones Indices announced that total dividend distributions for U.S. common stocks increased by a net (increases less decreases) 56.9% to \$37.1 billion in 2017. There were 2,642 dividend increases in 2017, up slightly from the 2,634 dividend increases in 2016. The number of dividends cut or suspended in 2017 totaled 445, down from the 659 cut or suspended in 2016.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 2.41% on 12/29/17, unchanged from the end of November, but 17 bps lower than its average yield of 2.58% for the 10-year period ended 12/29/17, according to Bloomberg. The Federal Reserve ("the Fed") is poised to raise the federal funds target rate (upper bound) three times in 2018, according to CNBC. The Fed has already raised this rate five times, dating back to its first hike on 12/16/15. Each hike totaled 25 basis points. The rate increased from 0.25% to 1.50%, where it stood at the end of 2017. The year-over-year rate of inflation, as measured by the Consumer Price Index, increased from 0.7% on 12/31/15 to 2.2% on 11/30/17 (most recent), according to data from the Bureau of Labor Statistics. Ironically, despite the 125 basis point increase in the federal funds target rate, the yield on the 10-year T-note rose just 11 basis points over the same period, from 2.30% (12/16/15) to 2.41% (12/29/17), according to Bloomberg. Brian Wesbury, Chief Economist at First Trust Advisors L.P., sees the yield on the 10-year T-note rising to 3.00% by the end of 2018.

Takeaway

While President Trump touted tax reform as a tax cut for the middle class, the biggest boost to the U.S. economy and markets could come from the reduction in the federal corporate tax rate from 35% to 21% (Tax Cuts and Jobs Act). *Chief Executive's* CEO Confidence Index in Business Conditions 12 Months Out just registered its second most optimistic year (7.08 out of 10) since the index commenced in 2003, according to its own release. The highest mark ever achieved for a calendar year was 7.47 in 2004. The anticipated passage of corporate tax reform appears to be the main reason for the boost in optimism. The monthly survey of 267 CEOs just revealed that two-thirds of those polled plan to add to their workforce in 2018, while only 5% forecast a decrease in headcount. CEOs are also expecting to increase both profitability and revenue in 2018.

Data as of 12/29/17

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	2690.16	12/18/2017	676.53	3/9/2009	2673.61	-0.62%	21.82%	1.89%
S&P 500 Growth	1550.88	12/18/2017	363.99	3/9/2009	1533.38	-1.13%	27.43%	1.33%
S&P 500 Value	1132.27	12/28/2017	307.16	3/9/2009	1126.98	-0.47%	15.35%	2.48%
S&P MidCap 400	1911.28	12/28/2017	404.62	3/9/2009	1900.57	-0.56%	16.23%	1.52%
S&P MidCap 400 Growth	881.67	12/18/2017	174.44	11/20/2008	876.32	-0.61%	19.91%	1.07%
S&P MidCap 400 Value	643.82	12/28/2017	144.98	3/9/2009	640.43	-0.53%	12.30%	1.99%
S&P 100	1192.22	12/18/2017	322.13	3/9/2009	1183.15	-0.76%	21.96%	2.01%
DJIA	24837.51	12/28/2017	6547.05	3/9/2009	24719.22	-0.48%	28.11%	2.11%
NASDAQ 100	6513.27	12/18/2017	1036.51	11/20/2008	6396.42	-1.79%	32.99%	1.05%
Russell 2000	1548.93	12/28/2017	343.26	3/9/2009	1535.51	-0.87%	14.63%	1.35%
Russell 2000 Growth	954.84	12/28/2017	190.73	3/9/2009	946.66	-0.86%	22.14%	0.74%
Russell 2000 Value	1911.57	11/29/2017	469.32	3/9/2009	1883.34	-1.48%	7.82%	2.00%
Russell 3000	1591.96	12/18/2017	389.61	3/9/2009	1582.77	-0.58%	21.12%	1.81%
MSCI World Net (ex U.S.) (USD)	6105.50	12/29/2017	2131.84	3/9/2009	6105.50	0.00%	24.21%	2.99%
MSCI Emerging Markets Net (USD)	521.46	12/29/2017	164.51	10/27/2008	521.46	0.00%	37.28%	2.26%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	23098.25	-48.25%	24.97%	2.58%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	1154.43	-53.60%	5.88%	5.26%
S&P BSE 500/India (USD)	234.96	12/29/2017	57.52	3/9/2009	234.96	0.00%	46.49%	1.13%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	508.27	-38.92%	15.99%	1.87%
KOSPI/South Korea (USD)	2.34	11/24/2017	0.63	11/20/2008	2.30	-1.76%	37.71%	1.21%
Hang Seng (USD)	3840.74	11/22/2017	1420.72	10/27/2008	3829.75	-0.29%	40.22%	3.42%
MSCI Euro (USD)	1933.04	12/31/2007	682.47	3/9/2009	1430.57	-25.99%	27.66%	3.09%
S&P 500 Consumer Discretionary	790.56	12/28/2017	125.72	3/9/2009	785.33	-0.66%	22.98%	1.33%
S&P 500 Consumer Staples	588.91	12/19/2017	199.80	3/9/2009	587.39	-0.26%	13.49%	2.78%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	533.41	-27.63%	-1.01%	3.22%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	267.37	-7.11%	12.11%	3.45%
S&P 500 Financials	467.57	12/21/2017	81.74	3/6/2009	463.94	-0.78%	22.14%	1.59%
S&P 500 Banks	345.63	12/21/2017	49.02	3/5/2009	341.17	-1.29%	22.55%	1.85%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	683.05	-5.87%	8.67%	3.96%
S&P 500 Health Care	970.40	10/20/2017	252.84	3/5/2009	956.32	-1.45%	22.08%	1.60%
S&P 500 Pharmaceuticals	657.95	10/23/2017	214.50	3/3/2009	633.65	-3.69%	12.57%	2.62%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	4222.21	-4.73%	37.69%	0.37%
S&P 500 Information Technology	1128.90	12/18/2017	198.51	11/20/2008	1106.18	-2.01%	38.83%	1.21%
Philadelphia Semiconductor	1341.69	11/24/2017	171.32	11/20/2008	1253.05	-6.61%	40.54%	1.54%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	166.07	-9.67%	-1.25%	5.01%
S&P 500 Industrials	639.66	12/28/2017	132.83	3/9/2009	637.81	-0.29%	21.01%	1.95%
S&P 500 Materials	380.15	12/28/2017	108.33	3/2/2009	378.94	-0.32%	23.84%	1.90%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	85.27	-62.76%	8.78%	0.68%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	193.86	-59.06%	0.70%	N/A
ICE BofA ML Perpetual Preferred	257.56	12/7/2017	51.79	3/9/2009	256.63	-0.36%	10.48%	5.33%
ICE BofA ML U.S. High Yield Constrained	418.23	10/24/2017	130.37	12/12/2008	417.60	-0.15%	7.47%	6.15%

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