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and away, we, go…
FOURTH QUARTER 2018

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Market Environment Summary

> Make volatility great again…
>
> *-Fintwit*

The first 273 days of the year are in the books and assuming your focus is on the United States equity market, it's been quite an impressive year. The third quarter wrapped up and it marked the strongest third quarter on record since 2013, for the S&P 500. The seasonally weak September even proved to be resilient, as the month ended with a positive return for the S&P 500 in the final trading days of the period. In the three months ending September 28th alone, the S&P 500 climbed 7%, bringing the total return for the U.S. index north of 10.5% YTD. Sounds great, right? Shift your sites from those 505 U.S. companies and you might think the boarders of the United States marked the edge of the Twilight Zone. As far as the eye can see, and beyond Christopher Columbus' (alleged) journey, lies a sea of red. Emerging market equity and debt, foreign developed equity and debt, the U.S. aggregate bond market…all negative total returns year to date through the third quarter. This has left many investors advocating for the U.S. equity market as the only market worth participating in, and some scratching their heads. The start of the fourth quarter seems to have provided an answer to the latter, and perhaps generated concern for both points of view. In the first few sessions of the final quarter of the year, the S&P 500 has played catch up, shaving 5% off its return for the year . Volatility seems to have come back from summer vacation.

Authors: GFG Capital

Data: Provided by Bloomberg database. Past performance is not indicative of further returns.

Global Market Overview

3rd QUARTER 2018

A historically sensitive quarter for equities, the third quarter proved to be the best on record for the S&P 500 dating back to 2013. On a global level, equities churned higher, an overarching theme for the year, led by the U.S. market. The dollar continued to be bounce within it's price range, as it edged higher 5% vs its global peers.

GLOBAL EQUITIES

5.1%

WORLD INDEX

Global equities were lower to start the year after an exceptionally strong start in January.

GLOBAL FIXED INCOME

-0.04%

TOTAL BOND

Fixed income managed to provide some cushion on a global scale, but investors who were not willing to take on EM risk, did not fair so well.

COMMODITIES

-2.0%

BLOOMBERG COMMODITY

Commodities finished lower in the period, a move that is seldom seen with equities and bonds each finishing negative as well.

CURRENCIES

5.0%

DOLLAR INDEX

Dollar weakness was a main talking point in Q1, which added to inflation concerns in the first 90 days.

GLOBAL GROWTH

3.6%

WORLD GDP

Global growth was strong to end 2017, with expectations for a pickup in growth in the coming months.

REAL ESTATE

UNITED STATES	5.9%
CHINA	0.9%
EUROPE	4.3%

Real estate remains strong in global markets, with housing providing stability to the expansion in the U.S.

INFLATION

UNITED STATES	2.0%
CHINA	2.5%
EUROPE	2.1%

Inflation remains at the forefront of investors' minds. The most recent CPI readings less-food and energy came in below 2% in the U.S.

EMPLOYMENT

UNITED STATES	3.7%
CHINA	3.8%
EUROPE	6.8%

Employment continues to drop at a rapid rate, and full employment is close in US.

Source: Data using Bloomberg data. **World Index**: MSCI World Index. **Total Bond**: Vanguard Total Bond Fund BNDX. **Commodities**: Bloomberg Commodity Index. **Dollar Index**: DXY Dollar Index. **World GDP**: Bloomberg Data. **Real Estate**: US/ Case Shiller 20 City YoY, China: China First Tier Cities Newly Built Residential Buildings Prices YoY Average, Europe Eurostat House Price Index European Union YoY **Inflation:** US**:** US Personal Consumption Expenditure Core Price Index YoY SA, China: CPI National Bureau of Statistics of China, Europe: Eurostat European Union HICP All Items YoY NSA, **Employment**: US: BLS Unemployment Rate, China: China Qtrly Registered Unemployment Rate in Urban, Europe: Eurostat Unemployment EU SA. Past performance is not indicative of further returns.

Current Positioning

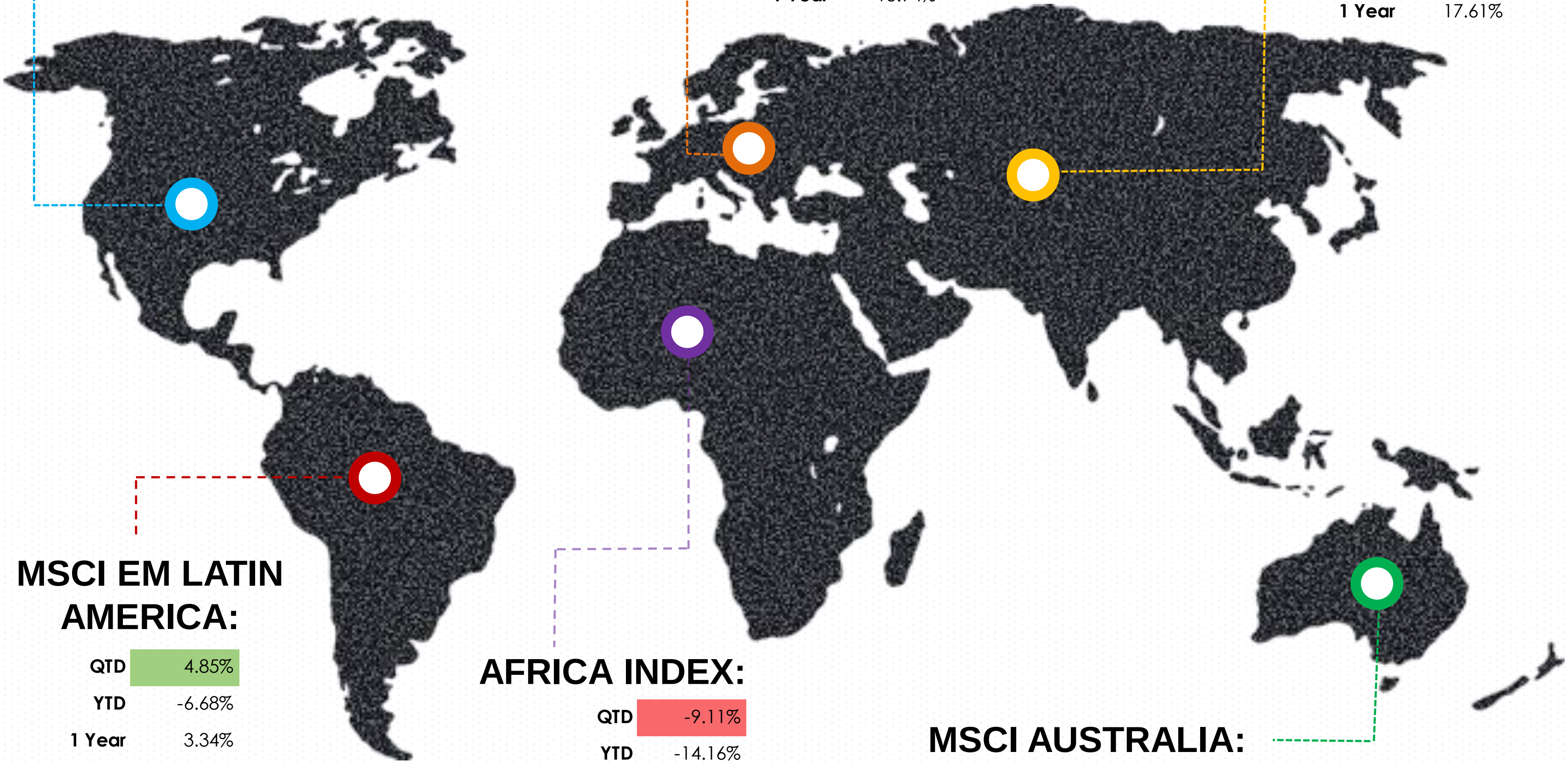
◀ Negative shift in sentiment QOQ — No shift in sentiment QOQ ▶ Positive shift in sentiment QOQ

Asset Class		Rationale
IG Debt	▶	With bond yields on the U.S. 10 year reaching 3.2% at the beginning of the quarter, we're seeing an increasing usefulness in short dated investment grade corporate debt.
TIPS	—	Relative performance of TIPS should continue to be supportive of the asset class, but we view the allocation as a hedge more than anything.
US High Yield	—	Credit spreads have been in a downtrend since the S&P 500 peaked in January this year. With spreads widening through August, we view the HY space as well covered. Spreads began to tighten in September, signaling a risk-on environment.
Senior Loans	—	With the short end of the yield curve experiencing the bulk of the move at this point, we remain constructive of the floating floor structure of the asset class. We're cautious on the new issues coming to market price above historical mean levels.
EM Debt	◀	The sheer demand for yield still remains a huge catalyst for the space for what seems like the foreseeable future. However, cyclical weakness and headline risks are too great for us to carry dedicated exposures today.
US Large Cap Value	◀	We are increasingly pessimistic of investors subscribing to the traditional style box investment approach. We do not view traditional LCV as a particular driver in allocations today. We are more constructive on targeting other investment factors.
US Large Cap Growth	◀	We are increasingly pessimistic of investors subscribing to the traditional style box investment approach. We do not view traditional LCG as a particular driver in allocations today. We are more constructive on targeting other investment factors.
US Small Caps	—	We remain constructive on exposure to the size premia in long-term investment portfolios. We continue to caution investors to be wary of their size exposures to ensure this small company anomaly is properly accounted for.
Asian-ex Japan Equities	—	2018 has been a stark contrast for Asian equities from the 2017 campaign. We believe there is immense value for an investor to carry strategic exposures to this region over a long-term time horizon. We fully expect higher volatility along the way, coupled with outsized returns.
Emerging Market Equities	—	Relative performance in 2018 has setup for a test of the Emerging Markets' recent economic and equity trends. We believe the space has been punished with a wide brush, and that fundamental strength remains at the core of the EM economies.
EAFE Equities	—	Relative valuations to the United States have grown increasingly compelling as weakness persisted through the first three quarters this year. As the exportation of technology from the United States and China continue, we view EAFE economies as playing a pivotal role in the global supply chain.
Infrastructure	—	Long-term we see the value of having an infrastructure play within our portfolio. We continue to source direct/private investment opportunities. Infrastructure as an asset class is still very immature which creates a hurdle for access in the secondary market.
Alternatives	—	With valuations not cheap we remain focused on allocating portions of assets to lower correlated, yet interesting alternative investment ideas. In order for an investor to achieve desirable returns over the long-term today, we see increased value in private investments.
Real Estate	▶	We believe on a residential level, the health of the consumer continues to strengthen which bodes well for the housing market. With signs of increased millennial homeowner rates, the space stands to benefit immensely.

*No bull or bear icon indicated a neutral stance on the asset class

Source: Data using Bloomberg data. Please contact GFG Capital for any additional information: Opinions are that of GFG Capital and should not be used for any investment decisions.

Global Market Performance: in USD



MSCI US:

QTD	7.51%
YTD	10.63%
1 Year	26.94%

MSCI EUROPE:

QTD	0.80%
YTD	-2.46%
1 Year	13.94%

MSCI ASIA PACIFIC:

QTD	0.59%
YTD	-2.60%
1 Year	17.61%

MSCI EM LATIN AMERICA:

QTD	4.85%
YTD	-6.68%
1 Year	3.34%

AFRICA INDEX:

QTD	-9.11%
YTD	-14.16%
1 Year	4.29%

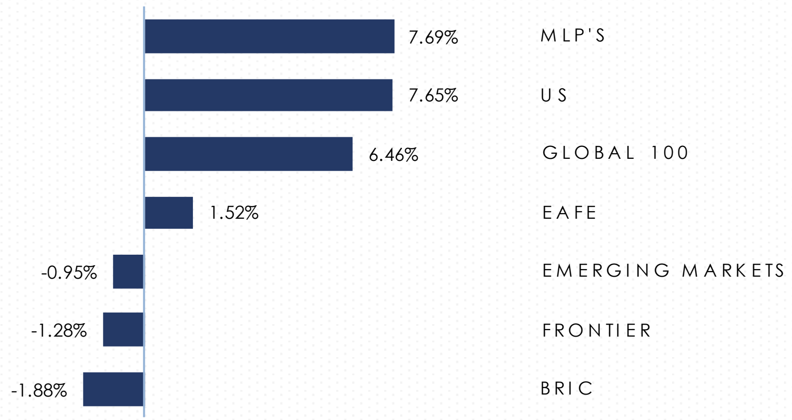
MSCI AUSTRALIA:

QTD	-2.17%
YTD	-2.66%
1 Year	4.45%

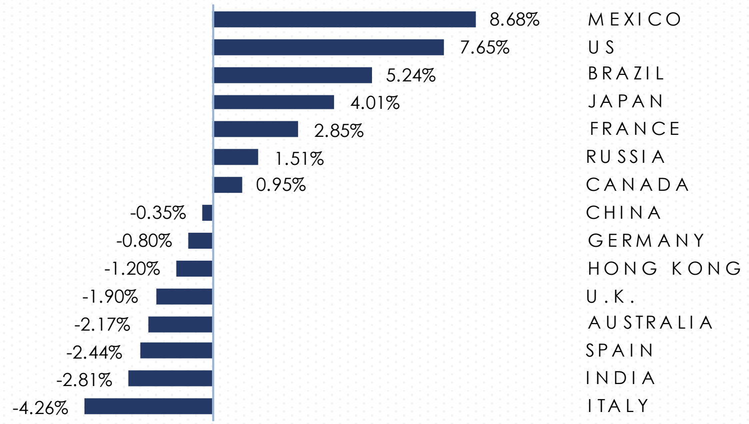
Source: Data using Bloomberg data. Each return stream is derived using MSCI Indices. MSCI United States Index, MSCI Europe Net Return USD Index, MSCI AC Asia Pacific Index, MSCI Emerging Markets Latin America Index, MARKET VECTORS AFRICA INDEX, iShares MSCI Australia ETF. Past performance is not indicative of further returns.

Equity Market Performance

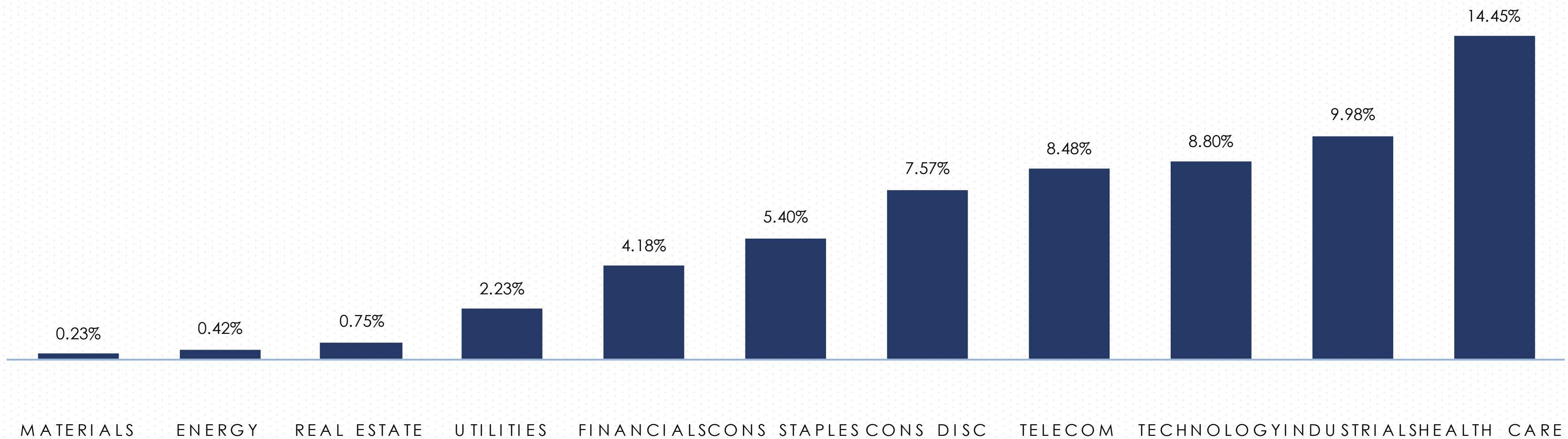
GLOBAL EQUITIES



EQUITIES BY COUNTRY



U.S. SECTORS

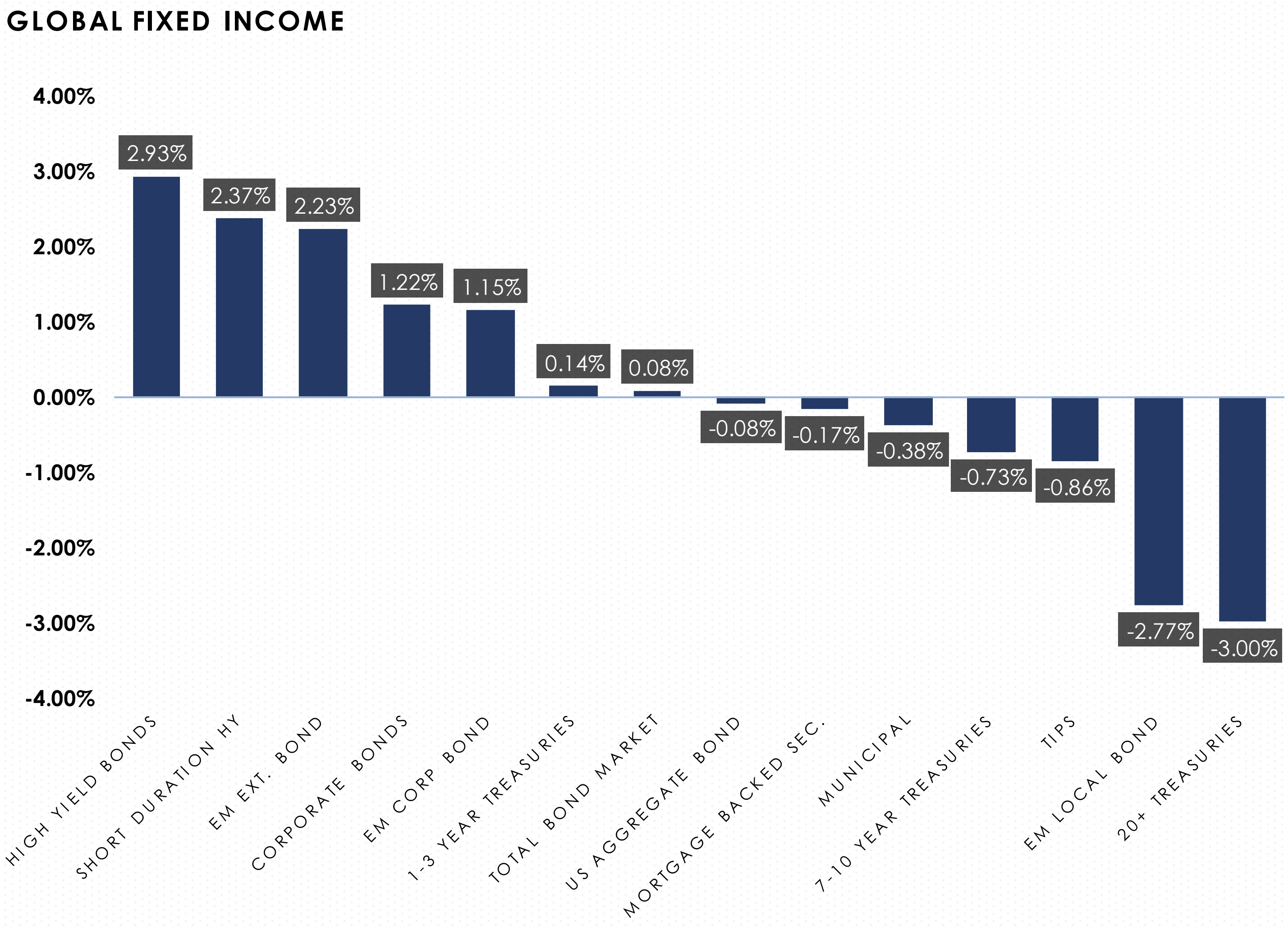


Data Used: Data using Bloomberg data. US (SPY ETF), MLPs (AMLP ETF), Frontier (FM ETF), Global 100 (LOO ETF), Emerging Markets (EEM ETF), EAFE (EFA ETF), BRIC (EEB ETF), India (INP ETF), China (FXI ETF), Hong Kong (EWH ETF), Canada (EWC ETF), Australia (EWA ETF), Japan (EWJ ETF), Spain (EWP ETF), UK (EWU ETF), France (EWQ ETF), Italy (EWI ETF), Mexico (EWW ETF), Germany (EWG ETF), Brazil (EWZ ETF), Russia (RSX ETF), Utilities (XLU ETF), HealthCare (XLV ETF), Technology (XLK ETF), Constumer Staples (XLP ETF), Financials (XLF ETF), Industrials (XLI ETF), Consumer Discretionary (XLY ETF), Materials (XLB ETF), Telecom (IYZ ETF), Energy (XLE ETF). These securities were selected based solely on their country exposure. GFG is not recommending a prospective client buy these positions. The above is provided for information purposes only and is not a forecast of sectors or equities . Past performance is not indicative of future returns.

