# WEEKLY HEADINGS

## THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

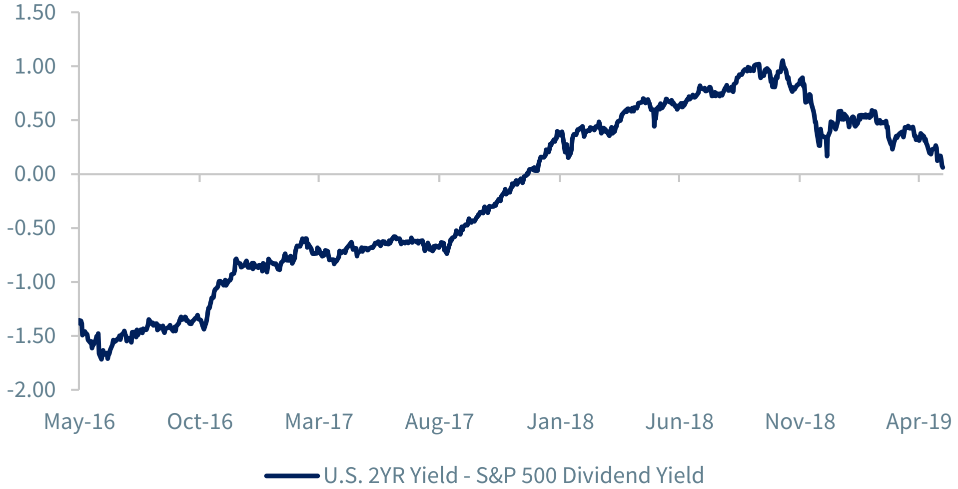
The "inconvenient truth" of equity market pullbacks is that investors tend to want them in order to invest at more favorable prices, but when they actually occur, investors get nervous, question their conviction and postpone their purchases. As we have mentioned in recent *Weekly Headings*, we had grown more cautious on the equity market as the S&P 500 matched our year-end target of 2946 on April 30. We believed the S&P 500 had gotten ahead of itself and suggested that the combination of investor complacency and weak seasonality would likely lead to a modest pullback. As a result, we had targeted the 2800 (5% upside) and 2700 (~10% upside) levels for the S&P 500 as potential buying opportunities. As we wrote last week, despite the vacation and summer fun between the Memorial Day and Labor Day holidays, investors need to remain engaged and patient with the market as a pullback would likely provide an "inconvenient opportunity." Some of the reasons we believe weakness should be bought include:

- Bottoming Bond Yields? | The 10-year Treasury yield fell to year-to-date (YTD) lows (2.17%).* There is no doubt that Treasuries have served their purpose as a portfolio diversifier amidst the recent uptick in volatility as longer duration Treasuries have significantly outperformed equities by ~800 basis points (bps) since April 30. However, bonds are not without risk as low interest rates (and high duration) make them susceptible to unfavorable performance if interest rates bounce from current levels. While we are not suggesting selling your bond exposure and violating your asset allocation strategy, we would note that the 5.8% upside for the equity market to our year-end target is better than the –5% performance if rates rise 50 bps (consistent with our 2.75% 10-year Treasury forecast) between now and year end. Equities are now particularly attractive relative to bonds as the spread between the S&P 500 dividend yield (+1.9%) and the 2-year Treasury yield is at the narrowest spread (~6 bps) in two years.
- Earnings Valuations | S&P 500 earnings forecasts have stabilized and the consensus has slowly come down to our once considered conservative estimate of $166/EPS for 2019 S&P 500 earnings. More importantly, 2020 earnings are expected to be even better than 2019's as they notch another record high (current consensus $186). Given our fair market P/E estimate of 17.75x against the current economic, interest rate and risk environment backdrop, the current P/E (on 2019 earnings) of 16.75x is relatively attractive.*
- Cash Firepower | The amount of cash in money market accounts is $3.13 trillion, the highest level YTD and the highest since 2010. As that money is deployed and finds its way into the equity market, it should support higher equity prices.
- Changing Temperament | The American Association of Individual Investors' Bullish Sentiment indicator has fallen to its lowest level since December and the second lowest level over the last two years. Meanwhile, the Bearish Sentiment indicator has skyrocketed to its highest level since January.* Historically, sentiment indicators are a contrarian indicator.
- Shifting Fed | While we still believe it is too early to pencil in a Fed rate cut by year end, the bigger story is that the Fed is mindful of the burgeoning risk to the economy from the protracted trade friction and stands ready to cut rates, if necessary. More importantly, by our metrics, while growth is likely to slow in the second quarter (Atlanta Fed GDPNow 1.26% and NY Fed Nowcast 1.41%), there remains a low probability of a recession over the next 12 months.
- The Whole Trade | Our base case remains that the U.S. and China (as well as the U.S./Mexico) will come to some sort of a trade deal by the end of the summer. Assuming a compromise, the details of the deal are less important than removing the cloud of trade uncertainty from the front-page headlines, allowing both consumer and business sentiment to remain strong and support the economy. The June 28-29 G20 meeting in Japan looms large as a potential trigger for progress in negotiations.
- Positive Historical Dynamics | This week marked the sixth consecutive weekly decline for the Dow Jones Industrial Average. Over the past 25 years (only six occurrences!), this has led to more favorable performance as the median performance of the equity market has been up 3%, 5% and 7% in the six, nine and twelve months following six consecutive weekly declines.

