Cetera® Investment Management LLC

Outlook 2020

Cetera®

It's Always a Matter of Perspective

Whether flipping through the news feed on your phone or flipping the channels on your TV, it can be hard to decide what to make of the economic forecast. One outlet may say there's nothing to worry about, and two minutes later, another channel is painting a picture of doom and gloom. It can be a challenge getting a handle on what to *feel* about your investments, let alone deciding what to *do* with them.

The reality is that things can rarely be encapsulated in a sound bite, or through the lens of one country's actions, a single market event, or a lone government report. When only one perspective is considered, it can be easy to distort perception and hide the reality of a situation. Too much emphasis on one detail can alter what we see, failing to reveal the reality of the entire picture, which may be more complicated than it first appeared. In fact, like many circumstances in life, the situation may be more than one thing at the same time!

Over the following pages, we'll outline what we're looking at as key drivers of the economy and the markets, and how they may interplay with each other in the coming year. As you'll see, depending on the perspective you take, you'll have opportunity to exercise both your optimistic and pessimistic skills. But—spoiler alert—the solid, long-term investing strategies we regularly espouse are designed to take a balanced perspective and accommodate market fluctuations, helping you participate in bullish markets while minimizing risk in bearish swings.

In other words, whichever perspective seems to dominate, or whatever the picture appears to be telling you now, a well-constructed portfolio crafted with the help of your financial professional can work for you whether you see bears or bulls. As is often the case in life, the truth for your portfolio is always somewhere in between.

The Global Economy

U.S. GDP: When Growth Doesn't Feel Like Growth

We're in the midst of one the *longest* economic expansion in U.S. history. It is also—as has been frequently lamented—the *slowest*. If growth continues at its current pace, what's to worry about if it's a little slower than we'd like?

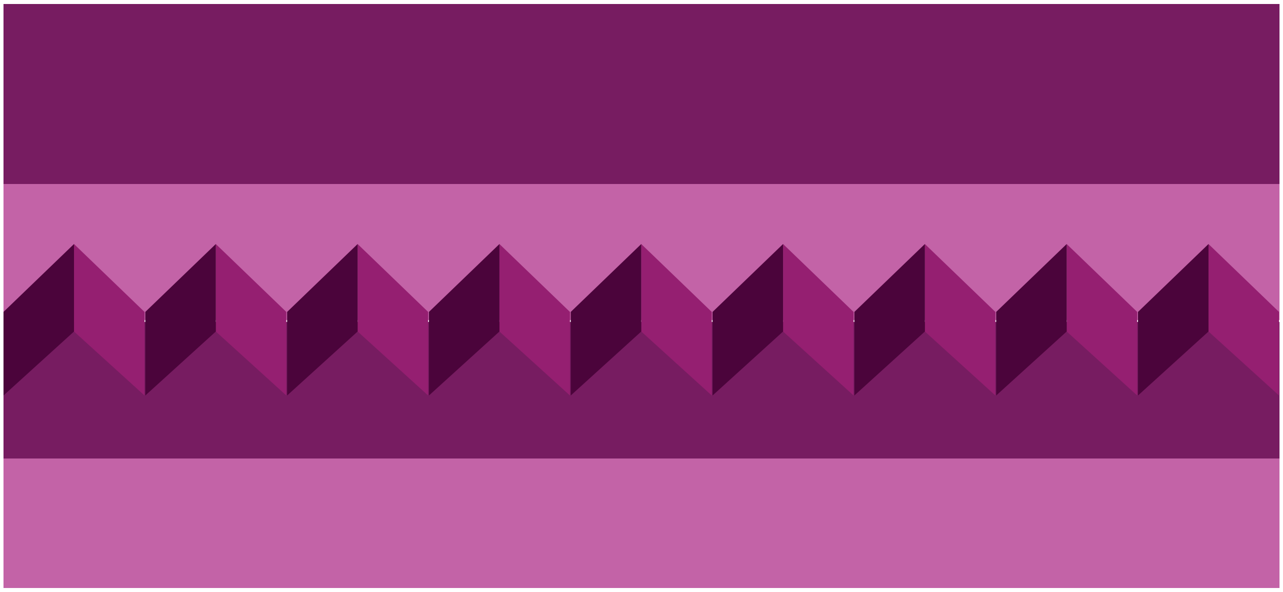
The answer, of course, depends on how you look at it. The Federal Reserve estimates the 2020 U.S. GDP (gross domestic product) growth at 2.0%, slightly lower than this year's projection of 2.2%. Looking down from that 2.2%, slower 2.0% growth feels like a move in the wrong direction. The glass-half-empty crowd can point to the fact that slowing growth can become negative growth, and two quarters of negative growth defines a recession. While a recession is far from desired, it isn't always an indication that the sky is starting to fall. **[Figure 1]**

The glass-half-full crowd looking at the whole graph will note that we've been hovering around the 2% mark throughout the expansion—averaging 2.3%—and a slight drop is no cause for alarm. They may not even fear a slight dip into negative growth, even for two quarters. In fact, nervous markets are often leading indicators of a recession, tending to drop excessively relative to the actual economic slowing, which in some cases in the past has led to market gains during the actual recession.