Global Fixed Income Markets

Commentary: Bond yields continued to creep higher in the third quarter, albeit at a slightly slower pace than the first half of the year. But that didn't derail the conversation surrounding the input for just about all valuation metrics across the globe. The year has been particularly tough for fixed income investors, as the U.S. Aggregate Bond Index is down more than 3% for the year through the first 3 weeks of October.

But it is important for investors to remember a rise in bond yields is the only way a measurable real return will be made in the asset class in the long term. So long as an investor's holding period out stretches the period of rising yields, bond investors will benefit from the rise in yields.



Data Used: 20+ Treasury (TLT ETF),Municipal (MUB ETF), 7-10 Treasury (IEF ETF), Total Bond Market (BND ETF), US AGG (AGG ETF), MBS (MBB ETF), 1-3 Treasury (SHY ETF), Corporate Bond (LQD ETF), EM EXT Bond (EMB ETF), Short Duration HY (HYS ETF), EM Corp (CEMB ETF), High Yield Bonds (HYG ETF), TIPS (TIPS ETF), EM Local (LEMB ETF)

Source: Data using Bloomberg data. Please contact GFG Capital for any additional information: Opinions are that of GFG Capital and should not be used for any investment decisions. These securities were selected based solely on their specific fixed income exposure. GFG is not recommending a prospective client buy these positions. Past performance is not indicative of further returns.

RECENT MARKET drivers

Recent Market Drivers

Economic Growth	While 2017's favorite term of "global growth synchronization" has been tested thus far in 2018, signs are still pointing towards positive global growth. Specifically within the United States, there seems to be little evidence of imminent recession. Unemployment claims are also in a declining trend, reaching a new 49 year low in late-September. Historically, claims have started to rise at least 7 months ahead of the next recession.
Yield Curve	Bond yields have been on the move since summer 2016, which began to escalate the conversation of the yield curve heading towards inversion. The yield curve has 'inverted' (10 year yields less than 2-year yields) ahead of every recession in the past 40 years. The lag between inversion and the start of the next recession has been long: at least 10 months and in several instances as long as 2-3 years. On this basis, the current expansion will likely last through 2018 at a minimum.
Trade Wars	The Federal Bank of St. Louis will tell us that when a country increases their tariffs by at least 3.5% in one year, imports as a percent of GDP decline by 2.5%, wages fall by close to 2% and investment-to-GDP declines by 1% . Naturally, corporate earnings would follow suit.
Inflation	Coming into the year, inflation lied on the side of tail risks in our mind. There seemed to be no shortage of catalysts that could force inflation to creep in higher than anticipated. This would have seemingly caused a domino effect for many assets across the globe. Interestingly enough, some of these catalysts came to fruition, even more bigly than anticipated, but inflation seems to be tamed. Ultimately a good thing, however we remain cautious on the sensitivity of prices within the economy.
Low Return Environment	Low return environment are three words investors have been sold for nearly a decade. As we entered 2018 we outlined the reasons why there was more evidence of this concept today than in prior years. Coming off a year with exceptional returns, we reinforced these fundamentals and that extrapolation of 2017's performance could be a costly mistake. As we wrapped up H1, a return of volatility and a bit more pause from investors have supported this low return environment in a way 2017 couldn't fathom.
Earnings Growth	Earnings growth has been robust in the United States in 2018. Policy bumps have seen bottom line growth live up to expectations thus far, but an interesting note from earnings transcripts in the current earnings season: the term "tariff" has been mentioned during the earnings calls of twelve S&P 500 companies to date, with six of these twelve companies citing a negative impact linked to tariffs. This compares to only 1 mention from Q2 at the same point in the season.
Fed Chair Speaks	Much criticism was brought to the newly minted Fed Chair Jerome Powell for his language used when discussing inflation in the U.S. economy. Something we think is overblown, we think thus far Chair Powell has navigated effectively. We mentioned at the start of the year that how the Fed maneuvers post-June is a true signal of the new regime's ability. So far, so good.
Volatility	Volatility in 2018 has made itself much more known than in the calendar year of 2017, but that's not saying much. Its important to keep in mind that while we've seen double digit daily moves greater than or less than +/-1% in 2018, we're on pace for historical norms. The divergence of the U.S. vs everybody else seemed to be a big enough catalyst for this year's second pullback in 9 months. We fully believe the anomalies are behind us when it comes to volatility and that normal equity behavior should be expected.
Emerging Markets	Emerging markets have entered Bear Market territory at the start of the fourth quarter, while international developed equities are in correction territory. In an environment that has seen the dollar play a prominent role, bond yields return to usefulness and trade discussions dominating the airwaves; the environment hasn't been kind to these emerging economies. Both equity and debt securities in the global EM regions have been trounced this year. A positive resolution on the trade front, along with a somewhat accommodative Fed could be the recipe for a rebound.

Source: Opinions are that of GFG Capital and should not be used for any investment decisions. 1) Data is derived by Bloomberg and analyzed by GFG Capital. The data referenced above is also shown on page 14 of this presentation.

as rates normalize…so do equities

Stocks Go Up, and Down

Earlier this year investors were reintroduced to volatility. After a year for the history books, the S&P 500 corrected in February (declined by 10%) after sprinting out of the gate like Secretariat at the Belmont Stakes in 1973. The tremendous machine took a breather and investors were forced to reassess market expectations. If not maybe from a return expectation stand point, at the very least a behavioral one.

Straight to the Facts

Less than two weeks into the fourth quarter and the market has pulled back by 5% from the all-time-highs reached at the end of September, and investors are searching for reasons as to why this is the one. First they came for bond yields, but we just dismissed that. Then they came for normal equity behavior, so now we're speaking out.

Pullbacks are common. Corrections are common. Volatility is common. Not all downward movements in stocks are signs of paralyzing bear markets. In fact, most aren't. To the right is a convenient table from Yardeni Research of market corrections and bear markets in the Post War era. On this list there are 12 (by our count, 10 by definition) bear markets. **Eight** of them were **accompanied by economic recessions**. The two bear markets on this list that didn't come along with a fundamental economic breakdown were joined by a crescendo slope in interest rates, and the other by a flash crash.

The concept of bear markets and recessions arriving together shouldn't be too hard to digest. Economic recessions are by definition, periods of significantly weak consumer and corporate health and spending. Why wouldn't this be the recipe for stock market weakness? Better question, do we see weakness in the economic data today? We don't, yet. What should investors keep an eye on? Unemployment claims rising (currently at 18 year lows), S&P 500 peaking (on average, 7 months ahead of recessions) and new home sales (see above about rising rates) are three indicators that have historically played a role in the recipe. Perhaps more applicable today, trade. But more on that later.

We might sound like a broke record, but we'd venture to say that 2017 has a large of a psychological impact on investors as did 2008. A year where volatility literally vanished from the scene, even the slightest bump in the night has investors in a cold sweat. What we've experienced so far into 2018 has been right in line with not only long-term averages (dating back to 1928), but since the recovery began in 2009.

S&P 500 Corrections & Bear Markets

Table 2: S&P 500 Corrections & Bear Markets

Peak Date	Trough Date	Peak Price	Trough Price	Percent Loss	Number of Days**	Recessions
6/12/1950	7/17/1950	19.40	16.68	-14.0	35	
1/5/1953	9/14/1953	26.66	22.71	-14.8	252	1953-54
9/23/1955	10/11/1955	45.63	40.80	-10.6	18	
8/2/1956	2/12/1957	49.74	42.39	-14.8	194	
7/15/1957	10/22/1957	49.13	38.98	-20.7	99	1957-58
8/3/1959	9/28/1960	60.71	52.48	-13.6	422	1960-61
12/12/1961	6/26/1962	72.64	52.32	-28.0	196	
8/22/1962	10/23/1962	59.78	53.49	-10.5	62	
2/9/1966	10/7/1966	94.06	73.20	-22.2	240	
9/25/1967	3/5/1968	97.59	87.72	-10.1	162	
11/29/1968	5/26/1970	108.37	69.29	-36.1	543	1969-70
4/28/1971	11/23/1971	104.77	90.16	-13.9	209	
1/11/1973	10/3/1974	120.24	62.28	-48.2	630	1973-75
11/7/1974	12/6/1974	75.21	65.01	-13.6	29	
7/15/1975	9/16/1975	95.61	82.09	-14.1	63	
9/21/1976	3/6/1978	107.83	86.90	-19.4	531	
9/12/1978	11/14/1978	106.99	92.49	-13.6	63	
10/5/1979	11/7/1979	111.27	99.87	-10.2	33	
2/13/1980	3/27/1980	118.44	98.22	-17.1	43	1980
11/28/1980	8/12/1982	140.52	102.42	-27.1	622	1981-82
10/10/1983	7/24/1984	172.65	147.82	-14.4	288	
8/25/1987	12/4/1987	336.77	223.92	-33.5	101	
1/2/1990	1/30/1990	359.69	322.98	-10.2	28	
7/16/1990	10/11/1990	368.95	295.46	-19.9	87	1990-91
10/7/1997	10/27/1997	983.12	876.99	-10.8	20	
7/17/1998	8/31/1998	1186.75	957.28	-19.3	45	
7/16/1999	10/15/1999	1418.78	1247.41	-12.1	91	
3/24/2000	10/9/2002	1527.46	776.76	-49.1	929	2001
11/27/2002	3/11/2003	938.87	800.73	-14.7	104	
10/9/2007	3/9/2009	1565.15	676.53	-56.8	517	2007-09
4/23/2010	7/2/2010	1217.28	1022.58	-16.0	70	
4/29/2011	10/3/2011	1363.61	1099.23	-19.4	157	
5/21/2015	8/25/2015	2130.82	1867.61	-12.4	96	
11/3/2015	2/11/2016	2109.79	1829.08	-13.3	100	
1/26/2018	2/8/2018	2872.87	2581.00	-10.2	13	

Source: Opinions are that of GFG Capital and should not be used for any investment decisions. 1) Data is derived by Bloomberg and analyzed by GFG Capital. Graphs provided by Yardeni Research.

midterm elections…who cares?

Midterms

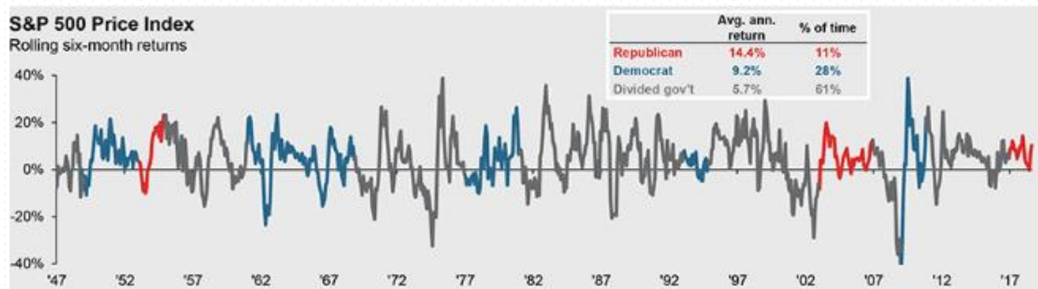
The fourth quarter has started off with a bang, and we think it's only getting started. We won't have any shortage of catalysts for noise to end the year. The midterm elections next month are at the top of the list. So, a quick note on political parties and portfolios: *don't mix them*.

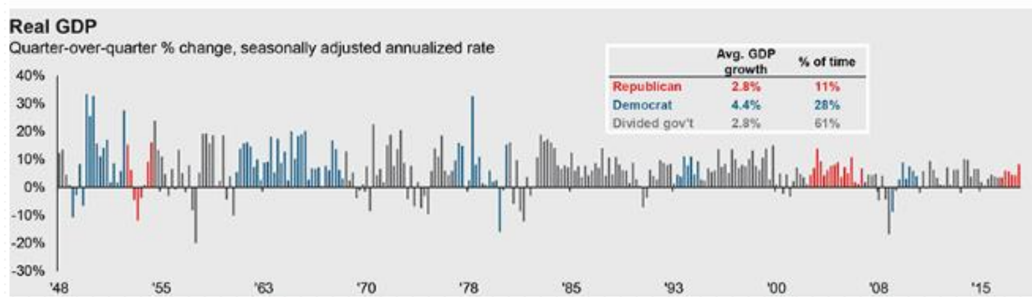
Gridlock

The fourth quarter has started off with a bang, and we think it's only getting started. We won't have any shortage of catalysts for noise to end the year. The midterm elections next month are at the top of the list. So, a quick note on political parties and portfolios: *don't mix them*. Separation of partisan and portfolio is high on our list of investment advice to all market participants. We aim to keep our investment decisions evidence based, and long-term in thinking. But if Capitol Hill asset allocation is your thing, take a look to right[1]:

We spend the majority of the time with a gridlocked governing body. Even with the struggle this breeds from a policy stand point from time to time, equity returns have still historically been positive, albeit slightly below the long-term average annualized return. Single party representation has yielded slightly better results with a smaller sample size. Republican leadership has shown to be fruitful for equities, while Democratic powers have generated greater economic growth. So, let's call it a wash and move on. We don't view midterm elections as macro events with significant implications the way the general election can be perceived. So, we recommend investors don't confuse the noise and or results surrounding the event for signal, potentially impacting their investment decisions.

What's happening in November that's garnered a bit more of our attention? The two leaders of the (not?) Trade War that's unraveled this year. President Trump and President Xi have agreed to meet at the end of November in Brazil at the G20 Summit. With tariffs increasing both in dollar amount and imposition through the first three quarters, neither side has blinked (sort of). What's at risk now is corporate earnings in 2019 here in the United States.





Source: Please contact GFG Capital for any additional information: [1] Chart provided by J.P. Morgan. Opinions are that of GFG Capital and should not be used for any investment decisions. These securities were selected based solely on their specific equity exposure. GFG is not recommending a prospective client buy these positions. Past performance is not indicative of further returns. Data using Bloomberg data. Graphs provided by Charles Schwab.

rising bond yields aren’t going to kill your portfolio

Bond Yields

Bond yields have been on the move in 2018 disrupting asset classes across the globe, and some investors have been left puzzled. Not only do we view this as a net positive for bond investors in the long run, we think this creates the opportunity for asset allocations to migrate closer toward intended risk profiles. With higher bond yields, equities have a higher hurdle to clear from a return perspective to be a viable alternative. This is called equity risk premium.

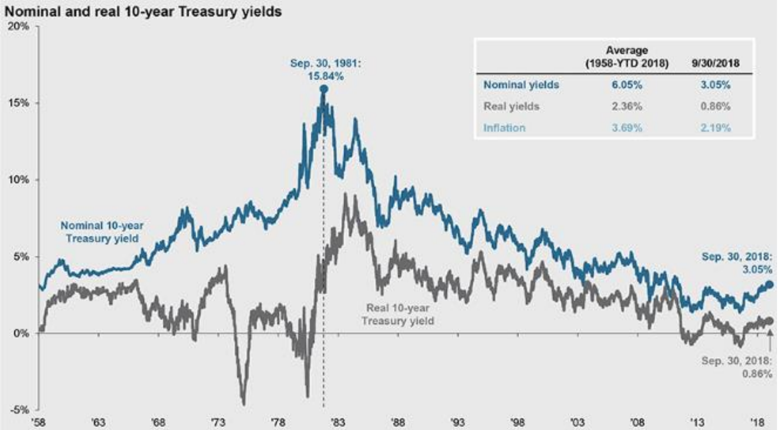
Is the run over?