## CHART OF THE WEEK

**Equity Income Component Turning More Attractive**

*The spread between the 2 -year Treasury yield and the S&P 500 dividend yield is currently at the lowest level in two years and close to turning negative.*




*See Charts of the week on page 3.

## ECONOMY

- The estimate of real GDP growth was revised slightly lower, to a 3.1% annual rate (vs. 3.2%). The headline figure was boosted by faster inventory growth and a narrower trade deficit, while consumer spending and business fixed investment slowed.
- The Conference Board's Consumer Confidence Index strengthened further in the advance estimate for May.* April personal income and spending figures were in line with expectations, consistent with a lackluster-to-moderate pace of growth in the near term.
- However, given increased growth concerns, Federal funds futures are pricing in a 68% chance of one or more Fed rate cuts by the September 17-18 FOMC meeting, and a roughly 90% chance by the end of the year (with about a 59% chance of two or more cuts).*
- Trump announced that he will impose a 5% tariff on all goods imported from Mexico starting on June 10, which then increases by an additional 5% each month for three months in an attempt to force Mexico to take action on illegal immigration. Mexico is the U.S.' third largest trading partner, and therefore such tariffs will impact U.S. consumers and corporations.
- **Focus of the Week:** Next week, fresh May economic figures will arrive, including the ISM surveys, motor vehicle sales, and the employment report. These will be closely watched as concerns about the strength of the economy grow. The Chicago Fed will host a conference on the Fed's monetary policy framework.

## THE WEEK AHEAD: June 3 – June 7

**MON**
Purchasing Manager's Index
Motor Vehicle Sales
Construction Spending

**TUE**
Factory Orders
Vehicle Sales

**WED**
ADP Payroll Estimate
ISM Non-Manufacturing Index
Fed Beige Book

**THU**
Jobless Claims
Trade Balance

**FRI**
Nonfarm Payrolls
Average Hourly Earnings
Unemployment Rate

**FUTURE EVENTS**
6/19 FOMC Policy Decision
6/25 OPEC Meeting
6/28-6/29 G20

## U.S. EQUITY

- Re-escalation of the trade conflict this month pushed the May U.S. Manufacturing PMI to its lowest level in nearly 10 years (at a slightly positive 50.6). The increase in tariffs on $200B worth of Chinese goods to 25% (from 10% previously), as well as the threat to put 25% tariffs on the remaining $300B worth of Chinese imports and increase non-tariff barriers (i.e., a ban on Huawei equipment), is reintroducing volatility and uncertainty to a soft global backdrop. The G20 meeting (where Presidents Trump and Xi could meet) at the end of June is being viewed as the next potential catalyst for U.S.-China trade negotiations.
- Q1 earnings season was much better than expected, driven by companies with more exposure to the U.S. (and less overseas). For example, S&P 500 companies with over 50% of revenues from the U.S. exhibited 5.6% sales growth and 8.1% earnings growth on average in Q1, whereas those with over 50% of revenues from overseas grew sales and earnings by an average of 2.1% and 4.0% respectively. Looking forward, earnings growth expectations are similar for these two groups over the next 12 months.
- **Focus of the Week:** We expect volatility to increase in the coming weeks and would exercise patience with new purchases as favored sectors and stocks are likely to present opportunities to accumulate during weak periods.

