

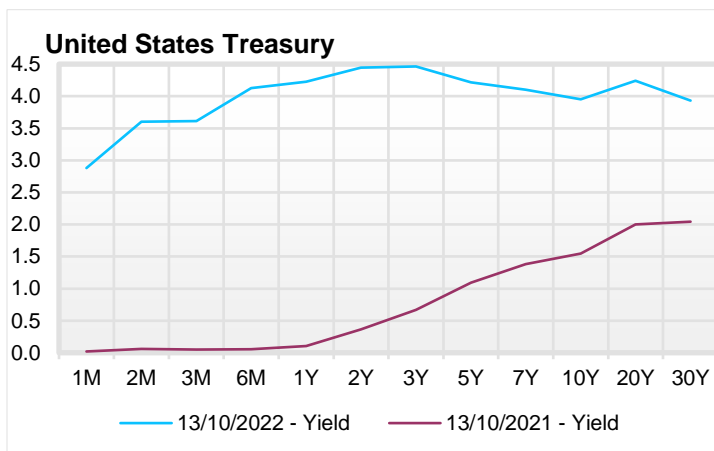
Economic Outlook

The S&P U.S. Purchasing Managers' Index came in at 52.0 for September versus 51.8 for August. The ISM Manufacturing Index came in at 50.9 for September versus 52.8 for August. From a services perspective, the S&P Services PMI was 49.3 for September versus 49.2 for August and the ISM Services Index was 56.7 versus 56.9 for August. The NFIB Small Business Index came in quite positive, at 92.1 for September, up from 91.8 in August. The overall U.S. Unemployment Rate was a strong 3.5% in September versus 3.7% in August. Average Hourly Earnings were up 0.3% in September, the same rate of increase as in August. U.S. Consumer and Producer Prices were up 0.4% in September, after having been relatively flat for August. On a year-over-year basis, consumer prices were up 8.2% in September, slightly less than the 8.3% annual increase into August, and marking three months in a row of lower year-over-year consumer inflation.

Fixed Income

The U.S. Treasury Yield Curve remains inverted, with the 10-year yield trading at 4.01%, 49 basis points below the 2-year yield of 4.50% (the yields are moving daily and as such may be slightly different than the table below). Overall yields have continued to move up over the past two weeks. This past week's monthly consumer inflation level of +0.4% for August has increased the probability that the Federal Reserve Open Market Committee will again raise the benchmark Federal Funds Rate at its November meeting. In terms of Interest Rates, future potential increases in short-term U.S. interest rates appear increasingly baked into existing yields. For example, the two-year U.S. Treasury yield is now 4.50%, which is 1.00% to 1.25% above the current Federal Funds Rate Range of 3.00% to 3.25%.

Yield Curve



Current Generic Bond Yields

	Treasuries	Agencies	Corporates	Municipals
3 Mo.	3.72%	4.37%	4.24%	2.90%
6 Mo	4.31%	4.42%	4.35%	2.95%
1 Yr	4.48%	4.51%	4.57%	3.05%
2 Yr	4.50%	4.64%	4.73%	3.08%
5 Yr	4.26%	4.53%	4.88%	3.15%
10 Yr	4.00%	4.41%	5.01%	3.36%
30 Yr	3.97%		5.39%	4.11%

Equity

US Equity is positive month-to-date as the S&P 500 has risen +0.29%. The week closes as the S&P 500 hit fresh year-to-date intra-day lows on Thursdays open yet rose 5% to close the day positive; this type of reversal has only happened five times in the index's history. There doesn't seem to be a specific reason behind the bounce with oversold conditions and positioning the go to excuse. The inflation narrative remains dominant as the S&P 500 continues to balance on its current support levels.

Index Returns	YTD
Dow Jones Industrials	-17.02%
S&P 500 (LCap)	-23.62%
S&P 400 (MCAp)	-20.89%
Russell 2000 (SCap)	-24.79%
NASDAQ Composite	-33.72%
MSCI EAFE (Intl)	-26.88%
Real Estate	-32.00%