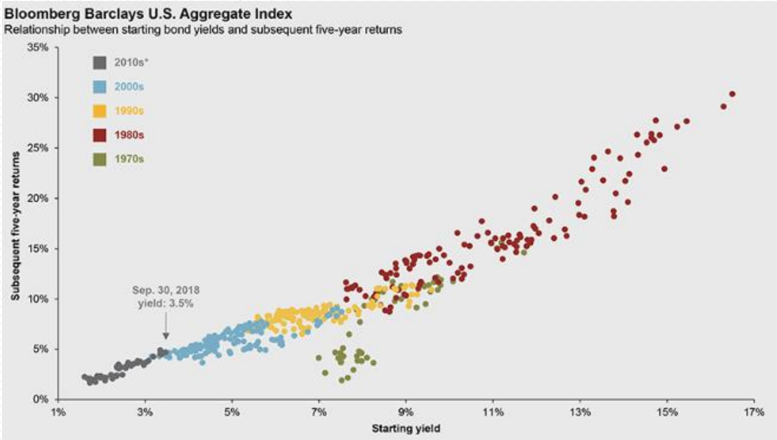
Bonds, and bond investors, have had seemingly no trouble generating a return over the last 30+ years (top). A bull market in bonds has been running at what seems like at an unstoppable rate. Naturally, there’s been no complaints from owners of these assets. But we’re seeing bond yields begin to move in a direction that is relatively foreign for many, which triggers a divergence in trend in price. This has left many investors to ask questions of how a change in environment will impact their fixed income positions. Have the good times come to an end? Not necessarily, we think things are setting up for a better picture down the road.

What’s in a return?

When investors hear “rising yields”, they should think to themselves “rising returns.” Diversified asset allocations carrying bonds and stocks, generally speaking, need a contribution from both ends of the spectrum to get the job done. When it comes to bonds, that means we need yield. If we’re suddenly faced with the option for meaningful yield to be generated from traditional safe haven assets, we should be breathing a sigh of relief. The alternative, which has been the reality for several years, is investors are forced outward along the risk spectrum in order to satisfy any investment objectives in the meantime. With bond yields on the globally accepted risk free assets now approaching 1% in real terms, we’re re-entering a historically normal environment. Take a look to the right[1]:

On the top we can see the steady climb in yields we’ve been talking about since 2016. To the right, we are able to observe total returns of the U.S. Aggregate Bond Index over the last 40 years . The two images should look like mirrors of each other. But what we want investors to take away here is, higher yields have historically led to greater total returns in the fixed income asset universe. With inflation seemingly under control at the moment, we don’t think there are strong parallels to the ‘70s in today’s environment. So we take this rise in yields as a net benefit to bond investors.





Source: Please contact GFG Capital for any additional information: [1] Chart provided by J.P. Morgan. Opinions are that of GFG Capital and should not be used for any investment decisions. These securities were selected based solely on their specific equity exposure. GFG is not recommending a prospective client buy these positions. Past performance is not indicative of further returns. Data using Bloomberg data. Graphs provided by Charles Schwab.

equities

S&P 500 Market View

Positive performance for the index in the most recent quarter pushed YTD returns north of 10% before quickly retreating. However, pricing remains range bound as we look ahead to earnings to deliver on the anticipated growth. While the index still remains less than 6% from all-time highs, valuations today are much more tame than recent months, and historical market tops.

S&P 500 Price

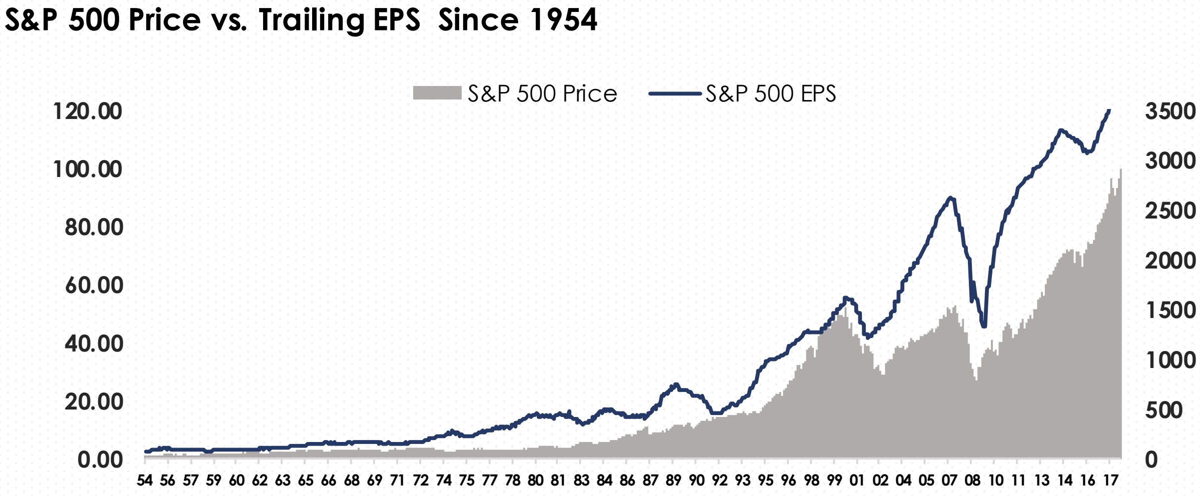
Characteristics	2000	2007	Current
Price	1,527	1,565	2,773
Forward PE	25.6	15.2	17.0
Dividend Yield	1.10%	1.80%	1.90%
10 Year Treasury	6.20%	4.70%	3.17%

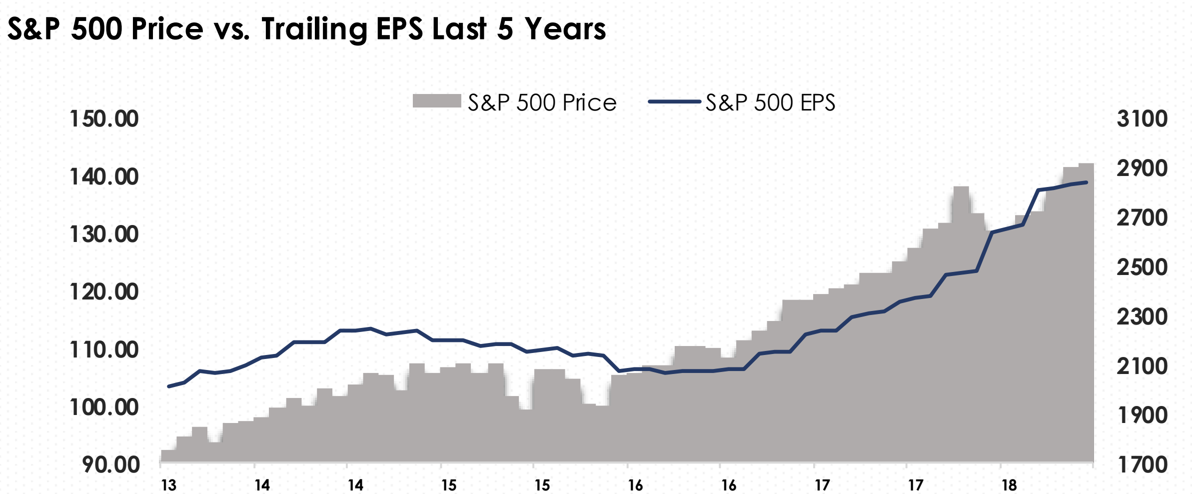
Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

Price vs. Earnings Growth

Commentary: When looking at the price action and growth of earnings, it is clear to see that earnings drives price. We maintain this mantra throughout our analytical process and know that reaching for returns is not an investment decision we are willing to make. Earnings have been on a positive streak of growth over the last 12 months after an extended period of decline dragged down by energy.

For Q3 2018, the blended earnings growth rate for the S&P 500 is 19.1%. If 19.1% is the actual growth rate for the quarter, it will mark the third highest earnings growth since Q1 2011 (19.5%).





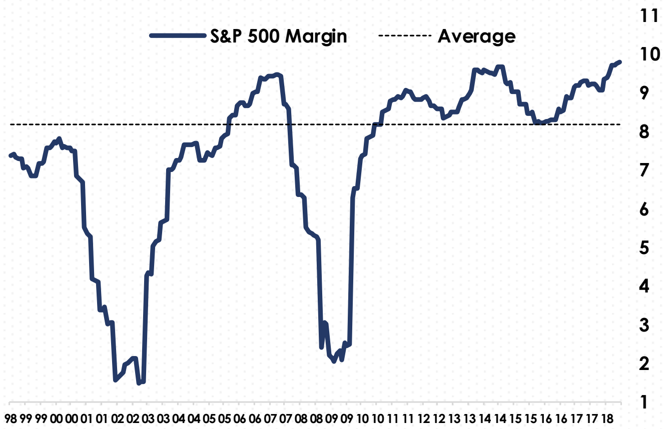
Source: [1] Factset. S&P 500 Index. EPS= Earnings Per Share. Bloomberg L.P. Chart created by GFG Capital.

S&P 500 Profits & Leverage

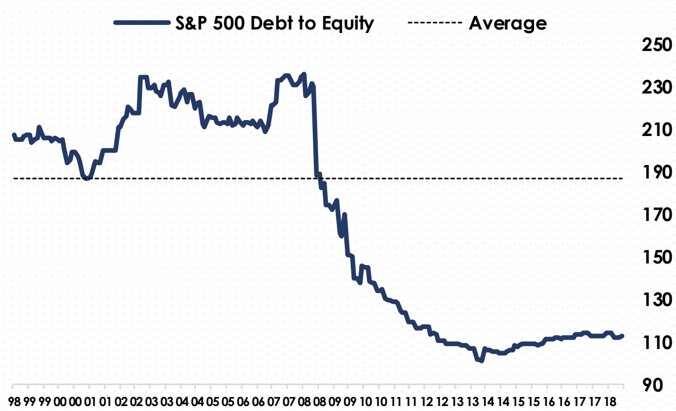
Commentary: The blended net profit margin for the S&P 500 for Q3 2018 is 11.6%. If 11.6% is the actual net profit margin for the quarter, it will mark a tie with the first quarter (Q1 2018) for the second highest net profit margin for the S&P 500 since the data was first widely tracked 10 years ago.

What is driving the higher net profit margins for the index? The reduction in the corporate tax rate due to the new tax law is likely a significant factor, as the lower tax rate has boosted earnings for companies in the index for the quarter. It appears the lower tax rate is more than offsetting the impact of rising costs, resulting in a near record-level net profit margin for the index for the third quarter.

S&P 500 Profit Margin

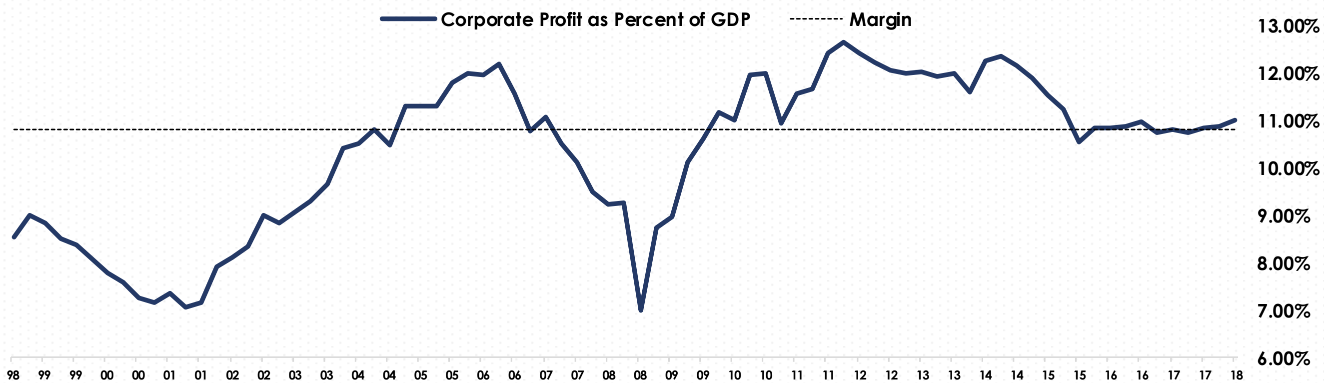


S&P 500 Total Debt to Equity



US Corporate Profit as a Percent of GDP

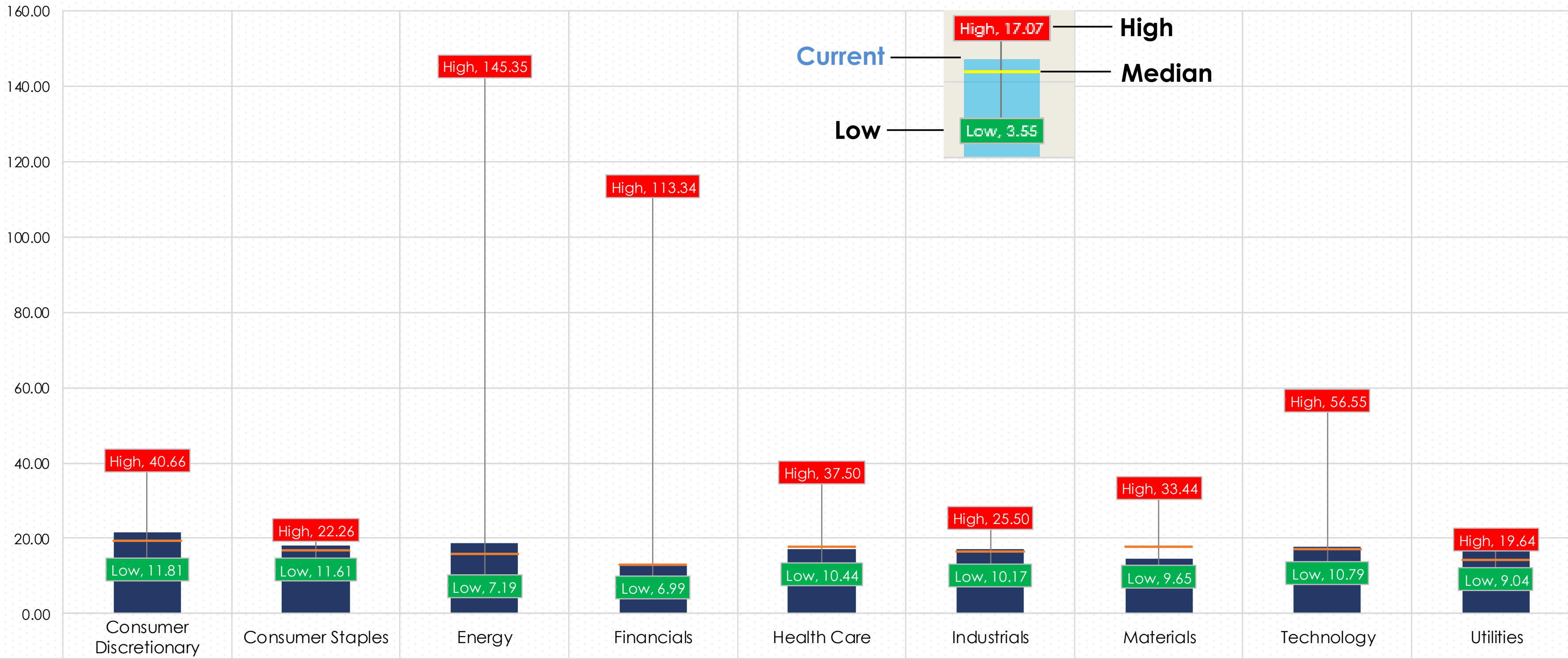
20 Years



Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital.

At the end of Q3, 3 of the 11 sectors are trading at levels below their median valuation. Collectively, we've see valuations creep lower from the levels where we entered the year. This is a form of valuation correction that is a result of sideways, or flat trending markets.

Long Term Forward Price to Earnings Current/High/Low/ Median



	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Materials	Technology	Utilities
Current	21.55	18.17	18.71	12.53	17.05	17.12	14.71	17.59	17.29
Median	19.37	16.89	15.93	13.12	17.79	16.78	17.84	17.41	14.37
High	40.66	22.26	145.35	113.34	37.50	25.50	33.44	56.55	19.64
Low	11.81	11.61	7.19	6.99	10.44	10.17	9.65	10.79	9.04
Median	19.37	16.89	15.93	13.12	17.79	16.78	17.84	17.41	14.37

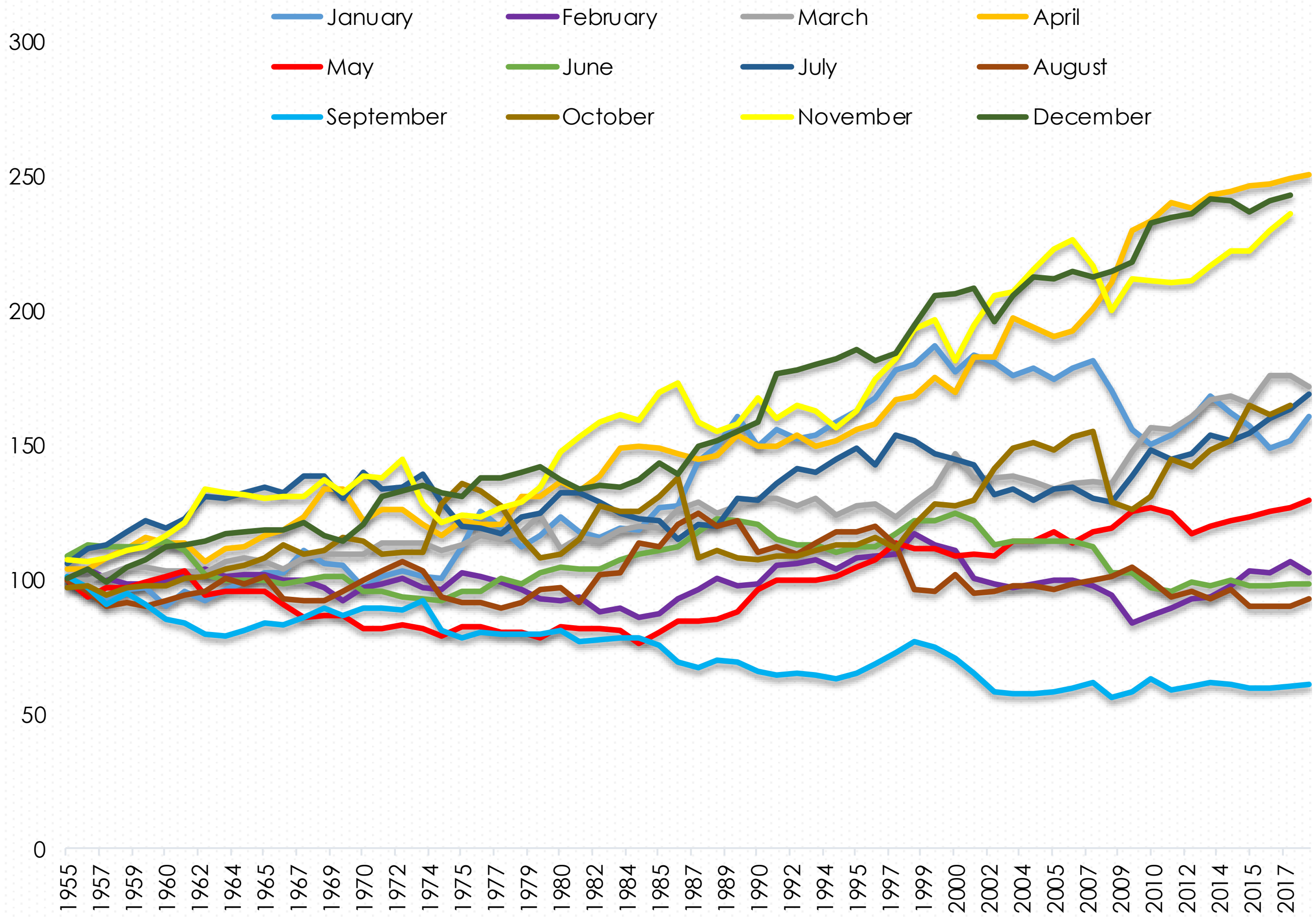
Source: S&P 500 Index. All data derived through Bloomberg L.P. Chart created by GFG Capital.
All Standard & Poors GICS Level 1 sectors index.