## FIXED INCOME

- Interest rates on both the long and short end continued their recent decline, with longer-term interest rates declining further as the 10-year Treasury yield is now over 100 bps below the November 2018 high and is at the lowest level (+2.17%) in almost two years.
- The 3-month T-Bill and 10-year Treasury note have been inverted since May 23. There has never been a longer than seven day inversion that didn't result in a recession. If the inverted curve holds, it may act as a warning signal for a potential upcoming recession which by historical norms occurs ~8 to 13 months on average following the inversion. On the positive side, however, the 2-year and 10-year Treasury bond spread, our preferred metric given its accuracy in predicting past recessions, has not yet inverted (18 bps spread) in this cycle which gives us hope that this current soft patch will prove temporary.*
- **Focus of the Week**: As we enter July, the market will experience the largest two-month period of municipal redemptions. Supply will not be able to match the redemption pace, which should continue to support municipal prices in the near term.

## INTERNATIONAL

- On June 6 the European Central Bank might formally announce new stimulus measures for the euro zone economy. These appear most likely to be in the form of a new targeted longer-term refinancing operation (TLTRO) which supports bank lending, but may also be dependent on confirmation on June 4 of continued modest consumer inflation data in the euro zone of clearly under 1.5%.
- **Focus of the Week**: President Trump's visit to the United Kingdom starting on June 3 will be watched for insights into the current state of the relationship between the two historically aligned G7 powers, especially as the UK Prime Minister Theresa May will formally stand down on Friday 7 June.

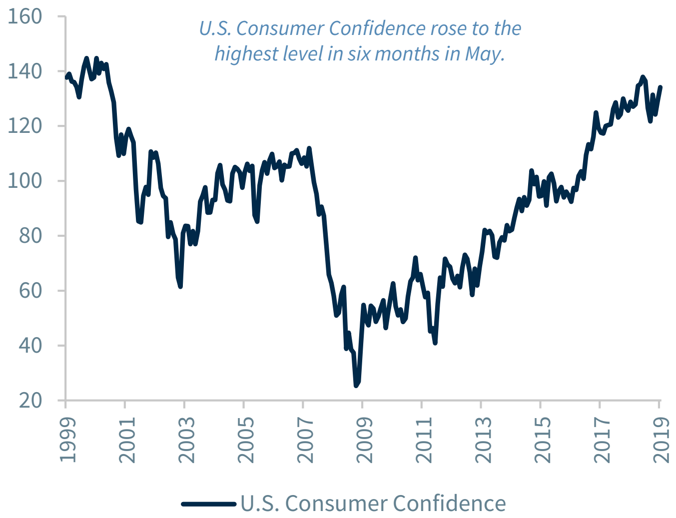
## COMMODITIES

- Despite the negative U.S. inventory data in recent weeks, we remain very bullish on oil prices this summer and over the next 12+ months. We believe that the concerns surrounding the recent inventory builds are overblown, because they can be explained by a temporary increase in U.S. net imports due to a transitory narrowing in the price spread between Brent and U.S. Gulf Coast crude.
- **Focus of the Week**: This narrowed price spread came about because the U.S. needed to import more crude to compensate for seasonal production outages in the Gulf of Mexico and the ongoing decline in Venezuelan supply. Toward the end of May, this issue began to subside, which suggests to us that U.S. oil imports will soon be decreasing. This reduction in imports should provide a catalyst for a bounce in oil prices later this summer.