Figure 1: U.S. GDP Growth

For illustration purposes only

Figure 2: The Sawtooth Illusion



Are the saw teeth pointing at you, or are they pointing up? This illusion is an example of a Gestalt switch: what you are looking at hasn't changed, but how you see it has. If you are having trouble seeing both perspectives, try softening your gaze and focusing on either the light or dark shaded areas directly above or below the saw teeth.

This isn't to say that recessions are to be taken casually, but with the Great Recession still fresh in everyone's experience, it pays to remember they're not all that severe. A milder recession will be newsworthy, but not necessarily noteworthy, for the average investor. In fact, you may even see the real value of your money (the value of what it can buy) rise during a recession as inflation decreases. (The converse is also true—the real value of your money can decrease during an economic boom as inflation rises.) It's not just how you look at things, but what you look at in a given moment, too **[Figure 2]**.

Expectations also play a role. Recessions are simply part of the economic landscape. Growth is neither inevitable or ensured. If your investments are well-allocated and balanced to your goals, they should be able to—indeed, be designed to—weather a recession. In that light, whether you're a glass-half-empty or glass-half-full kind of person, you may want to calm your nerves and change your perception by imagining you're holding a different glass. A glass half full of wine is a generous pour, typically beyond expectation, simply because we're trained to focus on the value of what's expected to be in there, not the value of what isn't.

Shifting Perspective: Is the Dot Big...

While the GDP gives us an insight into the overall health of the economy, it's a *lagging* indicator by its very nature: a recession or economic slowing can begin before GDP numbers are in. Surveys of business leaders can be useful leading indicators, because they tell us how these decision-makers feel about the future direction of the economy as they plan to make (or not make) investments in both labor and capital.

One such survey is the Institute of Supply Management's (ISM) Purchasing Manager Index (PMI). ISM maintains this index for both the manufacturing and the non-manufacturing, or service, sectors. Managers in the manufacturing sector became pessimistic when trade tensions first started escalating in 2018, but managers in the service sector were less so, and have even begun showing signs of optimism. Since the service sector accounts for roughly 80% of U.S. jobs, this is a positive sign. **[Figure 3, on page 7]** shows the ISM PMIs for the two sectors. (A PMI reading above 50 means the sector is expanding, and one below 50 means the sector is shrinking.) You can see we went through a similar period of divergence in 2015.

So, with the bulk of hiring managers fairly optimistic, it's no surprise that labor markets look strong, and indeed we are still near 50-year lows for unemployment **[Figure 4]**. Since around 70% of U.S. GDP depends on consumer spending, strong employment numbers are very positive for the economy: if people are employed, they spend more money. Just as with purchasing managers, surveys of consumers are leading economic indicators that give us a glimpse into the future. The University of Michigan Consumer Sentiment Survey has been steady at relatively high levels from a historical perspective. All looks good, the data are in alignment, and there seems to be little reason to think that things are not as they appear. But, as visualized by **[Figure 5, on page 8]**, that depends on whether we focus on the numbers or the trends.

...Or Is It Small?

As companies don't always get the chance to prepare for a recession, and generally don't like to let workers go until they must, the overall unemployment rate can be a lagging indicator. If we look at unemployment in relation to initial jobless claims—a measure of emerging unemployment as it happens—we see that while initial jobless claims are still at 50-year lows, a closer inspection of **Figure 4** shows they are starting to inch higher. This means that while the overall level is good, the trend is less optimistic.

Another issue at play here is that the Federal Reserve has a dual mandate of keeping prices steady (keeping inflation in check) and maximizing employment. If growth picks up and unemployment drops further, labor costs can go up as employers compete for workers. This would cause inflation to rise and the Fed to hike interest rates like they did last year, ending the party: consumers would pay more for goods and services (potentially lowering consumer sentiment) and businesses would pay more to borrow money.