Monthly Seasonality: Best & Worst

Commentary: The end of the first quarter marked one of the weaker Q2 performances relative to the historical seasonality. In 2018, the first 6 months of the year have been below the historical seasonality trends dating back to 1954.

Entering Q4, we head into the strongest of the four quarters on a 3 month basis dating back 64 years. October historically has shown some of the most volatile periods, with notoriously Black Monday in 1987.

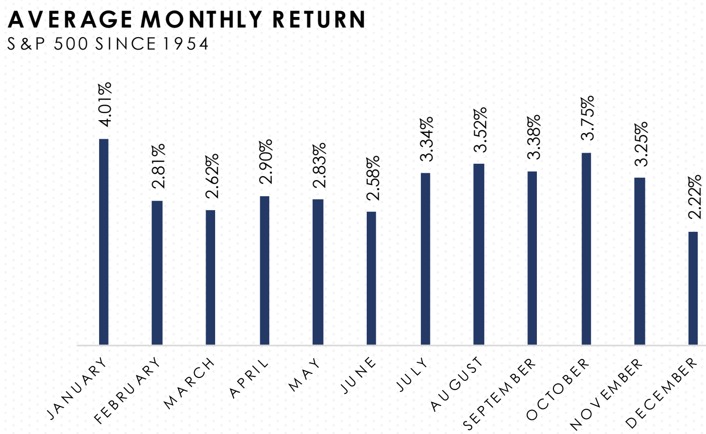
S&P 500 Monthly Market Returns Since 1954

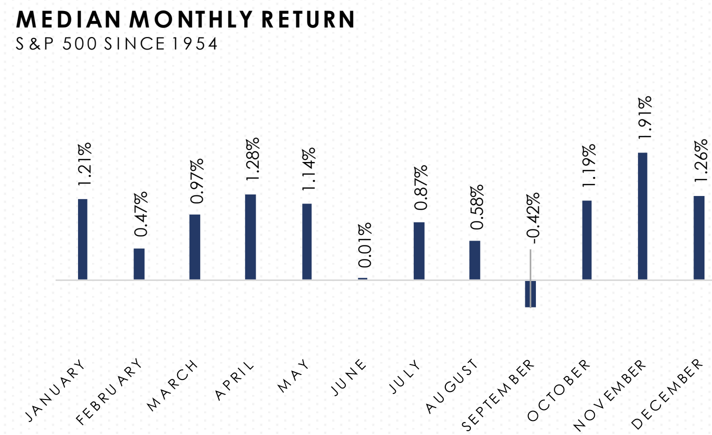


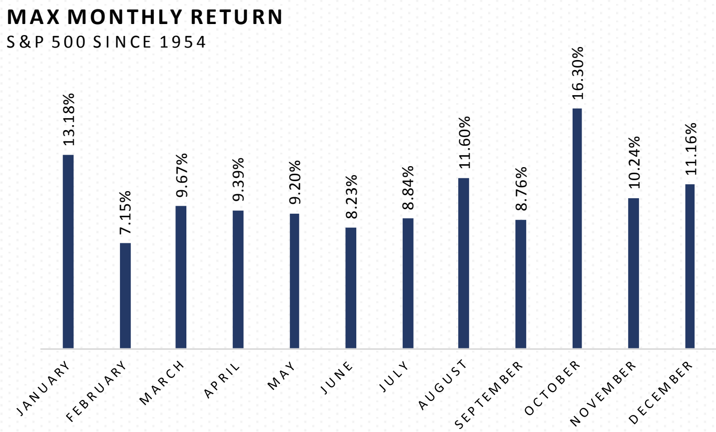
Source: S&P 500 Index. Using linked monthly return data since 1954. All data derived through Bloomberg L.P. Chart created by GFG Capital. Past performance is not indicative of further returns.

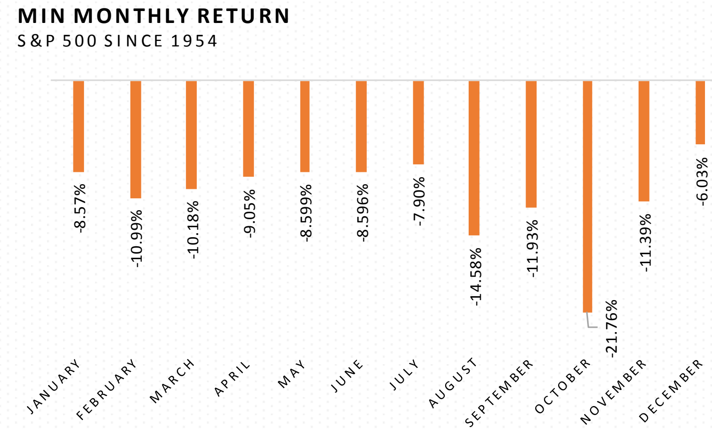
Monthly Seasonality: Risk Return

Commentary: The median return for each of the three months in the fourth quarter remains the highest among each individual calendar period. The start to the quarter would require a significant rally to add to this trend.









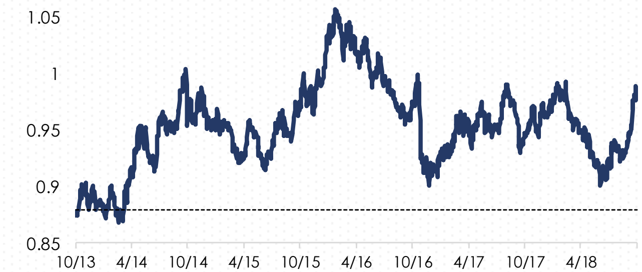
Source: S&P 500 Index. Using linked monthly return data since 1954. All data derived through Bloomberg L.P. Charts created by GFG Capital. Past performance is not indicative of further returns.

Market Rotation

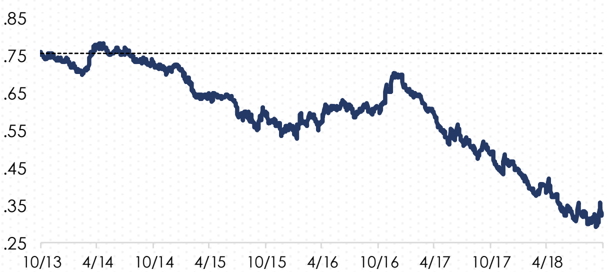
Commentary:
Growth equities have proven to be resilient in the wake of an administration that has not made life easy for them. A style dominated by technology names, there isn't a clear tie to fiscal policy for many of the names. Now with trade war rhetoric escalating, technology companies would suffer in the sense of higher prices being passed down to consumers, and consumers being reluctant to pay up for the premium. However, the appetite as still been for these above trend growth names.

Growth tends to be purchased at a premium at the later end of economic cycles as growth as a whole is tough to find. Early on in economic recessions (and expansions) value stocks will tend to outperform the market and growth style equities. This is attributable to the more established characteristics of the underlying company and their below intrinsic value of their share price. Later in cycles growth stocks will outperform their value counterparts as the market grows increasingly bearish on cyclical and fundamental headwinds that may weigh on the performance of the value space.

Large Cap vs. Small Cap
5 year

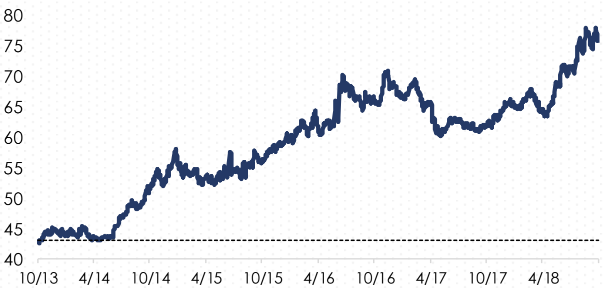


Value vs. Growth
5 Year



US Equities vs EM

US Equities vs. European Equities
5 Year



US Equities vs. Asia Equities
5 year

EM Equities vs DM Equities
5 year

Source: Large Cap: Russell 1000 Index, Small Cap: Russell 2000 Index, Value : Russell 3000 Value Index, Growth: Russell 3000 Growth Index, US Equities: S&P 500 Index, EM Equity: EEM ETF: Asia; AAXJ ETF, Frontier: FM ETF . All data derived through Bloomberg L.P. Charts created by GFG Capital.

Market Technicals

Technical breadth became a point of interest, and slight concern for us in September. This weakness of the underlying indices spread to the surface in October. Today, we see an uphill battle for stocks to regain the trend we were on just 2 months ago. But rest assured, we were in the same position in February earlier this year.

Market	Short Term Trend	Intermediate Trend	Long Term Trend	Percent from 20 Day	Percent from 50 Day	Percent from 200 Day
Dow Jones	**Broken**	**Broken**	**Broken**	-4.26%	-4.87%	-1.75%
20+ Year Bonds	**Intact**	**Broken**	**Broken**	0.37%	-2.24%	-3.81%
S&P 500	**Broken**	**Broken**	**Broken**	-5.29%	-6.95%	-3.79%
Nasdaq	**Broken**	**Broken**	**Broken**	-5.47%	-7.45%	-2.88%
Frontier Markets	**Broken**	**Broken**	**Broken**	-3.65%	-4.94%	-15.17%
Japan	**Broken**	**Broken**	**Broken**	-6.84%	-7.29%	-9.79%
Emerging Markets	**Broken**	**Broken**	**Broken**	-5.04%	-7.81%	-15.46%
#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Asia ex Japan	**Broken**	**Broken**	**Broken**	-5.74%	-9.66%	-16.63%

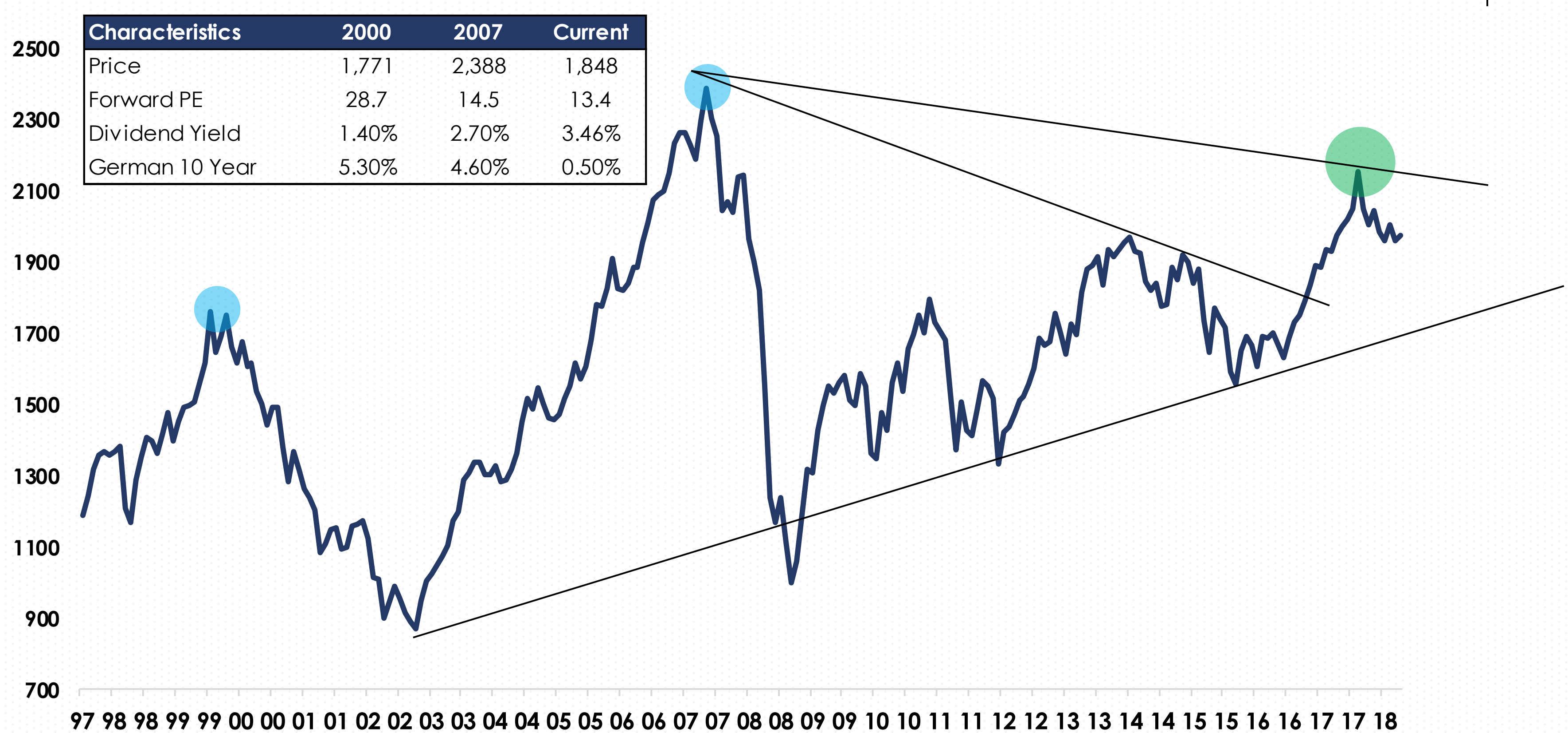
Source: Asia x. Japan: AAXJ ETF, Japan: EWJ ETF, Emerging Markets: EEM ETF, Nasdaq: QQQ ETF, Frontier Markets: FM ETF, S&P 500: SPY ETF, European Equities: FEZ ETF, 20+ Year Bonds: TLT ETF, DOW Jones: DIA ETF . All data derived through Bloomberg L.P. Chart created by GFG Capital. GFG is not recommending a prospective client buy these positions. Past performance is not indicative of further returns. Data using Bloomberg data. Graphs provided by Charles Schwab.

EAFE Equity High Level Market Review

Looking at the developed market index, we see similar conditions as the US. Relatively similar valuations to 2007, much lower than 2000, a higher dividend, and low bond yields. These are favorable characteristics for equities and “risk-on” assets.

MSCI EAFE INDEX

Characteristics	2000	2007	Current
Price	1,771	2,388	1,848
Forward PE	28.7	14.5	13.4
Dividend Yield	1.40%	2.70%	3.46%
German 10 Year	5.30%	4.60%	0.50%



Source: MSCI EAFE Index. Developed Market Index excluding US and Canada. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

Emerging Equities High Level Market Review

Emerging market equities have been the leaders for the year, breaking out of a 5 year downtrend since their peak in ‘06. At under 13x forward earnings, we view these assets as one of more attractive opportunities today.

MSCI EM INDEX

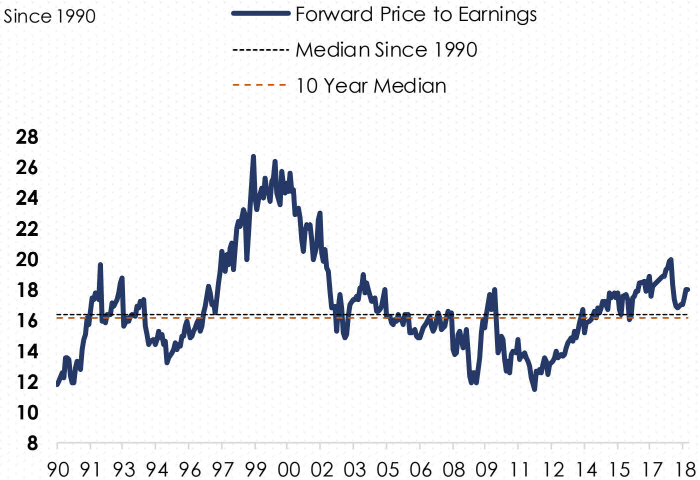
Characteristics	2007	2011	Current
Price	1,338	1,205	972
Forward PE	16.5	17.14	11.2
Dividend Yield	1.89%	2.24%	2.96%
10 Year Treasury	6.20%	4.70%	3.17%

Source: MSCI Emerging Market Index. All data derived through Bloomberg L.P. Chart created by GFG Capital. Dates selected represent previous market tops prior to bear markets.

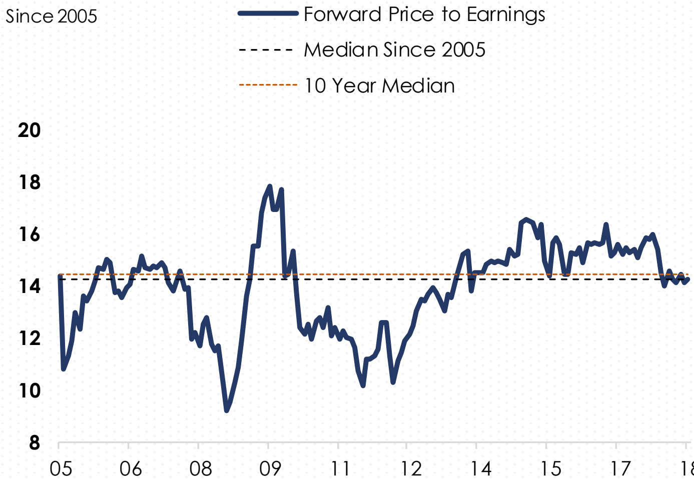
Global Valuations: Major Markets

Commentary: Flat to slightly negative price action for many indices across the globe in the first half of the year have helped the elevated valuations investors have had to put up with. With the earnings growth we've realized so far this year, we're on pace for multiple contraction here in the U.S. Something we have seen in over three years.