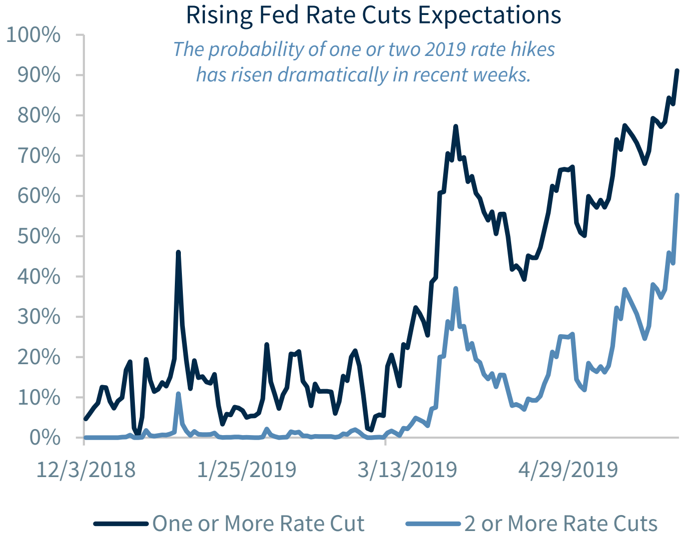
*See Charts of the week on page 3.

## Charts of the Week

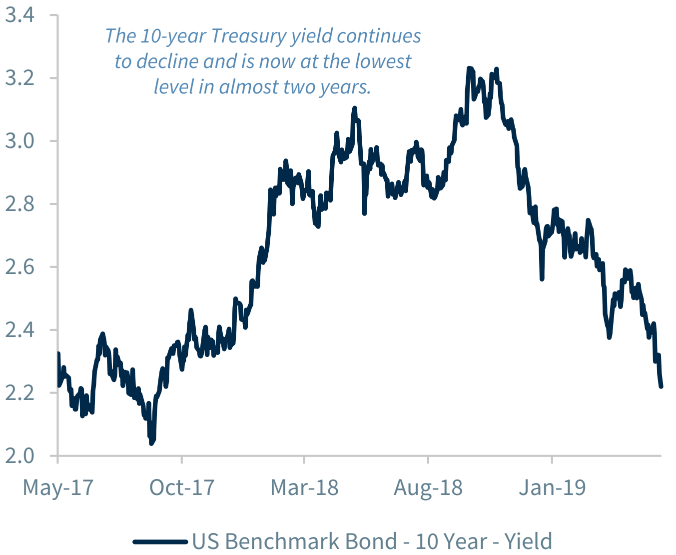
### Consumer Confidence Remains Elevated