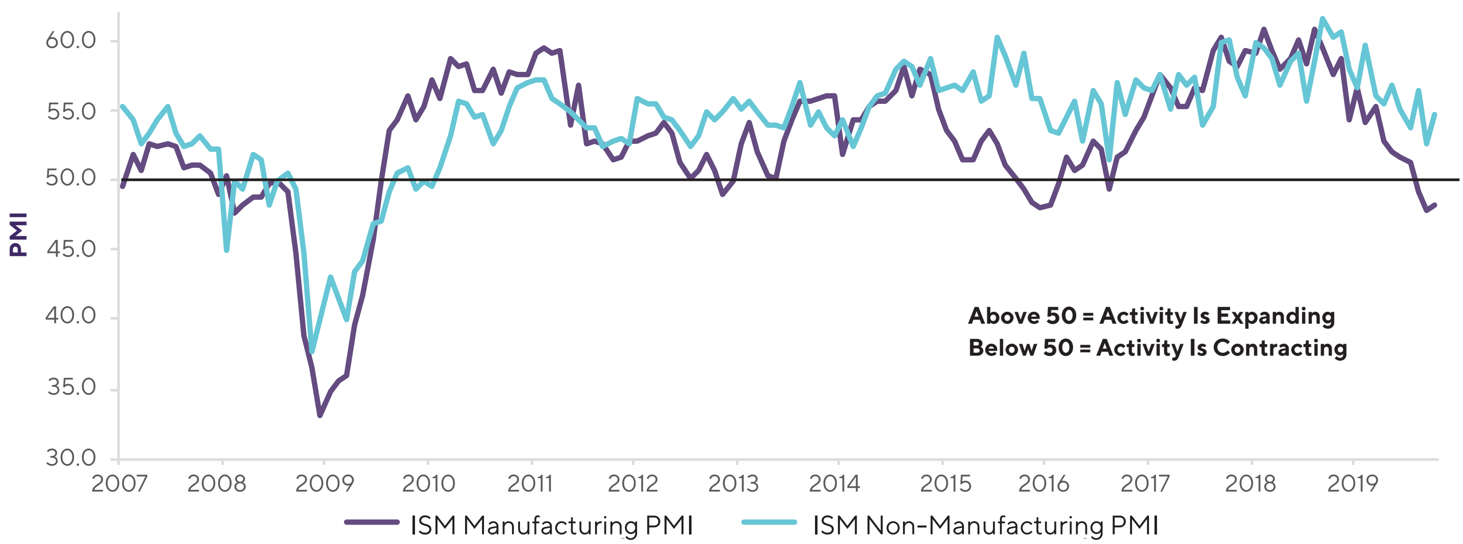
If there's a spike in unemployment, consumer sentiment will also likely drop, but the Fed will be prompted to step in and lower interest rates to make it easier for businesses to finance projects and stimulate the economy. However, interest rates are already at relatively low levels and many corporations have already refinanced, so, all things being equal, another drop in interest rates is likely to have a muted effect.

The key takeaway here is that a sharp rise in initial jobless claims has preceded the last seven recessions, so we'll be closely monitoring this metric in 2020, as it can have a cascading effect on the other measures discussed. In addition, we think the impact of the Fed lowering rates will likely be overshadowed by trade concerns, especially as economies around the globe are not faring as well as the U.S.'s. That may seem like relatively good news, except the U.S. is not immune from the growth concerns of other countries, as nearly 40% of the S&P 500 companies' revenues comes from overseas.

Asia

The U.S./China trade dispute is impacting global supply chains and the Asian emerging market countries, such as Vietnam and South Korea, who export to China. Global economic growth is

Figure 3: ISM Manufacturing PMI & Non-Manufacturing Index



Sources: Cetera Investment Management, Institute for Supply Management. Data as of 10/31/2019.

Figure 4: Initial Jobless Claims

Sources: Cetera Investment Management, Federal Reserve Bank of St. Louis, U.S. Employment and Training Administration, U.S. Bureau of Labor Statistics. Area shaded in gray indicates a recession. Data as of 10/26/2019.

Figure 5:
The Ebbinghaus Illusion

Things can appear different depending on the context in which they are considered. While the center dots may appear to be different sizes depending on the dots surrounding them, they are in fact the same size. *(Named after Hermann Ebbinghaus (1850–1909), a German psychologist.)*

Figure 6: The Impossible Trident

Overreliance on any one statistic or perspective can leave us with an incomplete understanding of what's actually going on. We can't look at only the U.S., or only the rest of the world, and say we understand the whole economic picture, which is more complex than any one country, economy, or trading partner.

already slowing as many countries—including China and Japan—wrestle with the effects of an aging populace and lower fertility rates. With fewer young people joining the workforce to provide opportunities for economic growth and support the older generations, this puts a strain on younger workers who will be supporting the older generations both indirectly and directly.

Support for China's aging population is precarious, a remnant of its one-child policy that started in 1979 and left fewer workers—and fewer children and grandchildren—to care for their elders. A prolonged trade dispute only strains the system further and limits China's opportunities for growth. The Chinese economy might have absorbed this trade dispute better five years ago, but in the current climate Chinese PMIs are teetering on expansion and contraction.

Europe

There's additional fallout from the U.S./China trade dispute, as the Eurozone's biggest economy, Germany, is already on the brink of a recession. Across Europe, manufacturing PMIs are in contraction territory, lower than in the U.S. and getting worse, and exerting drag on the service sector, where PMIs are still in expansion territory, but not as robust as in the U.S. Central banks in Europe are cutting interest rates from even lower starting points than the U.S. Federal Reserve, in some cases hitting negative territory (making borrowing money free), so they may need to get more creative with their quantitative easing and other more extreme measures. There's an additional wrinkle for Germany within the Eurozone: the United Kingdom (U.K.) is its largest European trading partner. If the U.K. leaves the European Union without a trade deal—a "hard Brexit"—that could hurt Germany's economy even more.

Interestingly, the U.K. has opposing forces at play. If a hard Brexit happens, the Conservative party will likely have more seats in Parliament and policy itself will likely be more business friendly. Additionally, the value of the pound will likely fall further. If the Labour and other anti-Brexit parties win enough seats to delay Brexit, Parliamentary makeup will likely be less business-friendly, but the value of the pound would rise from its Brexit-anticipating lows—hurting businesses even more as British products become more expensive on the world stage.

Ultimately, then, regardless of what Brexit scenario plays out, economic growth in the U.K. may be range bound. Above are just two simple scenarios, but in reality it is a much more complicated situation with the possibility of elections, no deals, soft deals, delays, another referendum, and even no Brexit at all. Talking with economists and experts on the situation, it is clear no one knows how this is going to play out—and that seems to be the only thing people can come to an agreement on over Brexit.