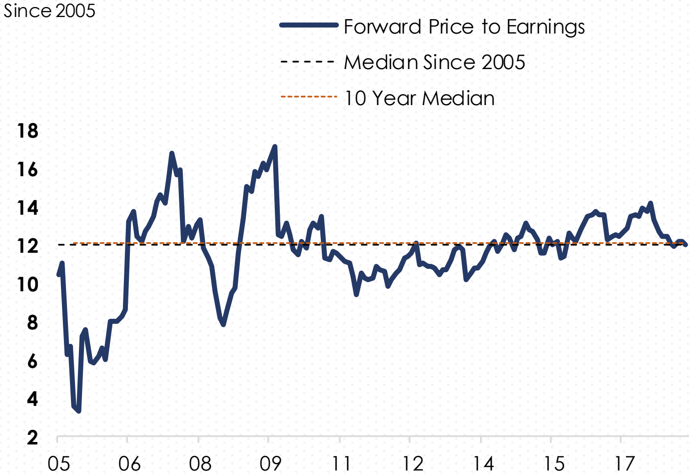
S&P 500
Since 1990



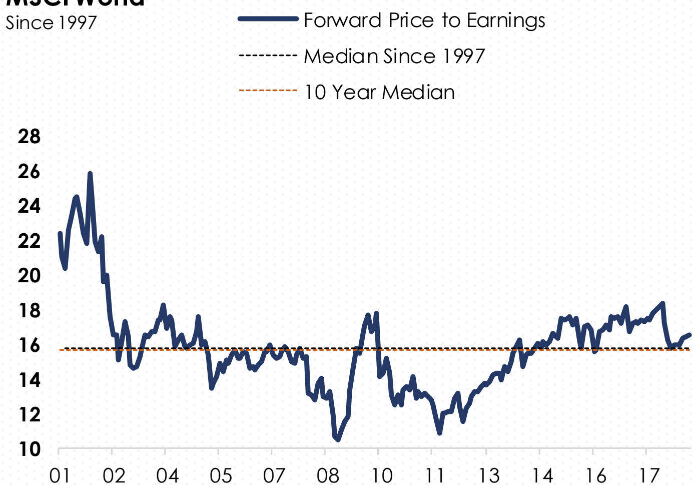
MSCI EAFE
Since 2005



MSCI Emerging Markets
Since 2005



MSCI World
Since 1997

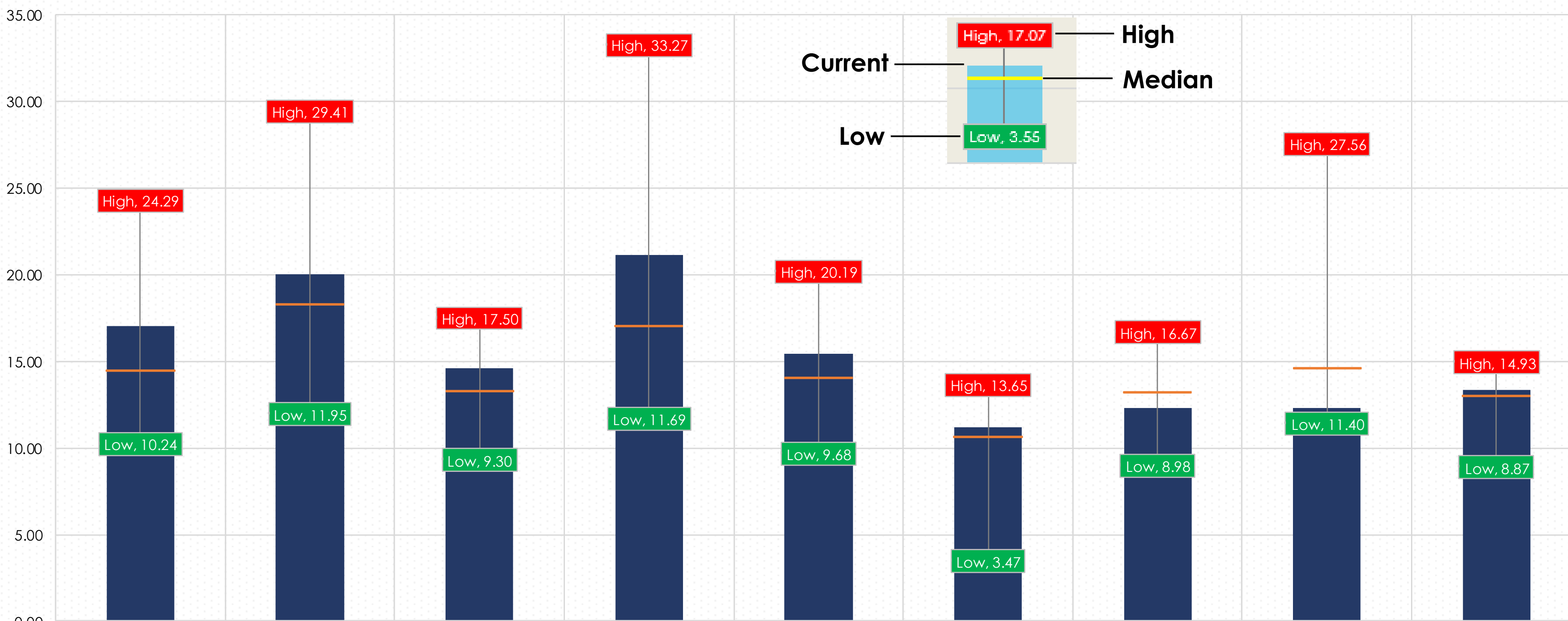


Source: S&P 500: S&P 500 Index. **MSCI EAFE Index**. Developed Market Index excluding US and Canada. **MSCI Emerging Market Index**. MSCI World Index. Captures large and mid cap companies covering developed countries. All data derived through Bloomberg L.P. Charts created by GFG Capital.

Regional Valuations: Forward Price to Earnings

Valuations on a global level have come down, but some of the more attractive relative valued opportunities remain outside of the U.S. The S&P 500 has come down from its recent highs in valuation, making it a more compelling play today.

Long Term Forward Price to Earnings Current/High/Low/ Median



	S&P 500	Russell 2000	Large Cap Value	Large Cap Growth	MSCI WORLD	MSCI EM	MSCI EUROPE	MSCI Asia Pacific	MSCI EAFE
Current	17.02	20.04	14.63	21.12	15.45	11.19	12.34	12.30	13.37
Median	14.50	18.34	13.32	17.10	14.12	10.68	13.25	14.67	13.06
High	24.29	29.41	17.50	33.27	20.19	13.65	16.67	27.56	14.93
Low	10.24	11.95	9.30	11.69	9.68	3.47	8.98	11.40	8.87
Median	14.50	18.34	13.32	17.10	14.12	10.68	13.25	14.67	13.06

Source: 10 Year Period ending September 30th, 2015. Forward Price to Earnings ratio provided by Bloomberg composite estimates. All data derived through Bloomberg L.P. Chart created by GFG Capital. All indices are listed above other than Large Cap Value (Russell 1000 Value) and Large Cap Growth (Russell 1000 Growth) .

Global Valuations: Regional & Country Level

Commentary: To the right we show global equity valuations. Over the past 24 months we've seen impressive performance in U.S. equities which can largely be attributed to multiple expansion. This has caused the U.S. equity markets to become some of the most expensive in the world. In true momentum fashion, despite the elevated valuations, the NASDAQ Composite has been a leader in global markets this year.

MARKET	INDEX	Index	TRAILING P/E	FORWARD P/E	P/B	P/S	EV/EBITDA	DIVIDEND YIELD
WORLD DEVELOPED	MSCI WORLD INDEX	8.00	17.6	15.4	2.3	1.6	11.4	2.47%
EMERGING	MSCI EMERGING MARKETS	26.00	11.7	11.2	1.5	1.1	7.8	2.96%
FRONTIER MARKETS	MSCI FRONTIER MARKET	21.00	11.3	12.2	1.7	2.0	6.1	4.30%
STOXX 50 (EUROZONE)	ESTX € Pr	18.00	15.4	13.4	1.6	1.2	9.0	3.79%
EUROPE	MSCI EUROPE	16.00	16.0	13.6	1.7	1.2	9.5	3.80%
ASIA	MSCI AC ASIA PACIFIC	24.00	12.2	12.3	1.4	1.1	8.0	2.81%
EM LATIN AMERICA	MSCI EM LATIN AMERICA	13.00	17.4	13.6	2.0	1.4	8.0	3.07%
S&P 500	S&P 500 INDEX	3.00	20.0	17.0	3.3	2.2	13.1	1.90%
DOW JONES	DOW JONES INDUS. AVG	5.00	18.1	16.1	4.0	2.0	11.5	2.17%
NASDAQ	NASDAQ COMPOSITE INDEX	1.00	45.6	22.0	4.5	2.8	20.1	1.05%
US MID CAP INDEX	S&P 400 MIDCAP INDEX	5.00	20.6	17.1	2.3	1.3	12.6	1.67%
US SMALL CAPS	RUSSELL 2000 INDEX	4.00	51.1	25.3	2.2	1.1	18.7	1.47%
CANADA	S&P/TSX COMPOSITE INDEX	10.00	16.9	14.9	1.7	1.6	11.9	3.04%
UNITED KINGDOM	FTSE 100 INDEX	20.00	15.7	12.6	1.7	1.1	8.8	4.54%
GERMANY	DAX INDEX	25.00	13.8	12.7	1.6	0.9	7.0	3.28%
FRANCE	CAC 40 INDEX	17.00	16.4	13.7	1.6	1.1	9.8	3.36%
AUSTRALIA	MSCI AUSTRALIA	12.00	15.4	14.4	1.9	2.2	11.6	4.74%
JAPAN	NIKKEI 225	11.00	16.3	15.9	1.8	1.1	9.1	1.81%
BRAZIL	BRAZIL IBOVESPA INDEX	14.00	19.7	12.5	1.9	1.4	8.9	3.37%
COLOMBIA	COLOMBIA COLCAP INDEX	21.00	14.7	13.2	1.3	1.1	7.8	2.83%
MEXICO	MSCI MEXICO	9.00	20.4	16.3	2.4	1.4	8.3	2.31%
CHINA MAINLAND	SHANGHAI SE COMPOSITE	23.00	12.0	10.4	1.4	1.0	10.3	2.68%
CHINA A SHARE	SHENZHEN CSI 300	18.00	11.5	10.6	1.5	1.2	11.0	2.58%
HONG KONG	HANG SENG INDEX	27.00	9.7	10.6	1.2	1.7	7.7	3.93%
INDIA	MSCI INDIA	2.00	21.0	18.3	2.9	2.0	12.2	1.41%
INDONESIA	MSCI INDONESIA	7.00	16.0	14.8	2.6	2.5	8.9	0.00%
SOUTH KOREA	KOSPI INDEX	28.00	10.3	8.6	0.9	0.6	6.4	2.02%
RUSSIA	MSCI RUSSIA	29.00	5.7	5.5	0.8	0.8	4.1	6.03%
GREECE	MSCI GREECE	14.00	23.6	18.5	1.7	1.3	6.1	4.07%

Source: Data provided by Bloomberg. Index column is based on the ranking from least expensive to most expensive for each metric used. The index column takes the average ranking of these columns. Each data point is the current level using Bloomberg data of the underlying index.

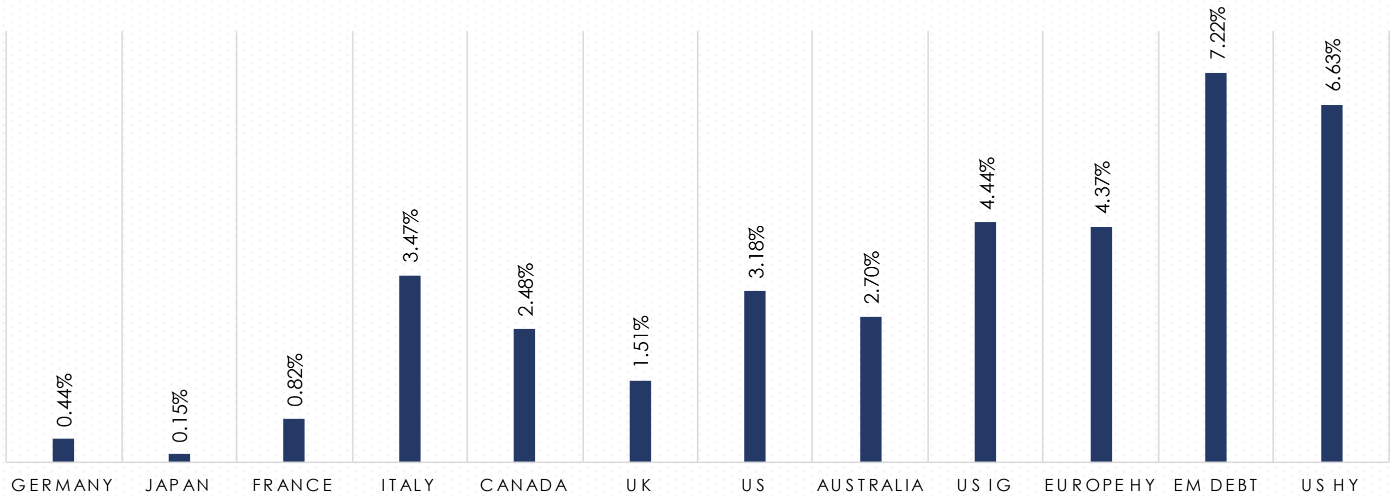
Global Risk Premiums

Commentary: A risk premium is the return in excess of the risk-free rate of return an investment is expected to yield; an asset's risk premium is a form of compensation for investors who tolerate the extra risk, compared to that of a risk-free asset, in a given investment.

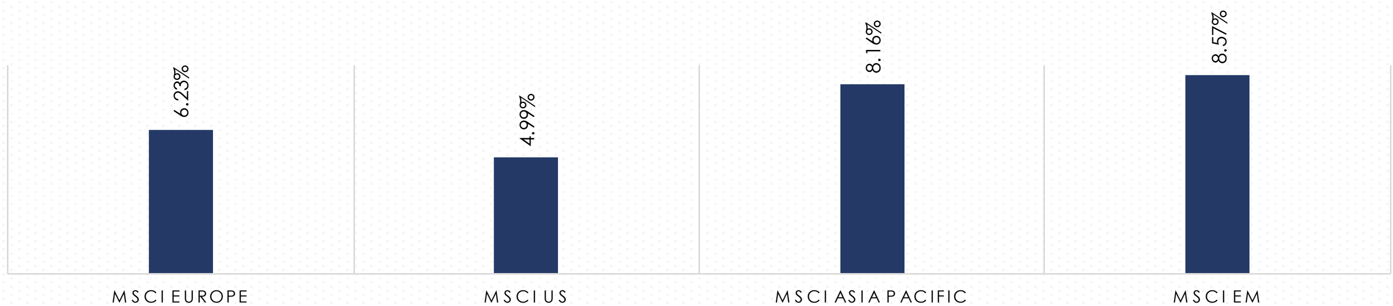
Global risk premiums are the difference between the yield in equities versus the yield in fixed income. Today these premiums still favor ownership of equities over fixed income. With global sovereign bond yields still relatively muted, the hurdle for return equities must clear is contained. This paints an environment that favors equity risk.

Earnings yield are the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company.

GLOBAL FIXED INCOME MARKET YIELD



GLOBAL EQUITY MARKET EARNINGS YIELD



Source: The fixed income yield is based on the 10 Year Generic Government Bond Yield using Bloomberg Generic bond yield function. Earnings Yield is the reciprocal of the price to earnings ratio of the stated MSCI equity index. All data derived through Bloomberg L.P. Chart created by GFG Capital.

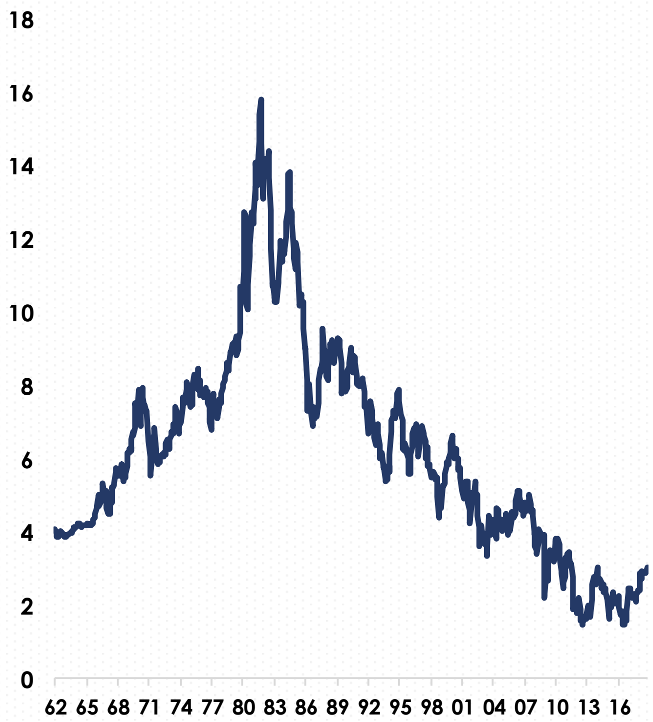
FIXED income

Government Bond Yields

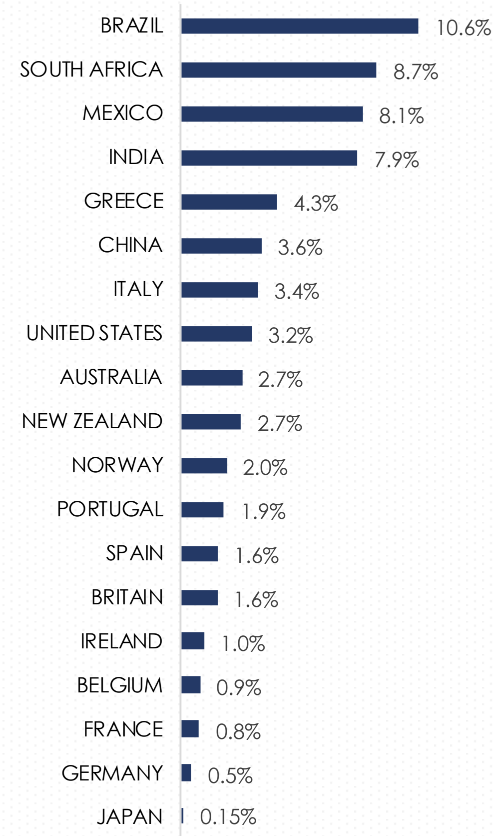
Commentary: Government yields have remained relatively suppressed through the first 9 months, however the U.S. has seen the interest on their debt climb steadily. At the start of the fourth quarter the yield on the U.S. 10 year debt eclipsed 3.2%. In historical context this is a level that is still below the long-term averages, but we view it as a significant milestone. Investors are being given an alternative to reach their investment objectives today that hasn't been on the table since 2011.