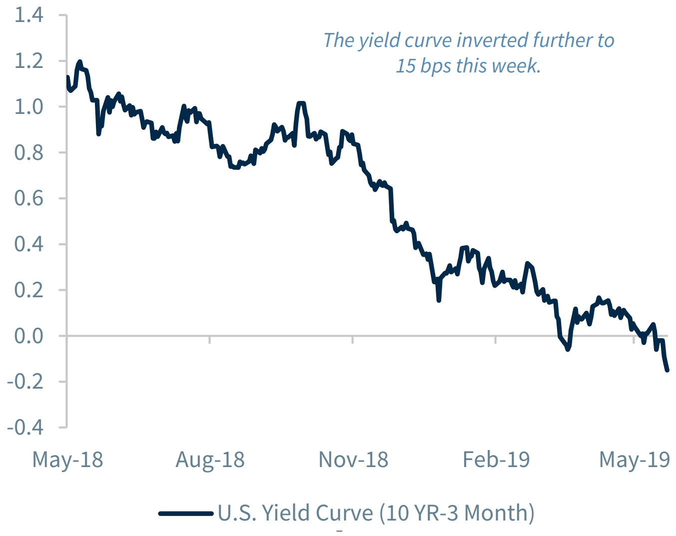

### Rising Fed Rate Cuts Expectations



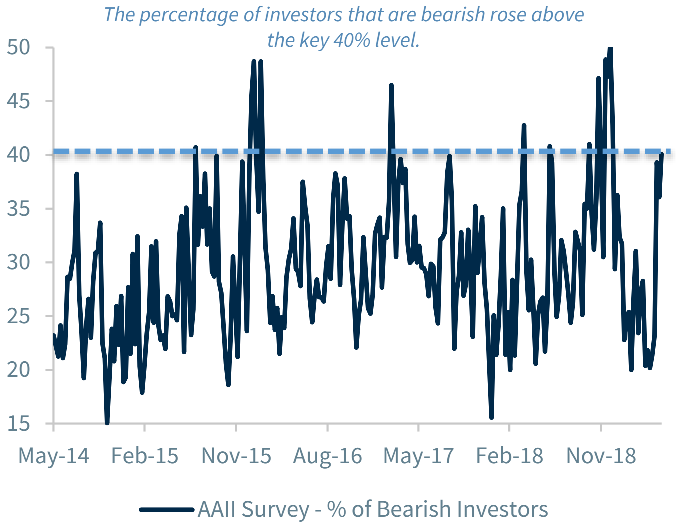

### 10-YR Treasury Yield Falls to Multi-Year Low




### Yield Curve Inverts Further




### Bears Enter the Market




### Valuations Looking More Attractive

## Asset Class Performance | Distribution by Asset Class and Style (as of May 30)

### Weekly Returns (as of May 30)

**U.S. Equities (S&P indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | -1.8% | -1.3% | -0.9% |
| Mid Cap | -2.1% | -1.8% | -1.6% |
| Small Cap | -2.2% | -1.8% | -1.3% |

**International Equities (MSCI indices)**

| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | -0.8% | -0.9% | 0.9% |
| Mid Cap | -1.0% | -0.9% | 1.4% |
| Small Cap | -0.7% | -1.1% | 1.3% |

**Fixed Income (Bloomberg Barclays indices)**

| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 0.0% | 0.4% | 0.9% |
| Invest. Grade | 0.2% | 0.3% | 0.5% |
| High Yield | -0.2% | -0.2% | -0.4% |

### Year-to-Date Returns (as of May 30)

**U.S. Equities (S&P indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 9.4% | 12.2% | 14.7% |
| Mid Cap | 9.4% | 10.7% | 11.9% |
| Small Cap | 7.2% | 7.3% | 7.4% |

**International Equities (MSCI indices)**

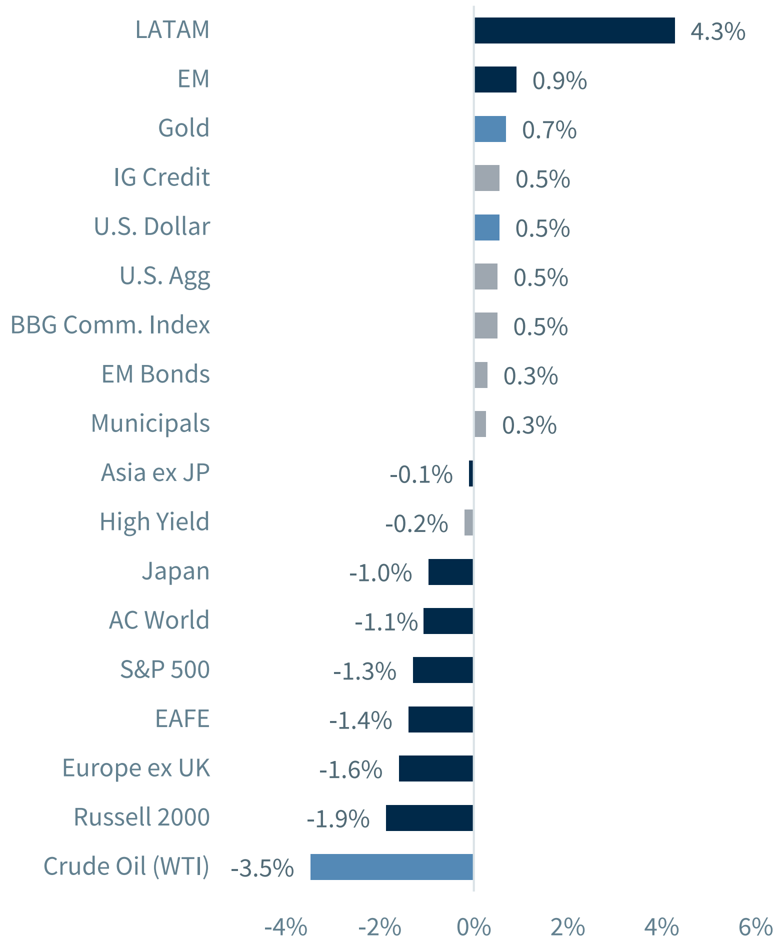
| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | 10.6% | 10.8% | 5.3% |
| Mid Cap | 9.7% | 11.5% | 3.6% |
| Small Cap | 10.3% | 10.6% | 4.3% |