Summing Up the Global Economy

Economies are slowing, but as that's expected from time to time, the real story is by how much and why. Both in the U.S. and Europe, leading indicators are mixed, with manufacturing suffering under the burden of trade concerns, but the service sector and consumer sentiment still showing confidence—if warily so—that there's not yet cause for alarm, or at least a drastic change in behavior. We'll continue to monitor leading indicators throughout 2020, but especially abroad, we'll focus on trade policies and central bank actions, which are likely to play a much bigger role in whether—or by how much—the economy continues to slow or recover. In the meantime, we recommend curbing optimism, but more importantly, tapering fears.

Equity Markets

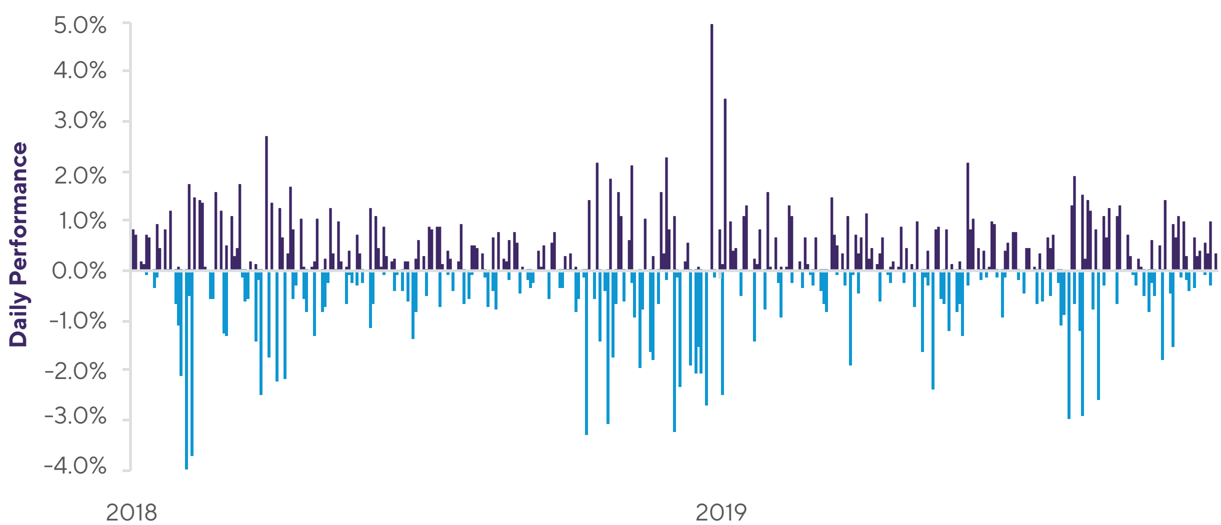
A certain amount of volatility is expected in equity markets, but 2019 started unusually calm—so calm, in fact, that the markets' current "normal" level of volatility seems to have caught people by surprise, making it seem like an increase when on average it's not **[Figure 7]**. At one point earlier in the year, the S&P 500 went 36 straight trading days without a session closing above or below 1% from the prior day. So far, we have only seen 37 trading days with a move of 1% or more, while in 2018, there were 63 such days, which is close to the long-term average **[Figure 8]**.

Amidst the complicated and conflicted global economic backdrop described above, and the economic uncertainty that comes with it, it's reasonable to expect equity volatility to continue and even pick up in the coming months. We certainly would have expected session swings to be larger and more numerous throughout the year, but at times equity markets seem indifferent to negative news, thinking central banks will act to counter the forces slowing economic growth. However, concerns that current low interest rates leave the central banks little room to act may add to bumps in the road going forward.

In addition, there are pockets of equities that appear to be expensive—in other words, they have a higher than historically average price to earnings (P/E) ratio. The higher a stock's P/E ratio, the more money you have to invest for a corporation's expected future earnings (earnings per share, or EPS) than you would buying a stock with a lower P/E ratio. Typically, the more desirable a stock is perceived to be, the higher the ratio. For example, if a stock has a P/E ratio of 25, it means investors are willing to pay $25 to receive $1 of expected earnings; if its P/E ratio jumps to 60, it means investors are willing to pay $60 for that same $1 of earnings. The difference could be that the second company is expected to grow earnings faster over time.

Currently, the S&P 500 is in the 92nd percentile over a 15-year period, meaning P/E ratios have only been higher 8% of the time. The S&P 500 Growth Index is in the 93rd percentile. P/E ratios trending at such levels introduce concerns over an increased risk of volatility if stock prices settle to more reasonable valuations or companies fail to deliver on earnings estimates. While value stocks and smaller capitalization stocks have lower valuations relative to historical averages, and

Figure 8: 2018 and 2019 S&P 500 Daily Performance



Sources: Cetera Investment Management, Yahoo Finance, Standard & Poor's. Data as of 11/5/2019.