With sovereign yields increasing from deep lows, we view this regression as an opportunity to reevaluate where investors are taking risks.

US 10 Year Government Yield



10 Year Government Yields
Local Currency

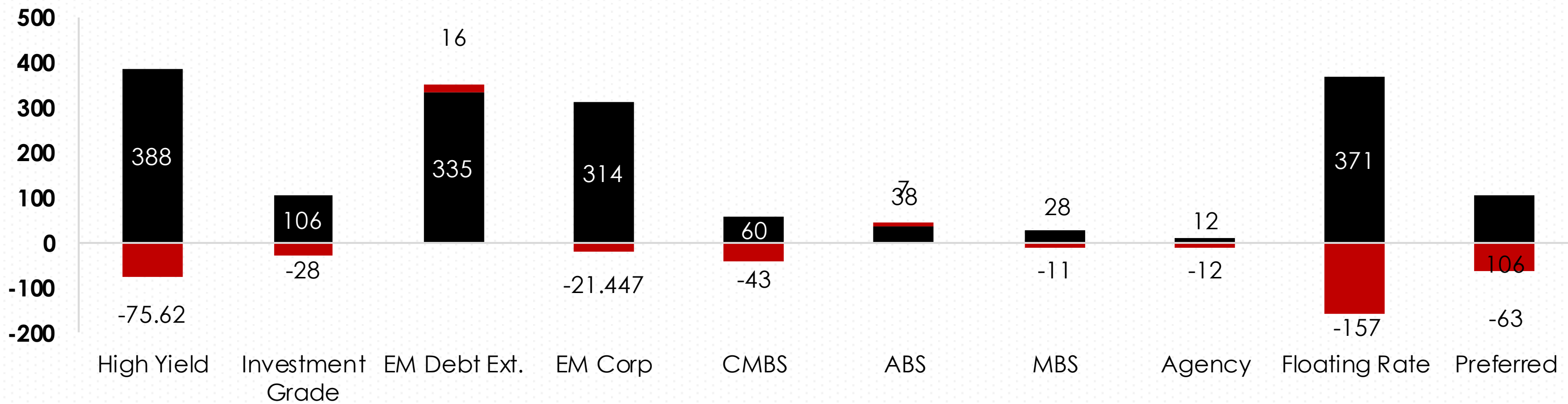


Source: The fixed income yield is based on the 10 Year Generic Government Bond Yield using Bloomberg Generic bond yield function. All data derived through Bloomberg L.P. Charts created by GFG Capital.

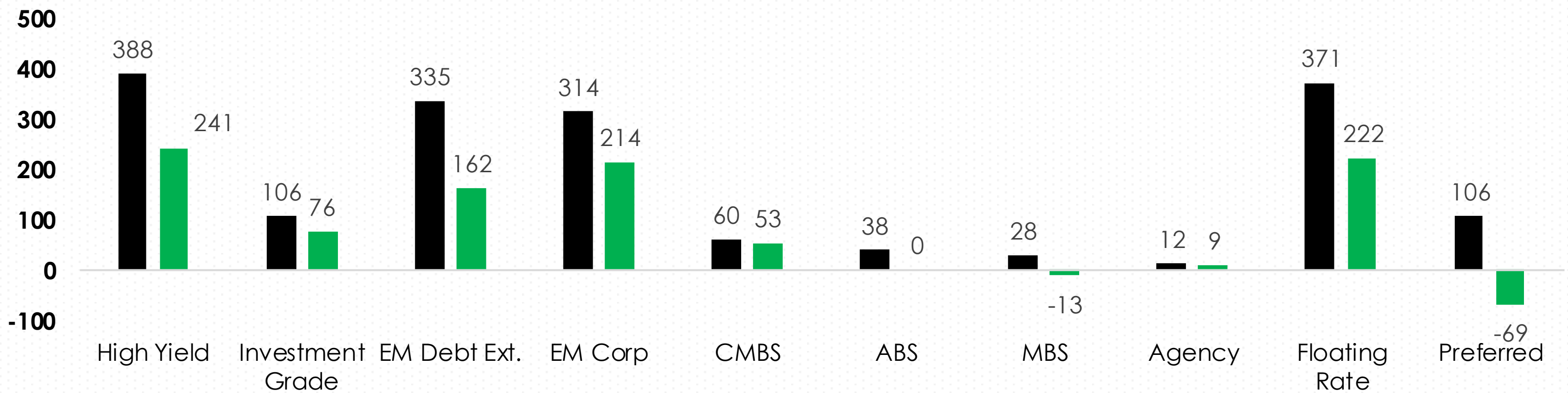
Fixed Income Market Valuation

Spreads remain historically tight, which signals valuations within the fixed income space should still be perceived as rich. With a bit of a de-risking environment late in the period, we've seen some spreads begin to widen, albeit marginally.

Spread vs. Median Spread



Current Spread vs Historical Low



Source: Data derived through Bloomberg. All spreads are in basis points and measure option-adjusted yield spread relative to comparable maturity U.S. Treasuries with the exception of floating-rate loans, which is the average discounted spread over Libor. Agency represented by Barclays U.S. Agency Index. MBS represented by Barclays U.S. Mortgage Backed Securities (MBS) Index. ABS represented by Barclays U.S. Asset Backed Securities (ABS) Index. CMBS represented by Barclays U.S. CMBS Investment Grade Index. Corporate represented by Barclays U.S. Corporate Index. Taxable Muni/BABs represented by Barclays U.S. Aggregate Local Authorities Index. Preferred represented by BofA Merrill Lynch Fixed Rate Preferred Securities Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index. Emerging Markets(USD) represented by JPMorgan Emerging Markets Bond Index Plus(EMBI+). High Yield represented by Barclays U.S. Corporate High Yield Index. 10 Year Measures. Eaton Vance Market Monitor.

Global Fixed Income Characteristics

Commentary: The fixed income universe is experiencing a structural shift from sovereign to credit paper. With yields moving across the spectrum investors are being given the opportunity to reevaluate where and how they're receiving compensation for risk.

Q3 proved to be the polar opposite of the second quarter this year. Junk and risky debt led the way with positive returns in the period, as safe haven assets posted negative returns for the period. The move largely occurred in the final month in a risk-on environment to end the quarter.

All in all we view a fixed income profile today as something investors should begin to de-risk. With sovereign yields on the move higher we think investors are being granted an opportunity late in the cycle to revisit their risk budget. There does not seem to be any shortage of dollar and inflation catalysts today. Two of the most significant variables when investing in the global fixed income market. With uncertainty surrounding the two, a less risky (credit, duration, currency) fixed income profile today could prove to be beneficial to a portfolio.

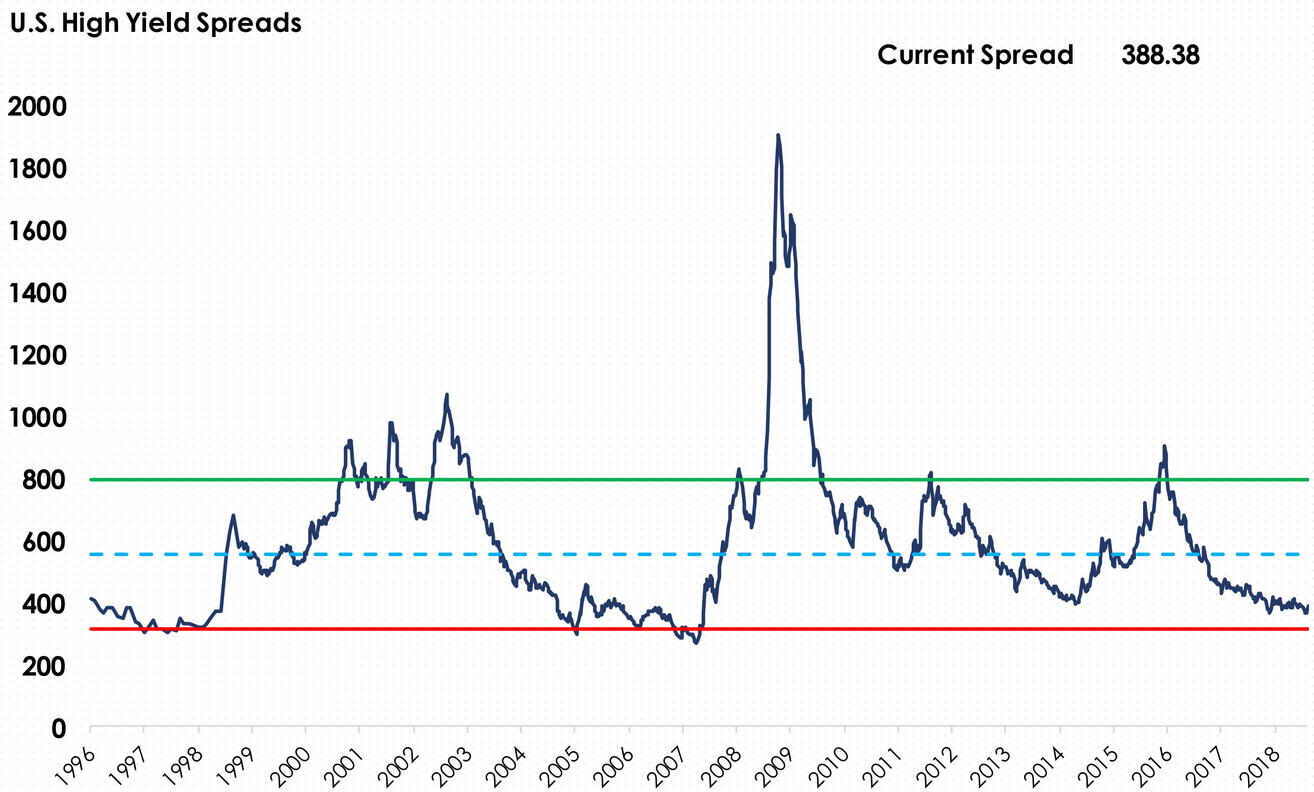
Fixed Income	Yield	Duration	3 Month Return
US Fixed Income			
Investment Grade Corporate	4.19%	7.33	-0.67%
US Government	3.03%	6.03	-1.17%
US Agency	3.44%	5.20	-0.32%
Global Fixed Income			
Developed Soverign ex. US	1.41%	5.62	-1.24%
European IG Corporate	1.42%	5.67	-0.45%
Australian IG Corporate	3.32%	3.78	0.96%
Canadian IG Corporate	4.29%	6.51	-1.56%
Japan IG Corporate	0.35%	4.00	-0.12%
High Yield			
US High Yield	6.58%	4.21	1.06%
Global HY ex. US	6.55%	4.43	0.29%
Canadian High Yield	5.91%	3.98	0.59%
European High Yield	4.25%	3.74	0.08%
United Kingdom High Yield	4.73%	3.60	0.20%

Source: The three month return is the total return of the Index. The indices are the Bloomberg World Bond Indexes. Bloomberg USD Investment Grade Composite Bond Index. Bloomberg USD Mortgage-Backed Securities (MBS) Index. Bloomberg U.S. Agency Bond Index. Bloomberg Global Developed Sovereign Bond Index, Bloomberg EUR Investment Grade Corporate Bond Index. Bloomberg AUD Investment Grade Corporate Bond Index. Bloomberg CAD Investment Grade Corporate Bond Index. Bloomberg JPY Investment Grade Corporate Bond Index. Bloomberg USD High Yield Corporate Bond Index. Bloomberg EUR High Yield Corporate Bond Index. Bloomberg CAD High Yield Corporate Bond Index. Bloomberg GBP High Yield Corporate Bond Index. Bloomberg Global High Yield Corporate Bond Index. Past performance is not indicative of further returns.

US High Yield Spread

Commentary: U.S. high yield spreads remain far below their median levels on a long-term horizon, but some widening occurred in the final month of the quarter.

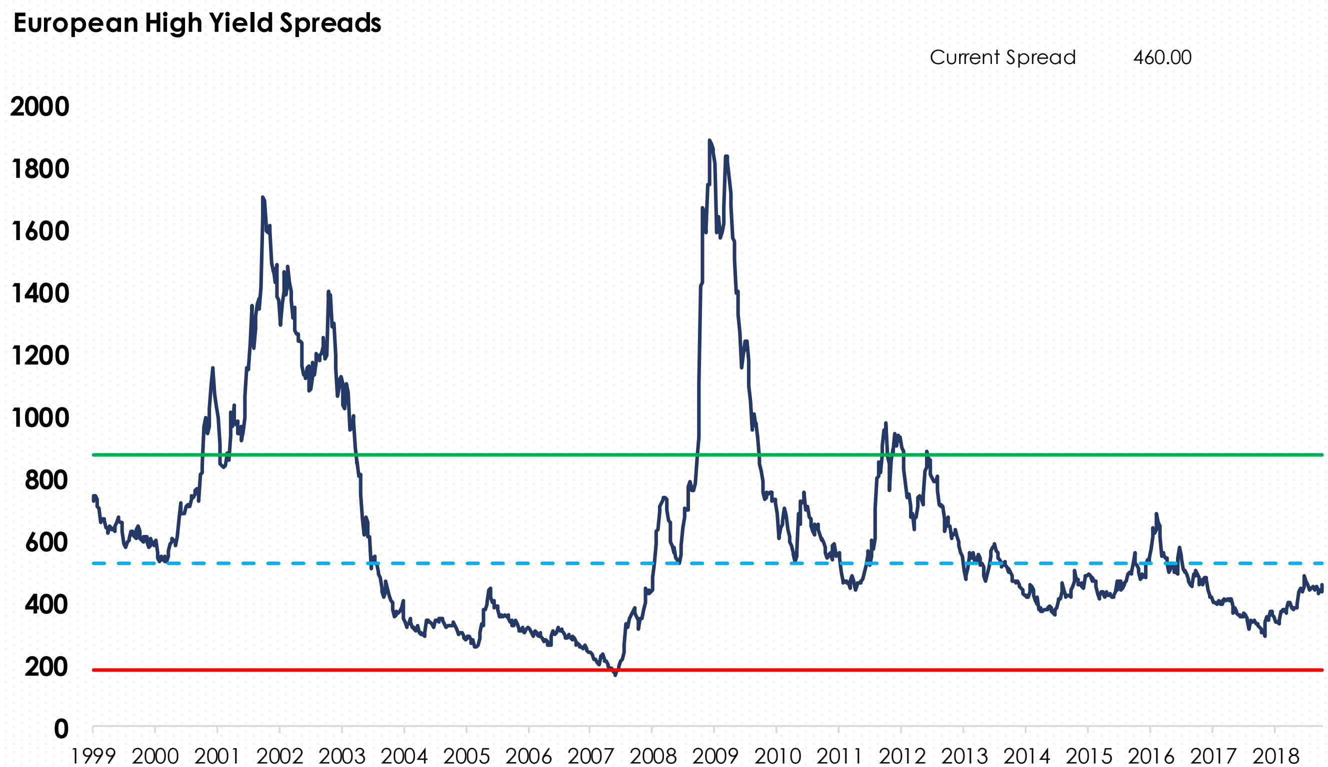
As we get deeper into the U.S. expansion we believe trimming the exposure to these riskier asset classes could turn out to be beneficial. In the first half of the year the U.S. high yield space performed relatively well to EM debt and other lower rated debt spaces. We can see this trend continuing in the short term if trends surrounding the dollar and global growth continue in this direction. However, at near historically tight levels, these spreads don't scream buy.



Source: JPMorgan Domestic High Yield STW. All data derived through Bloomberg L.P. Chart created by GFG Capital.

European High Yield Spread

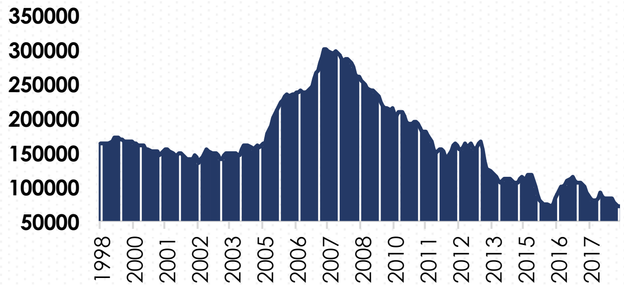
Commentary: Growth concerns outside of the U.S. in the period helped send spreads closer to median levels in the European high yield space. Given the difference in duration relative to the U.S. market, if spreads continue to widen from here, there could be an argument to be had on behalf of the European high yield debt space.



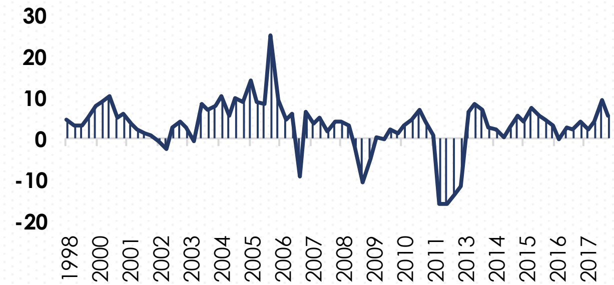
Source: JPMorgan Euro High Yield Europe STW. All data derived through Bloomberg L.P. Chart created by GFG Capital.

Commentary: Debt outstanding at the state and local levels have turned higher recently, while revenue has improved. We acknowledge the bulk of infrastructure funding is likely to come through the municipal bond market. Long term, we believe in muni's being a strategic allocation for an onshore investor.