**Fixed Income (Bloomberg Barclays indices)**

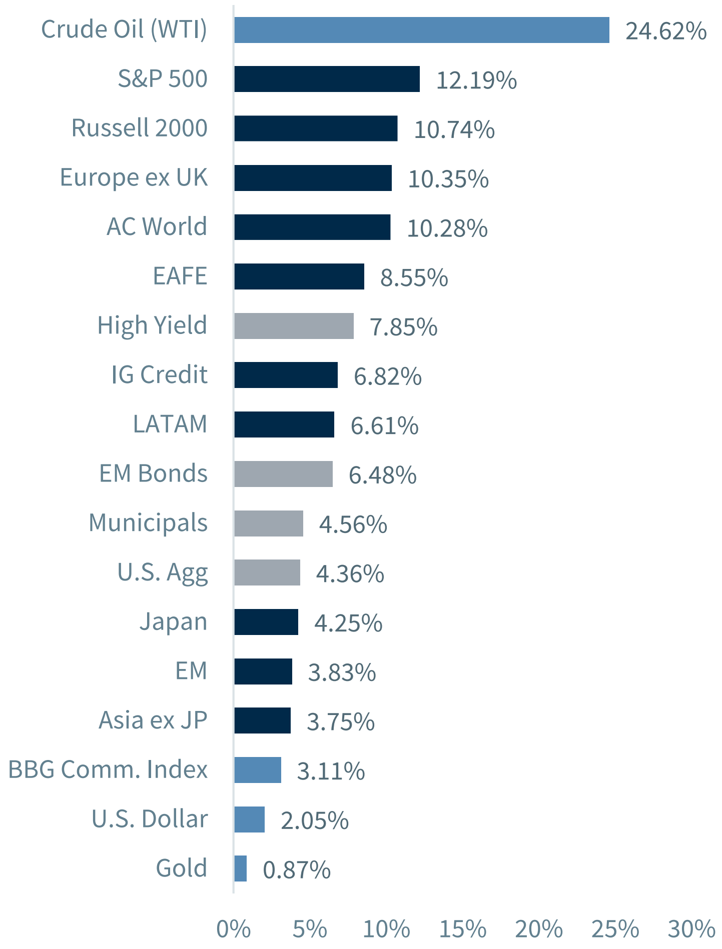
| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 1.0% | 3.2% | 5.1% |
| Invest. Grade | 2.4% | 5.1% | 7.0% |
| High Yield | 4.4% | 7.7% | 11.5% |

## Asset Class Performance | Weekly and Year-to-Date (as of May 30)

### Week-to-Date




### Year-to-Date




Commodities Equities Fixed Income

# Weekly Data

Data as of May 30

**U.S Equities**

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| S&P 500 | 2822.2 | (1.9) | (4.0) | 13.5 | 5.3 | 13.6 | 10.8 | 15.8 |
| DJ Industrial Average | 25490.5 | (1.4) | (4.1) | 9.3 | 2.4 | 19.3 | 12.6 | 16.1 |
| NASDAQ Composite Index | 7628.3 | (3.4) | (5.8) | 15.0 | 2.7 | 19.9 | 13.1 | 19.0 |
| Russell 1000 | 3003.2 | (2.0) | (4.1) | 13.7 | 13.3 | 14.8 | 11.4 | 15.4 |
| Russell 2000 | 3731.3 | (3.6) | (5.6) | 11.9 | 4.6 | 13.6 | 8.6 | 14.1 |
| Russell Midcap | 5484.1 | (2.2) | (4.3) | 15.7 | 10.7 | 12.8 | 9.7 | 15.7 |