Figure 7: The Ponzo Illusion

Although the two blue lines are the same size, our perception of the intervening space—that it's a railroad track moving away from us—causes us to interpret them differently. Similarly, volatility that may have seemed normal in 2018 seems surprising today because the intervening time between them—the early part of 2019—was relatively calm. *(Illusion named for Mario Ponzo (1882 – 1960), an Italian psychologist.)*

international stocks, including emerging markets, are near their averages, investing purely on P/E ratios can be deceptive. A company's P/E ratios may be lower for a reason—and one which is not readily apparent.

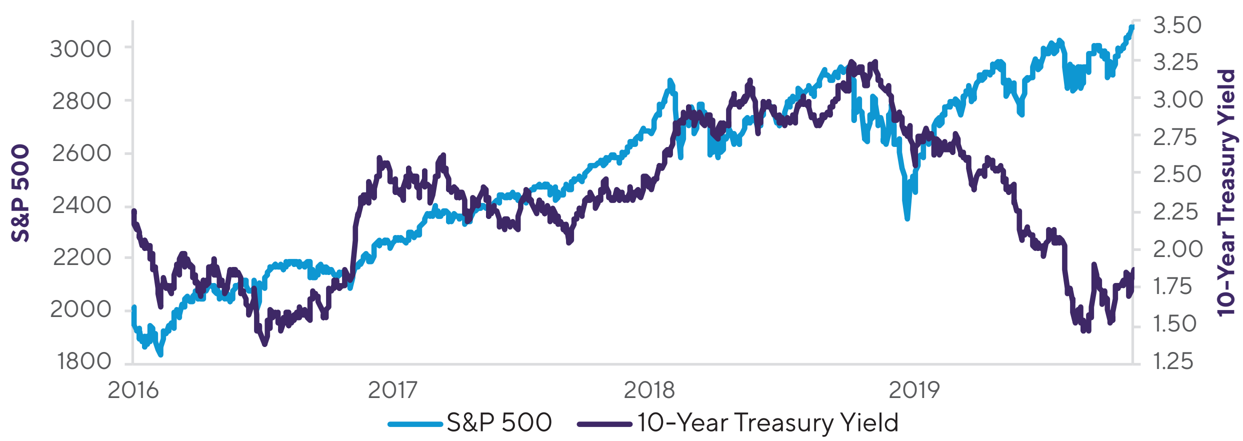
When equity markets go up, bond prices tend to go down. Because bond prices are in the denominator of the bond-yield calculation (dividend/bond price), when bond prices fall, their yields—the return an investor can expect from owning the bond—go up. Hence, when equity markets go up, bond yields go up with them—normally.

However, we are not in normal times, as bond yields are going down as equity prices rise **[Figure 9]**. Put in more human terms, bond investors seem pessimistic about the economy while equity investors remain optimistic. Perhaps equity investors feel lower bond yields will keep more investors in equities and stimulate growth to further prop up asset values. Another driver of this phenomenon could be that after a rough Q4 last year, there were fears of an impending major economic slowdown that never materialized, as stocks rebounded in January of this year. Since then, up until the trade dispute with China, U.S. stocks had actually been moving sideways, meaning they were staying in a tight range and not going too high (bullish) or too low (bearish). International indices are still below their January 2018 peak.

Summing Up Equity Markets

Considering the inflated valuations in some asset classes, which could be a harbinger of increased volatility, and the divergence between bond yields and equity prices, which signals a difference in opinion between these markets, we're suggesting a cautious stance on equities. This doesn't mean we think you should deviate from your long-term risk and return objective, or shy away from equities altogether. We recommend taking a diversified approach and limiting concentrations in any one sector or asset class. While valuations are on the high end in some cases, they may be buoyed by low interest rates, which make it easier for companies to borrow money, and lower yields in the bond market, which continue to make equities a more attractive option for investors seeking greater potential returns. Additionally, with such low levels of unemployment, inflation becomes a factor as employers offer higher wages to compete for labor and workers have more money to spend. Equities can be a good hedge against moderate levels of inflation, which has so far been subdued, but usually comes quickly and surprisingly.

Figure 9: S&P 500 vs. 10-Year Treasury Yield



Sources: Cetera Investment Management, Federal Reserve Bank of St. Louis, Department of the Treasury, Standard & Poor's. Data as of 11/6/2019.