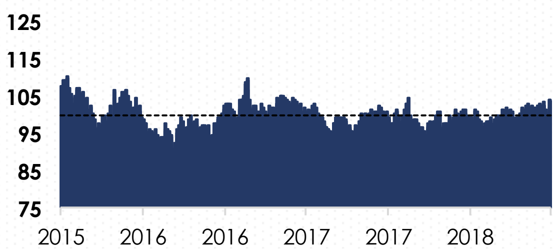
State & Local Debt Outstanding



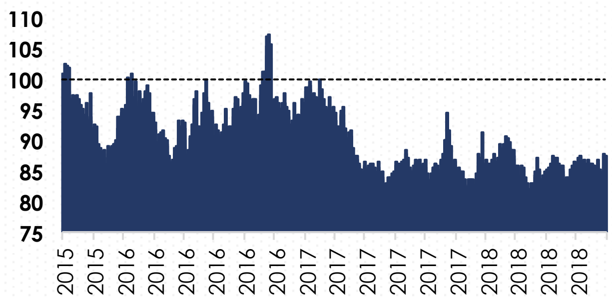
State & Local Revenue Growth



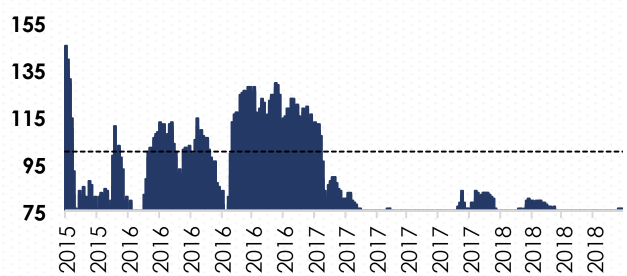
AAA Muni Yield % of Treas. 30 Year



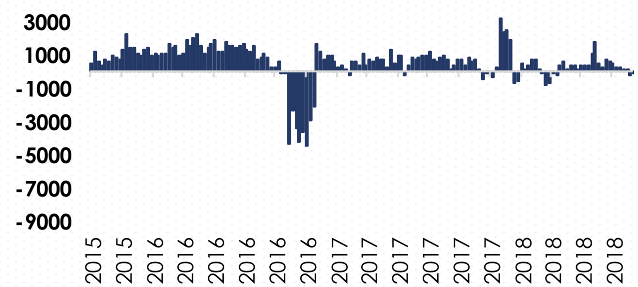
AAA Muni Yield % of Treas. 10 Year



AAA Muni Yield % of Treas. 1 Year



Muni Bond Monthly Flows



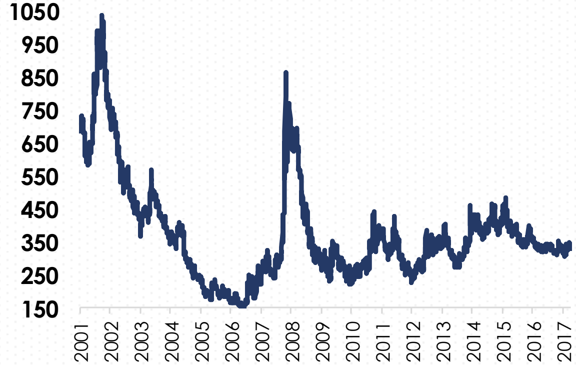
Source: Top Left: US Total Public Debt Outstanding State and Local Government Series **Top Right**: State and Local Tax Revenue Total YoY% Change . **AAA Muni Charts:** BVAL AAA Muni Yield % of Treasury 1/10/30 Year: **Bottom Right:** ICI Municipal Bond Estimated Weekly Net New Cash Flow.

Emerging Market Debt

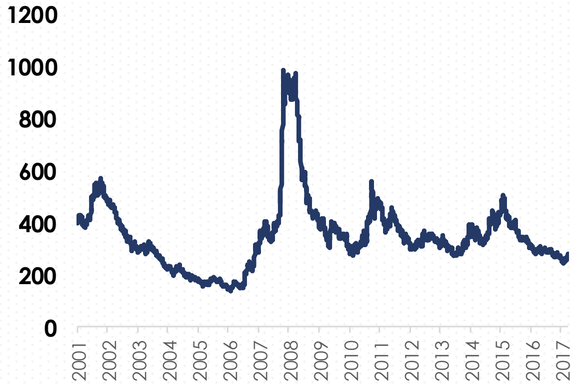
The year has been a struggle for EM debt. Supply and demand characteristics surrounding yield today are likely to put a floor on the price of EM bonds as investors step in for yield opportunities. As shown previously in this report, quality/safe haven bonds still remain relatively subdue in yield profile.

Emerging Market Local Debt

Emerging Market External Debt



Emerging Market Corp Debt



Emerging Market Local Debt	Percent
Current Yield	6.74
Average	6.75
Median	6.73
High	9.73
Low	5.16
Duration	5.07

Emerging Market External Debt	bps
Current Spread	396
Average Spread	374
Median Spread	340
Max Spread	1041
Current Duration	7.61
Current Yield	7.13

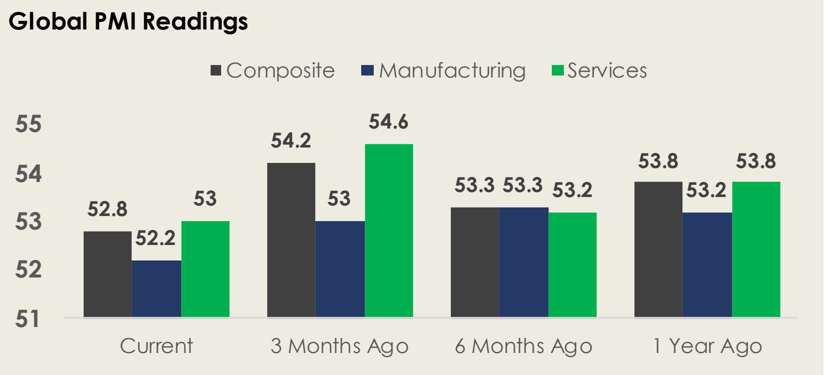
Emerging Market Corp Debt	Percent
Current Spread	314
Average Spread	352
Median Spread	335
Max Spread	987
Current Duration	4.60
Current Yield	6.25

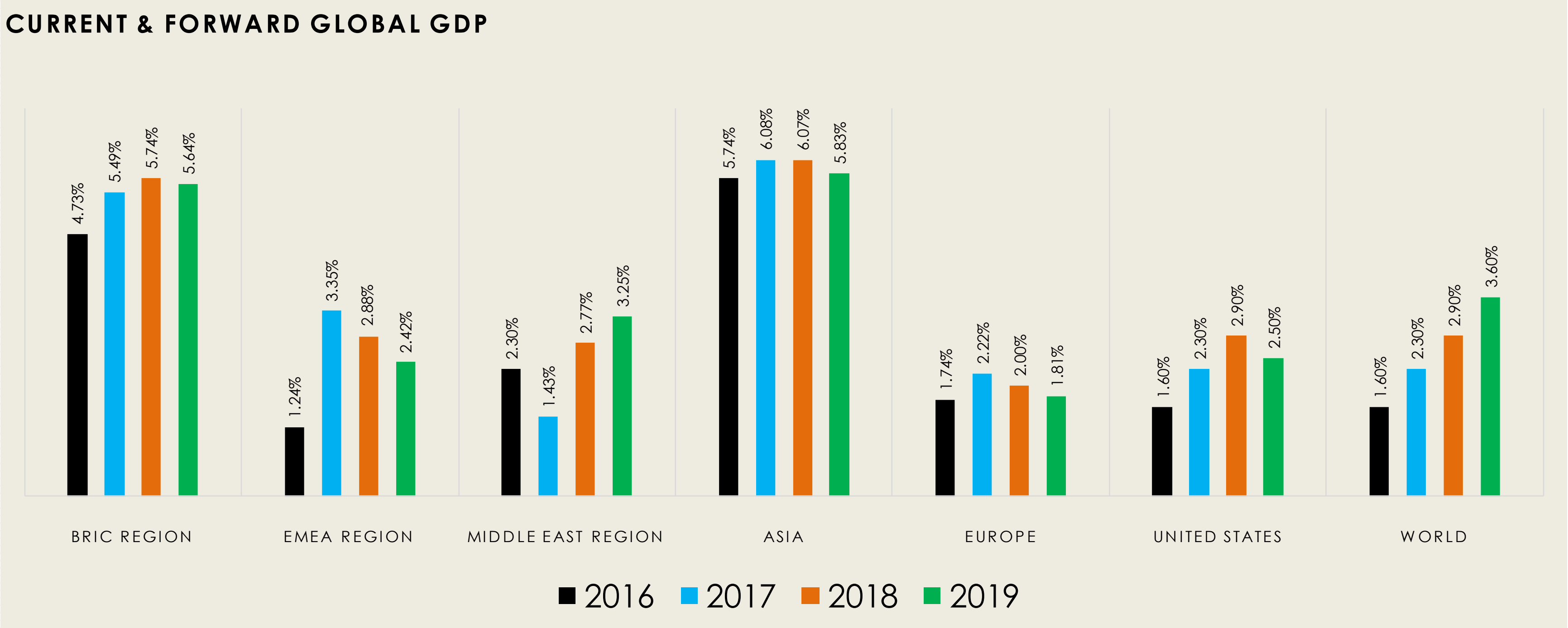
Source: EM Local Debt Index: JPMorgan GBI-EM Global Diversified Composite Unhedged Index. Price, Yield, Duration. **EM External Debt Index:** JPM Emerging Markets Bond Index Plus EMBI + Composite. Price, Yield, Duration. **EM Corporate Bond Index:** JPMorgan Corporate EMBI Broad Diversified Composite Index Level.

GLOBAL

economics

Global growth came into question in Q3 after being the driving force of markets for the last 18 months. Momentary weakness is overshadowed in our view by strong PMI readings globally, and notably here in the U.S. As trade discussions continue to be a black cloud over the global economy, we expect skepticism to continue to be influential.





Source: GDP data is previous, current, and forecasted data derived by Bloomberg for each specific country. Please contact GFG Capital for any additional information.

Global Economics

Inflation	
Central / South America	
Brazil	4.53%
Mexico	5.02%
Argentina	39.46%
Colombia	3.23%
Chile	3.10%
North America	
US	2.30%
Canada	2.20%
Europe	
Eurozone	2.10%
Germany	2.30%
France	2.20%
UK	2.40%
Ireland	0.90%
Portugal	1.40%
Spain	2.30%
Italy	1.40%
Russia	3.40%
Asia Pacific	
China	2.50%
Singapore	0.70%
Taiwan	1.72%
Japan	1.20%
South Korea	1.90%
Indonesia	2.88%
Malaysia	0.20%
India	5.61%
Australia	2.10%

Unemployment	
Central / South America	
Brazil	8.20%
Mexico	3.29%
Argentina	9.60%
Colombia	10.09%
Chile	7.30%
North America	
US	3.70%
Canada	5.90%
Europe	
Eurozone	8.10%
Germany	5.10%
France	9.30%
UK	4.00%
Ireland	5.40%
Portugal	6.80%
Spain	15.20%
Italy	9.70%
Russia	4.50%
Asia Pacific	
China	3.83%
Singapore	2.10%
Taiwan	3.70%
Japan	2.40%
South Korea	4.00%
Indonesia	5.13%
Malaysia	
India	
Australia	5.00%

Current Account	
Central / South America	
Brazil	-0.80%
Mexico	-1.63%
Argentina	-5.27%
Colombia	-3.20%
Chile	-1.22%
North America	
US	-2.17%
Canada	-3.10%
Europe	
Eurozone	0.00%
Germany	8.14%
France	-0.57%
UK	-3.49%
Ireland	13.79%
Portugal	0.02%
Spain	1.44%
Italy	0.78%
Russia	3.75%
Asia Pacific	
China	0.52%
Singapore	18.95%
Taiwan	14.30%
Japan	4.03%
South Korea	
Indonesia	
Malaysia	3.26%
India	-1.88%
Australia	-2.90%

Retail Sales	
Central / South America	
Brazil	4.10%
Mexico	4.20%
Argentina	
Colombia	5.49%
Chile	-3.40%
North America	
US	4.70%
Canada	3.60%
Europe	
Eurozone	1.80%
Germany	1.60%
France	3.20%
UK	3.20%
Ireland	2.54%
Portugal	3.80%
Spain	0.30%
Italy	2.20%
Russia	2.20%
Asia Pacific	
China	9.20%
Singapore	-0.40%
Taiwan	0.59%
Japan	2.70%
South Korea	7.90%
Indonesia	3.70%
Malaysia	
India	
Australia	3.80%

Inflation

Inflation has long been the centerpiece of the conversation here in the U.S. and 2018 has been no different. While many surface level conversations have been surrounding trade, the residual implications on inflation are the risks we face today.

Unemployment

Unemployment has continued to fall within the U.S. and Europe. Europe continued to move towards a sweet-spot of economic growth with falling unemployment.

Current Account

The U.S. current-account deficit, a measures of the nation's debt to other countries, rose 6.9% in the first quarter mostly because of a wider trade gap in goods

Retail Sales

The consumer remains strong with retails sales in China, the US, and UK posting positive readings. Consumer spending is a positive indicator on global economic conditions. We continue to believe in the economic transition taking place in China which is supported by the growth in consumer spending in the country.

Source: Data derived through Bloomberg. Inflation is country level Consumer Price Index, Unemployment rate is country level unemployment rates. Current account data is from the International Monetary Fund, Retail sales are monthly change in sales provided by local authority and sourced on Bloomberg. Please contact GFG Capital for any additional information.

Global PMI Mixed

Global PMI Meter

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Latest	Latest Rank	Trend	
Global															
Global	54.0	54.0	54.3	54.6	54.8	53.3	53.9	54.0	54.2	53.7	53.4	52.8	19	↓	Global
EM	51.2	51.6	52.2	51.9	51.9	51.3	51.3	51.1	51.2	51.0	50.8	50.3	7	↓	EM
North America															
US	54.6	53.9	55.1	55.5	55.3	55.6	56.5	56.4	55.4	55.3	54.7	55.6	27	↑	US
Canada	54.3	54.4	54.7	55.9	55.6	55.7	55.5	56.2	57.1	56.9	56.8	54.8	26	↑	Canada
Europe															
Germany	60.6	62.5	63.3	61.1	60.6	58.2	58.1	56.9	55.9	56.9	55.9	53.7	23	↓	Germany
Euro Area	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	20	↓	Euro Area
UK	56.2	58.3	56.0	55.1	54.9	54.9	53.9	54.3	54.2	53.9	53.0	53.8	24	↓	UK
France	56.1	57.7	58.8	58.4	55.9	53.7	53.8	54.4	52.5	53.3	53.5	52.5	17	↓	France
Italy	57.8	58.3	57.4	59.0	56.8	55.1	53.5	52.7	53.3	51.5	50.1	50.0	4	↓	Italy
Spain	55.8	56.1	55.8	55.2	56.0	54.8	54.4	53.4	53.4	52.9	53.0	51.4	13	↓	Spain
Greece	52.1	52.2	53.1	55.2	56.1	55.0	52.9	54.2	53.5	53.5	53.9	53.6	22	↑	Greece
Ireland	54.4	58.1	59.1	57.6	56.2	54.1	55.3	55.4	56.6	56.3	57.5	56.3	28	↓	Ireland
Europe															
Australia	51.1	57.3	56.2	58.7	57.5	63.1	58.3	57.5	57.4	52.0	56.7	59.0	29	↑	Australia
Japan	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	17	↓	Japan
Emerging Market															
Brazil	51.2	53.5	52.4	51.2	53.2	53.4	52.3	50.7	49.8	50.5	51.1	50.9	11	↓	Brazil
China	51.0	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0	4	↓	China
Czech Republic	58.5	58.7	59.8	59.8	58.8	57.3	57.2	56.5	56.8	55.4	54.9	53.4	21	↓	Czech Republic
Egypt	48.4	50.7	48.3	49.9	49.7	49.2	50.1	49.2	49.4	50.3	50.5	48.7	3	↓	Egypt
Hungary	58.3	58.8	60.5	61.1	57.2	56.6	53.3	55.2	52.9	53.3	56.0	53.8	24	↓	Hungary
India	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	16	↑	India
Indonesia	50.1	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7	9	↑	Indonesia
Mexico	49.2	52.4	51.7	52.6	51.6	52.4	51.6	51.0	52.1	52.1	50.7	51.7	15	↑	Mexico
Poland	53.4	54.2	55.0	54.6	53.7	53.7	53.9	53.3	54.2	52.9	51.4	50.5	8	↓	Poland
Russia	51.1	51.5	52.0	52.1	50.2	50.6	51.3	49.8	49.5	48.1	48.9	50.0	4	↓	Russia
South Africa	49.6	48.8	48.4	49.0	51.4	51.1	50.4	50.0	50.9	49.3	47.2	48.0	2	↓	South Africa
South Korea	50.2	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3	12	↑	South Korea
Taiwan	53.6	56.3	56.6	56.9	56.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8	10	↓	Taiwan
Turkey	52.8	52.9	54.9	55.7	55.6	51.8	48.9	46.4	46.8	49.0	46.4	42.7	1	↓	Turkey
Vietnam	51.6	51.4	52.5	53.4	53.5	51.6	52.7	53.9	55.7	54.9	53.7	51.5	14	↓	Vietnam

The purchasing manufacturing index has a high correlation with future economic growth. Above 50 signals expansion and under signals contraction. PMI's have seemed to show a short-term peak in level dating back to the fourth quarter last year. The trend has been largely lower readings across the board throughout the year, however the consensus reading has remained in expansion territory for 2 years.

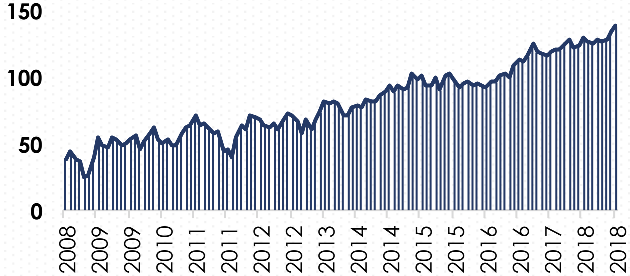
Disclaimer: Data sourced on Bloomberg terminal. PMI is the Purchasing Manufacturing Index and supplied to Bloomberg by Markit.

Global Consumer Confidence

Commentary: Consumer confidence was met with some resistance in the first half of 2018. A notable shift in the Mexican consumer trend as the Presidential election was largely expected to yield a populist result, and eventually did.