**Equity Sectors:**

| Sector | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| Materials | 334.7 | (2.6) | (6.9) | 6.4 | (8.2) | 6.7 | 4.0 | 10.1 |
| Industrials | 619.8 | (2.5) | (5.6) | 15.2 | (0.0) | 11.6 | 8.4 | 15.1 |
| Comm Services | 162.4 | (1.9) | (3.1) | 17.7 | 13.7 | 4.2 | 5.0 | 10.2 |
| Utilities | 302.5 | 2.5 | 2.0 | 14.1 | 24.4 | 11.6 | 11.4 | 13.1 |
| Consumer Discretionary | 897.9 | (3.1) | (5.6) | 15.5 | 8.2 | 15.2 | 13.4 | 19.5 |
| Consumer Staples | 593.2 | (0.2) | 0.0 | 14.9 | 19.8 | 6.6 | 8.5 | 12.9 |
| Health Care | 1032.7 | 0.9 | 0.0 | 3.8 | 9.1 | 10.8 | 10.5 | 15.7 |
| Information Technology | 1282.7 | (3.6) | (7.0) | 18.7 | 6.4 | 23.8 | 17.8 | 18.8 |
| Energy | 451.5 | (4.5) | (7.1) | 8.2 | (18.4) | 0.2 | (5.3) | 4.6 |
| Financials | 441.0 | (1.6) | (5.0) | 12.4 | (3.4) | 14.5 | 10.4 | 13.0 |
| Real Estate | 226.7 | (0.0) | 1.9 | 19.2 | 22.3 | 9.4 | 9.7 | 17.4 |

**Fixed Income**

| Index | Yield | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| 3-Months Treasury Bill (%) | 2.3 | 0.1 | 0.2 | 1.0 | 2.2 | 1.3 | 0.8 | 0.4 |
| 2-Year Treasury (%) | 2.2 | 0.2 | 0.4 | 1.5 | 3.2 | 1.1 | 0.9 | 1.0 |
| 10-Year Treasury (%) | 2.3 | 1.0 | 1.9 | 4.5 | 9.0 | 0.7 | 2.4 | 3.6 |
| Barclays US Corporate High Yield | 6.6 | (0.1) | (0.7) | 8.0 | 6.0 | 7.5 | 4.6 | 9.5 |
| Bloomberg Barclays US Aggregate | 2.8 | 0.5 | 1.0 | 4.0 | 6.6 | 2.3 | 2.6 | 3.8 |
| Bloomberg Barclays Municipals | | 0.0 | 0.9 | 4.3 | 6.6 | 2.8 | 3.6 | 4.5 |
| Bloomberg Barclays IG Credit | 3.5 | 0.4 | 0.7 | 6.5 | 7.6 | 3.8 | 3.6 | 6.2 |
| Bloomberg Barclays EM Bonds | 5.3 | 0.2 | 0.3 | 6.2 | 7.2 | 5.1 | 4.3 | 7.6 |

**Commodities**

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| WTI Crude ($/bl) | 57.9 | (8.0) | (9.3) | 28.2 | (19.5) | 6.3 | (11.2) | (0.6) |
| Gold ($/Troy Oz) | 1283.7 | (0.6) | 0.1 | 0.4 | (0.4) | 1.0 | (0.1) | 3.0 |
| Dow Jones-UBS Commodity Index | 78.0 | (2.9) | (3.2) | 1.6 | (14.9) | (2.6) | (10.5) | (4.3) |

**Currencies**

| Currency | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| U.S. Dollar Index | 97.9 | 0.0 | 0.4 | 1.7 | 4.1 | 0.9 | 4.0 | 2.0 |
| U.S. Dollar per Euro | 1.1 | (0.3) | (0.5) | (2.5) | (4.7) | (0.1) | (3.9) | (2.2) |
| U.S. Dollar per British Pounds | 1.3 | (1.0) | (2.8) | (0.5) | (5.0) | (4.3) | (5.5) | (2.2) |
| Japanese Yen per U.S. Dollar | 109.7 | (0.2) | (1.5) | 0.0 | (0.2) | 0.1 | 1.5 | 1.5 |