Fixed Income

Inverted Treasuries

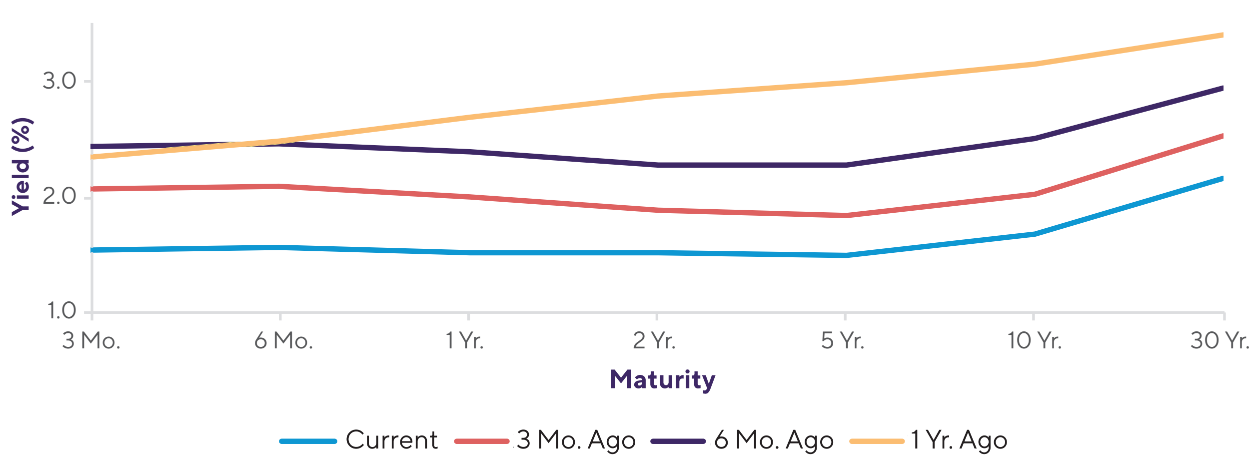
As noted in the previous section, with bond yields now negatively correlating to equity valuations, the bond markets may have you guessing which direction is up and which is down. But there is additional confusion in the fixed income market. Typically, the longer a bond's term to maturity the greater its yield, as it attempts to compensate investors for assuming greater risk that inflation will rise over time. However, 30-year Treasury bond yields are not that much more attractive than yields of 3-month Treasury bonds **[Figure 10]**. Treasury yields across maturities have been falling over time, but remain relatively flat, especially within the intermediate maturities. A year ago, the curves were steeper across the board.

The curve actually inverted at times in 2019. An inverted yield curve is a phenomenon that typically occurs before recessions, signaling that bond investors have bleak prospects about future growth. However, yield curves can invert from time to time with *no* resulting recession. It's another inconclusive clue of where the economy is headed, but a definitive signal that we are in strange times. Also certain is that with many countries' bonds posting negative yields, long-dated U.S. Treasuries have become more attractive on a relative basis.

High-Yield Bonds

Moving away from high-quality bonds like Treasuries, investors in other parts of the credit market seem fairly optimistic. One measure of market sentiment is credit spread, the difference between interest rates for corporate bonds vs. U.S. Treasuries. The higher the spread—the more compensation (yield) corporations must pay bond investors in exchange for loaning them money (buying their bonds) and accepting the extra default risk over Treasury bonds.

Figure 10: Inverted Yield Curve



Credit spreads have increased this year but are not signaling defaults. Default rates in the high-yield, or "junk bond," market are expected to be around 2%, which is in line with recent years. While there are no warning signs here, we are still cautious in the high-yield market. We think high-yield bonds can still act as a good diversifier within a well-crafted bond portfolio, but they do tend to correlate highly with equities in bouts of volatility, which we are anticipating in 2020.

There is another wrinkle in this market. Corporate debt is on the high side, as corporations have largely taken advantage of low interest rates and refinanced debt, sometimes incurring more debt to buy back equity and increase stock value. In addition, many corporations are issuing BBB-rated bonds, which are only one notch above the below-investment-grade junk bonds, which have ratings of BB and below.

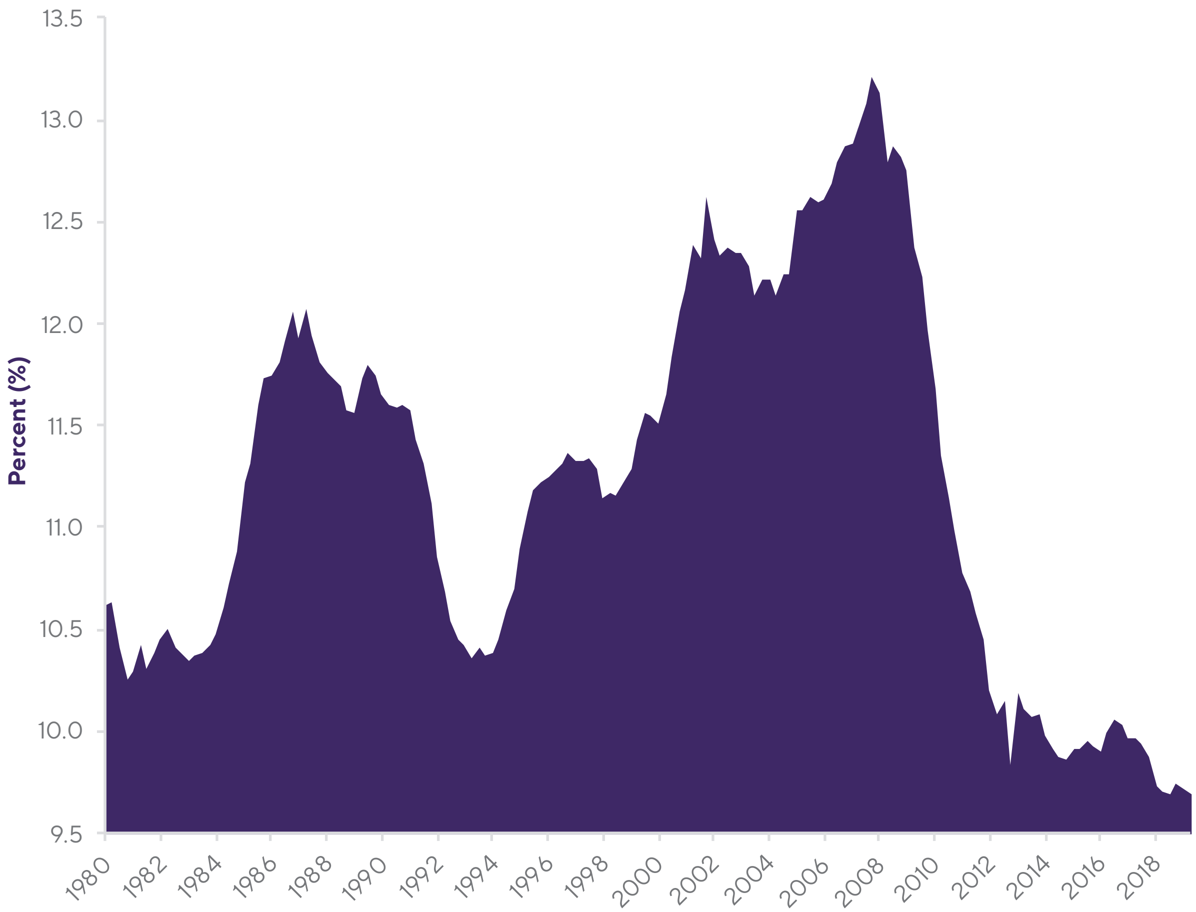
The percent of BBB bonds in the market has risen dramatically to nearly 50% of the investment-grade corporate bond market—double what it was in the 1990s. The risk here is that if we enter a recession, downgrades will occur, and if BBB-rated bonds get downgraded to BB, many institutions would be forced sell them, as they can't own below-investment-grade bonds. The junk-bond market also dwarfs the BBB bond market, and further downgrades to BB will dramatically increase the amount of debt represented by the high-yield market—one which by definition has an increased risk of default.

The BBB market's growth has certainly caught our attention, but may not be as big a cause of concern as it may seem. The majority of issuers in this market comprises a few banks, which have a lot of regulatory oversight, making them less likely to default.

Consumer Debt

How are consumers managing debt relative to the government and corporations? With the large issuance of government debt after the financial crisis, the U.S. national debt-to-GDP ratio is near World War II levels, which is to say it is very high. Likewise, as mentioned above, the amount of corporate debt has ballooned thanks to the lower cost of borrowing money and stock buy-backs. But despite all we hear in the press about consumers wrestling with increasing home prices and student loans, household debt to disposable income levels are at 40-year lows **[Figure 11]**. In aggregate, it looks like most people can afford their debt.

Figure 11: Household Debt to Disposable Income



Sources: Cetera Investment Management, Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System. Data as of 6/30/2019.

Like corporations, people have taken advantage of lower interest rates and refinanced mortgages. With unemployment rates near 50-year lows, there are actually more job openings than people looking for work. Consumers are confident but wary enough to not overleverage themselves like many did before the financial crisis, which is a very good sign. For these reasons, we favor an overweight to consumer-driven debt, such as mortgage-backed securities.

Summing Up Fixed Income

Bond markets seem mixed. On the high-quality side of things, the Treasury yield curve could be signaling that bond investors feel that future economic growth is sputtering, as longer maturity bonds are paying nearly the same yield as shorter maturity bonds, but with much more interest-rate risk. On the high-yield side, credit spreads suggest a different story. The amount of yield one receives for taking credit risk is higher than last year, but at moderate levels, suggesting defaults aren't likely to pick up anytime soon. High-yield investors seem to agree with equity investors that growth may be slow, but sustainably slow.

Similar to equity markets, diversification is key in bond portfolios. First, making sure your bond portfolio acts like a bond portfolio and as a countermeasure against falling equity prices is extremely important, and understanding what you own is critical: a bond portfolio that correlates to equities by having too much high-yield exposure could be detrimental in a market sell-off. Although yields are low, we don't recommend shunning longer-term bonds in a portfolio, and recommend a balance, as yields could go even lower in times of market stress.

Risks to Our Outlook

While we've touched on several risks to the market and the economy overall throughout this commentary, slower global growth and missteps from central banks as they try to maintain that growth are by far the most significant. Trade disruptions could exert further drag on growth and fuel market volatility, as can populist movements like Brexit. While the long-term merits of such movements are hotly debated, most agree that in the short-term there are costs. Little has been discussed recently about European contagion, as counties like France and Spain are watching to see how the U.K. fares, and Germany teeters on the brink of a recession. The tougher the economic times become, the tougher the rhetoric and the more widespread movements from both the left and the right may be.

Regardless of your political leanings, politicians always find new ways to surprise us, especially in the runup to elections. Just when it seems there could not possibly be more noise out of Washington, our expectations are likely to be overwhelmed. We anticipate plenty of political twists and turns in 2020, but urge you to focus on what you can control and not let optimism or pessimism about potential outcomes steer you from pursuing your own personal goals. Fiscal and trade policies can affect the economy, but the Fed can offset positive and negative impacts, and things are rarely as bad—or as good—as they seem. There is a significant chance we will simply see more congressional gridlock, regardless of whichever ideology captures the executive branch, in which case there will likely be little legislation to drive sweeping change.