**International Equities**

| Currency | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| MSCI AC World | 500.1 | (1.8) | (4.4) | 11.1 | (0.5) | 11.1 | 6.3 | 10.5 |
| MSCI EAFE | 1839.6 | (1.3) | (3.6) | 9.3 | (6.1) | 7.6 | 2.2 | 7.1 |
| MSCI Europe ex UK | 1890.5 | (2.3) | (3.9) | 10.9 | (5.1) | 8.0 | 1.7 | 7.2 |
| MSCI Japan | 3044.4 | 0.4 | (3.2) | 4.9 | (10.3) | 7.2 | 5.7 | 6.2 |
| MSCI EM | 984.8 | (2.5) | (8.6) | 2.7 | (10.5) | 10.6 | 1.6 | 5.6 |
| MSCI Asia ex JP | 613.9 | (2.8) | (8.8) | 3.5 | (11.3) | 11.5 | 4.1 | 7.8 |
| MSCI LATAM | 2596.4 | 1.8 | (5.2) | 2.8 | (0.6) | 11.3 | (2.0) | 2.0 |

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# Disclosures

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Sector investments are companies engaged in business related to a specific es presented herein are for illustrative purposes only and should not be considered as the sole basis for an investment decision. There can be no assurance that the future performance of any specific investment or investment strategy made reference to be advisors do not offer tax or legal advice. You should discuss any profitable or equal any corresponding indicated sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors. Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of a portfolio. The Citi Economic Surprise Indices measure data surprises relative to market expectations. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The MSCI Emerging Markets is designed to measure equity market performance in 25 emerging market indices. The index's three largest industries are materials, energy, and banks. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. MSCI EM Eastern Europe Net Return Index: The index captures large and mid cap representation across 4 Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. MSCI Japan Net Return Index: The index is designed to measure the performance of the large and mid cap segment of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. MSCI EM Asia Net Return Index: The index captures large and mid cap representation across 8 Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. EPS: Earnings Per Share. MSCI Europe ex UK: The MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe*. With 343 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK. MSCI Asia ex JP: The MSCI Asia ex Japan Index captures large and mid cap representation across 2 of 3 Developed Markets (DM) countries* (excluding Japan) and 9 Emerging Markets (EM) countries* in Asia. With 955 constituents, the index covers approximately 85% of the free float adjusted market capitalization in each country. MSCI LATAM: The MSCI EM Latin America ex Brazil Index includes large and mid cap representation across 4 Emerging Markets (EM) countries* in Latin America. With 55 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The Bloomberg Barclays Global Aggregate Negative Yielding Debt Market Value Index measures the stock of debt with yields below zero issued by governments, companies and mortgage providers around the world which are members of the Bloomberg Barclays Global Aggregate Bond Index. The Dow Jones UBS Commodity Index is a weighted index which tracks a wide range of 22 commodity futures contracts, including metals, agricultural products, energy, and livestock. The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. Russell 2000 Total Return Index: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest U.S. companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends. Russell 1000 Total Return Index: This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends. Russell Mid Cap Total Return Index: This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends. The Russell Midcap Index is a market capitalization weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The U.S. dollar index (USDX) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. Dow Jones-UBS Commodity Index tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. S&P 500 Total Return Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The Nasdaq Composite Index is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange. An investor could lose all or a substantial amount of their investment. Investors should consider hedge funds as a supplement to an overall investment strategy. Commodities trading is generally considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the fund's investments in commodities are cyclical economic conditions, sudden political events, changes in sectors affecting a particular industry or commodity, and adverse international monetary policies. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. No investment strategy can guarantee success. There is no assurance any of the trends mentioned will continue or that any of the forecasts mentioned will occur. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital. Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or a loss. U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. Diversification and asset allocation do not ensure a profit or protect against a loss. Data sources: FactSet and Bloomberg.

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