One thing is for sure: we do expect volatility to pick up in 2020, so what's old is new again: being diversified with a long-term plan is still the best hedge against uncertainty and unease. Your financial professional can help you steer clear of illusions and ensure your plan, your financial objectives, and your life circumstances are in alignment and help you—no matter what happens around you—chart a clear path for the future.

Appendix: U.S. Economic Overview

Employment	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
US Nonfarm Monthly Payrolls ('000)	Oct-19	128	180	277	176	174
US Total Nonfarm Payrolls - YoY Change	Oct-19	1.4%	1.5%	1.8%	1.4%	1.6%
U3 Unemployment Rate	Oct-19	3.6%	3.5%	3.8%	3.6%	3.7%
U6 Unemployment Rate	Oct-19	7.0%	6.9%	7.5%	7.0%	7.3%
Quit Rate	Sep-19	2.3%	2.4%	2.3%	2.4%	2.3%
Job Openings: Total Nonfarm ('000)	Sep-19	7,024	7,301	7,392	7,166	7,370
Initial Jobless Claims ('000) 4 Wk. MA - Month End	Oct-19	215	213	216	215	218
KC Fed LMCI Momentum Indicator	Sep-19	0.5	0.6	1.3	0.7	0.9
Labor Force Participation Rate	Oct-19	63.3%	63.2%	62.9%	63.2%	63.1%
Employment to Population Ratio	Oct-19	61.0	61.0	60.6	61.0	60.7

Sources: U.S. Bureau of Labor Statistics | U.S. Employment and Training Administration | Federal Reserve Bank of Kansas City

Consumer	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
Retail Sales - YoY Change	Sep-19	4.1%	4.4%	3.9%	4.0%	3.4%
Vehicle Sales (Mil. Units, annualized)	Sep-19	17.2	17.0	17.3	17.0	17.1
Personal Savings Rate	Sep-19	8.3%	8.1%	7.5%	8.1%	8.1%

Sources: U.S. Bureau of the Census | U.S. Bureau of Economic Analysis

Production	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
Industrial Production - YoY Change	Sep-19	-0.1%	0.4%	5.4%	0.2%	2.1%
Capacity Utilization	Sep-19	77.5%	77.9%	79.3%	77.6%	78.4%
Core Capital Goods Orders - YoY Change	Sep-19	-0.8%	-0.7%	1.7%	-0.8%	1.9%

Sources: Board of Governors of the Federal Reserve System (US) | U.S. Bureau of the Census

Housing & Construction	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
Building Permits ('000)	Sep-19	1,391	1,425	1,288	1,378	1,317
Housing Starts ('000)	Sep-19	1,256	1,386	1,236	1,282	1,234
New Home Sales ('000)	Sep-19	701	706	607	691	650
S&P/Case-Shiller Home Price Index (20 city) - YoY Change	Aug-19	2.1%	2.1%	5.6%	2.1%	3.2%
Total Construction Spending - YoY Change	Sep-19	-2.0%	-1.9%	4.4%	-2.1%	-1.7%

Sources: U.S. Bureau of the Census | S&P Dow Jones Indices LLC

Appendix: U.S. Economic Overview

Survey Data	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
ISM Manufacturing PMI Composite	Oct-19	48.3	47.8	57.5	48.4	52.7
ISM Manufacturing PMI New Orders	Oct-19	49.1	47.3	57.4	48.5	53.0
ISM Non-Manufacturing PMI Composite	Oct-19	54.7	52.6	60.3	54.6	56.3
ISM Non-Manufacturing PMI New Orders	Oct-19	55.6	53.7	61.5	56.5	58.6
U. of Michigan Consumer Sentiment	Oct-19	96.0	93.2	98.6	93.0	96.0

Sources: Institute for Supply Management | University of Michigan

Inflation	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
Consumer Price Index (CPI) - YoY Change	Oct-19	1.8%	1.7%	2.5%	1.7%	1.8%
Personal Consumption Expenditure (PCE) - YoY Change	Sep-19	1.3%	1.4%	2.0%	1.4%	1.5%
Producer Price Index (PPI) - YoY Change	Sep-19	1.4%	1.8%	2.8%	1.6%	2.1%
Average Hourly Earnings - YoY Change	Oct-19	3.0%	3.0%	3.3%	3.1%	3.2%

Sources: U.S. Bureau of Labor Statistics | U.S. Bureau of Economic Analysis

GDP	As of	Latest	Previous	1 Yr. Ago	2 Qtr. Avg.	4 Qtr. Avg.
Real GDP - QoQ (SAAR)	Q3-19	1.9%	2.0%	2.9%	2.0%	2.0%
Real GDP - YoY Change	Q3-19	2.0%	2.3%	3.1%	2.2%	2.4%

Sources: U.S. Bureau of Economic Analysis

Other	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.
Treasury Yield Curve (10 Yr. Minus 2 Yr.) - Month End	Oct-19	0.17%	0.05%	0.28%	0.07%	0.17%
Philly Fed Leading U.S. Index	Sep-19	1.48	1.33	1.40	1.37	1.29

Sources: Federal Reserve Bank of St. Louis | Federal Reserve Bank of Philadelphia

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The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

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Russell 1000 Value Index measures the performance of the large cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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