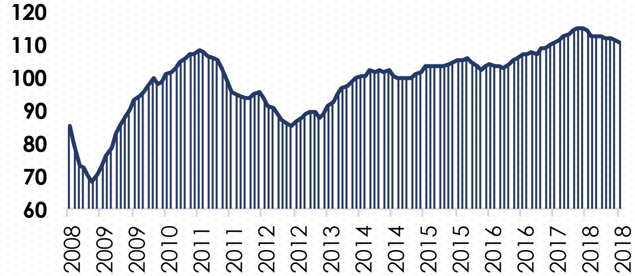
United States

Consumer Confidence



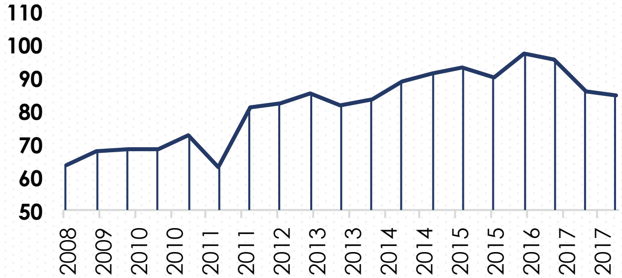
Euro-Zone

Economic Sentiment Index



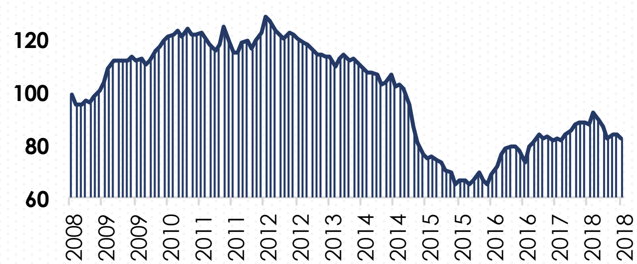
India

Consumer Confidence



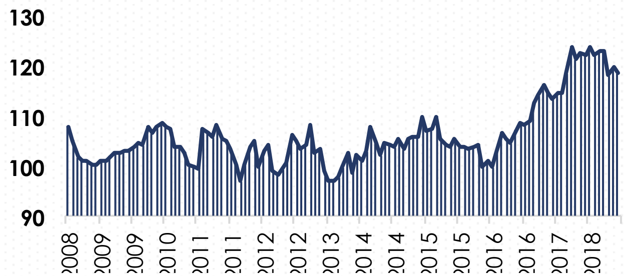
Brazil

Consumer Confidence



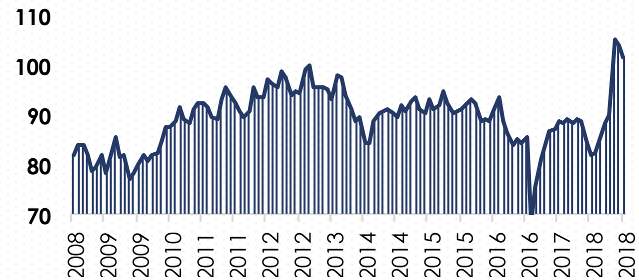
China

Consumer Confidence



Mexico

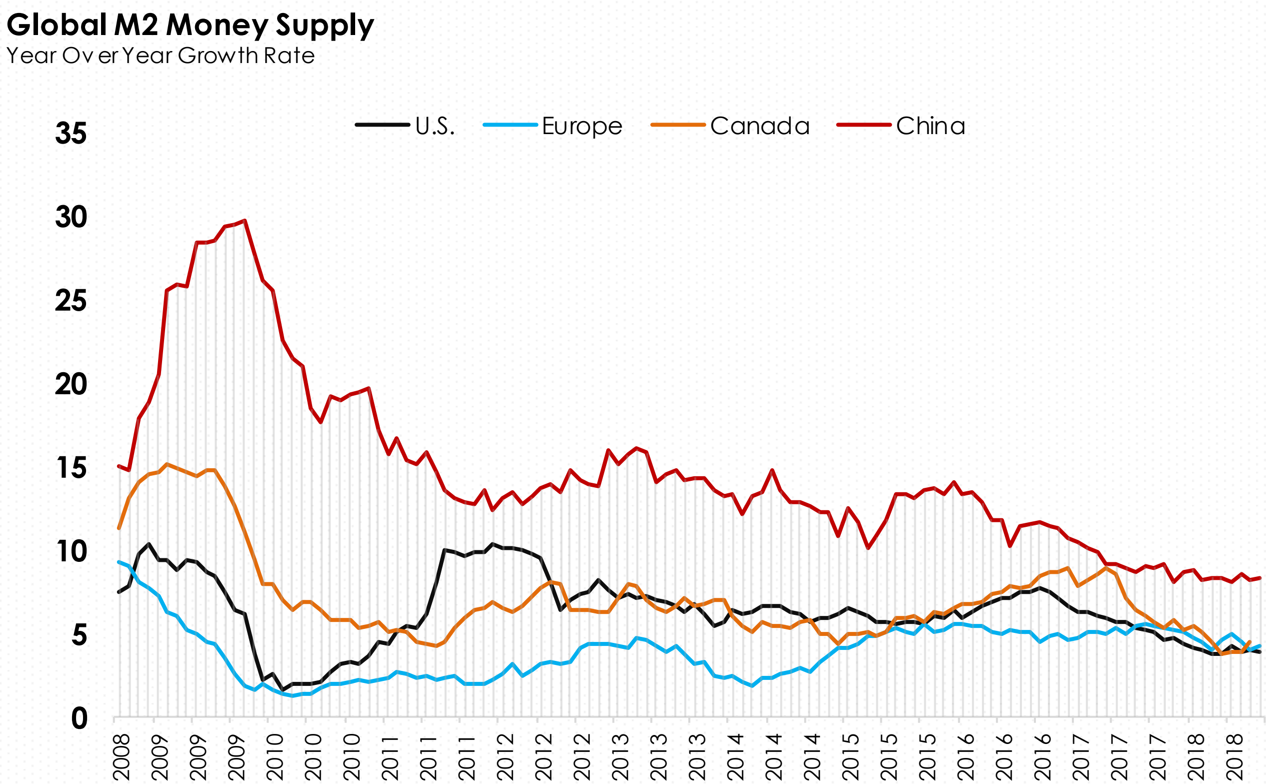
Consumer Confidence



Source: **India**: MasterCard India Consumer Confidence Index **US**: Conference Board Index (sa): **China:** Consumer Confidence Index , **Euro-Zone:** European Commission Economic SentiMent Indicator Eurozone. **Brazil**: FGV Consumer Confidence Index (sa) **Mexico**: Consumer Confidence Index. Data derived by Bloomberg.

Global M2 Money Supply

Commentary: Some pressures on the global money supply have started to reveal themselves, but the relative strength within Europe is another encouraging sign reaffirming our conviction in the region.



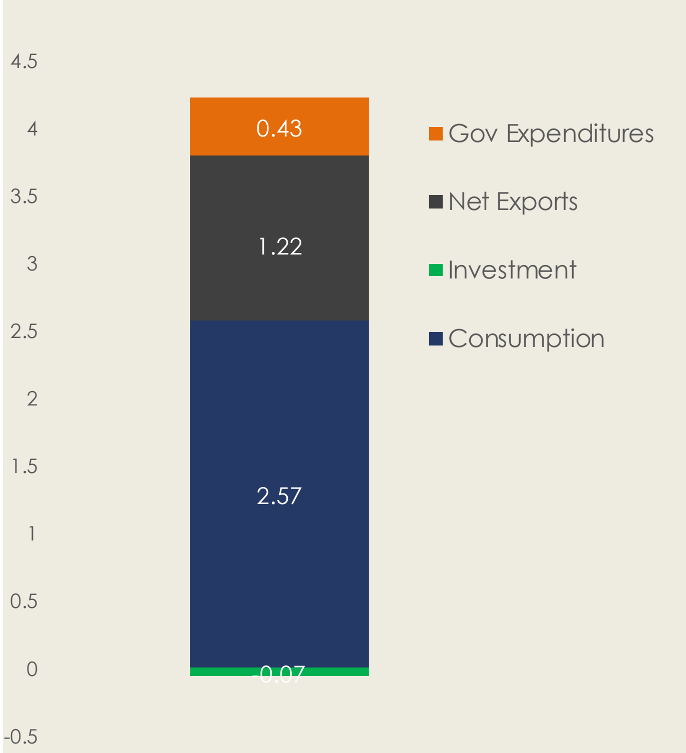
Source: **US**: Federal Reserve Money Supply M2 YoY % Change **Europe**: ECB Money Supply M2 YoY **Canada**:Bank of Canada Money Supply M2 YoY SA **China**:China Monthly Money Supply M2 YoY. Data derived by Bloomberg.

US Gross Domestic Product

The U.S. economy expanded at a strong pace in the second quarter, with growth expected to pull back slightly this quarter but still continue its solid run. After-tax profits without inventory valuation and capital consumption adjustments rose a seasonally adjusted 3.3% from the prior quarter after rising 8.5% in the first quarter. The strong growth posted in the second quarter followed a growth rate of 2.2% rate in the first three months of the year.

US GDP Quarter Annualized	4.20%
US GDP Year over Year	2.90%

Contribution to Percent Change in GDP



GDP Components	Quarterly Growth Annualized	Previous Quarterly Growth Annualized	Contribution to Growth
Consumption	**3.8%**	**0.5%**	**2.57**
Goods	5.5%	-0.6%	1.16
Durable Goods	*8.6%*	*-2.0%*	*0.6*
Non Durable Goods	*4.0%*	*0.1%*	*0.56*
Services	3.0%	1.0%	1.42
Household Consumption	*2.5%*	*0.5%*	*2.5*
Investment	**-0.5%**	**9.6%**	**-0.07**
Fixed Investment	6.4%	8.0%	1.1
Non Residential	*8.7%*	*11.5%*	*1.15*
Residential	*-1.3%*	*-3.4%*	*-0.05*
Inventory	-	-	-1.17
Net Exports	**-**	**-**	**1.22**
Exports	9.3%	3.6%	1.12
Goods	*13.5%*	*3.2%*	*1.06*
Services	*1.5%*	*4.2%*	*0.07*
Imports	-0.6%	3.0%	0.1
Goods	*-0.4%*	*2.4%*	*0.06*
Services	*-1.4%*	*5.5%*	*0.04*
Government	**2.5%**	**1.5%**	**0.43**
Federal	3.7%	2.6%	0.24
State & Local	1.8%	0.9%	0.2
Quaterly GDP	**4.2%**	**2.2%**	**4.2**

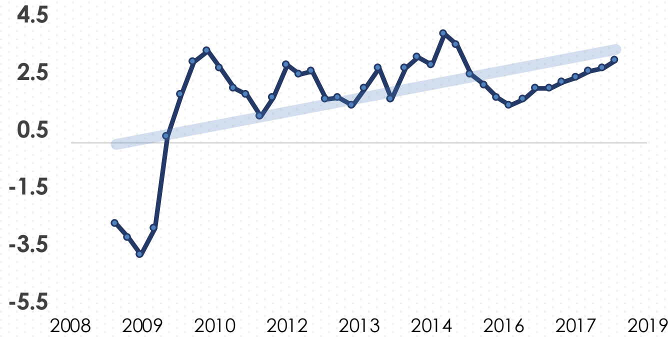
Source: **GDP**: Bureau of Economic Analysis: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation. Data derived by Bloomberg.

Rate Normalization Watch

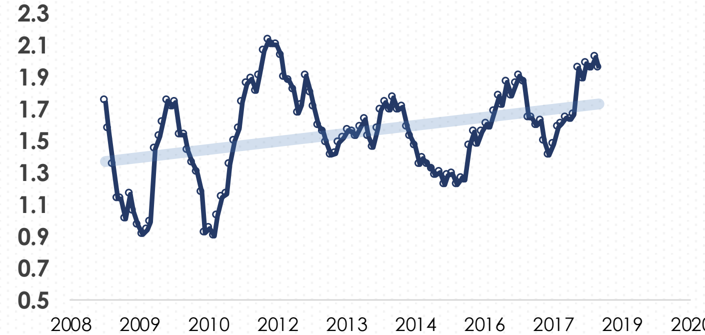
Commentary: Attention will continue to be paid to inflation with long-term targets set near the 2% range. We've seen this number continue to creep towards the 2% mark, but we think long-term inflation will be capped due to forces at play bigger than policy makers.

The mix of normalizing rates with reducing the balance sheet still poses the biggest Fed risk to the markets today. The end of Q2 will see a bump in market value of assets "reentering" the market due to rebalancing of the balance sheet.

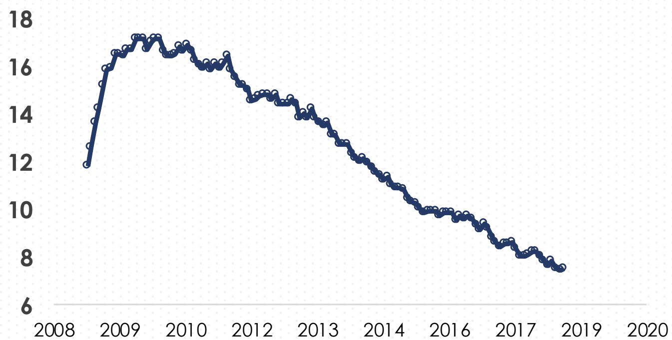
US GDP (YOY)



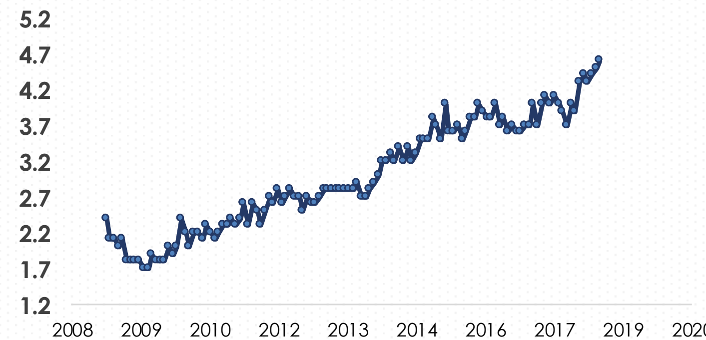
Core PCE YoY (Inflation)



US U6 UNEMPLOYMENT RATE



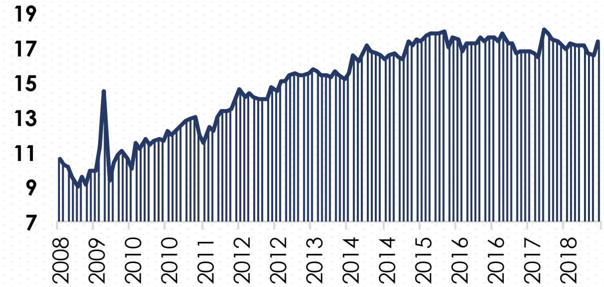
US JOB OPENINGS



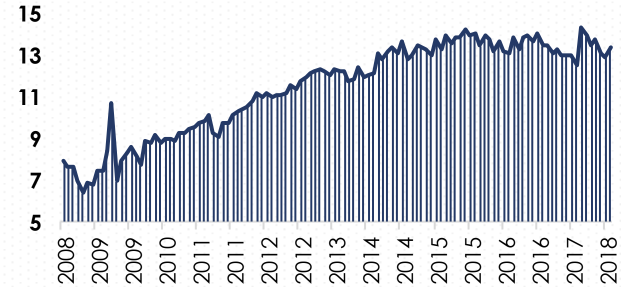
Source: **GDP**: Bureau of Economic Analysis: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. **US CPI:** Consumer Price Index (yoy %). **US U6 Unemployment/ US Job Openings:** Bureau of Labor Statistics.

Commentary: An unwelcomed variable to already slowing vehicle sales would be the introduction of a full blown trade war. Automobile tariffs have already been a point of the conversation brought up by the parties at play. The global supply chain, and with automobiles in particular, is deeply intertwined with virtually not manufacturer solely producing in the United States. We'd expect trade tensions to increase prices, curbing an already slowing market.

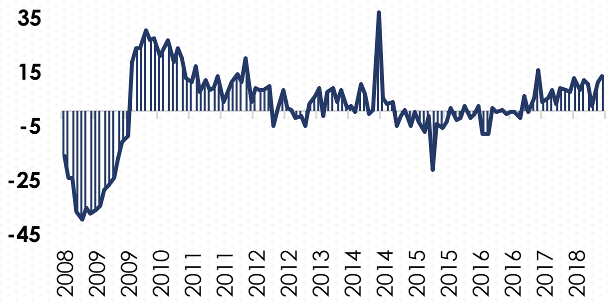
Light Vehicle Sales (mm)



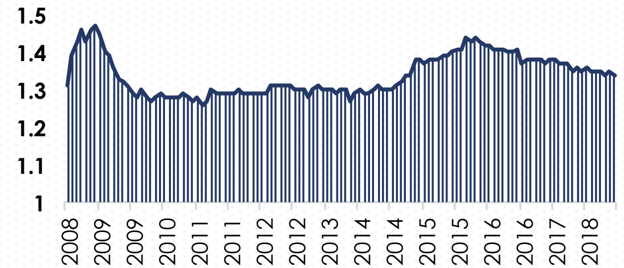
Domestic Vehicle Sales



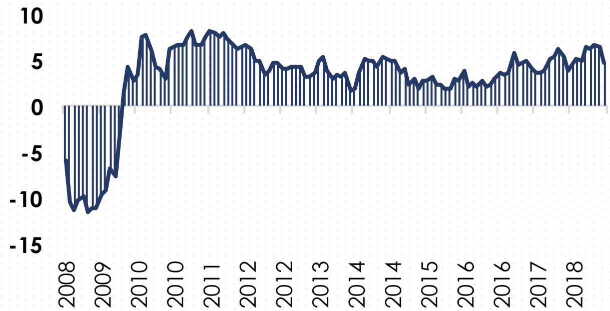
Durable Good Order YoY



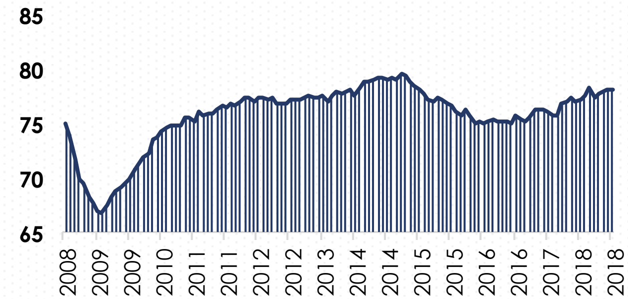
Manufactoring Inventory to Sales Ratio



Retail Sales YoY



Capacity Utilization (%)



Source: US Light Vehicle Sales: U.S. Commerce Department Light Vehicle Sales Domestic Vehicle Sales: US Auto Sales Domestic Vehicles Annualized SA Durable Good Orders: US Durable Goods New Orders Total YoY NSA Manufacturing to Sales Ratio: MFG+TRD INV/SALES RATIO MANUFACT US Census Bureau Retail Sales: Adjusted Retail & Food Services Sales Total Yearly % Change SA Capacity Utilization: US Capacity Utilization % of Total Capacity SA. Federal Reserve. Bloomberg Data.

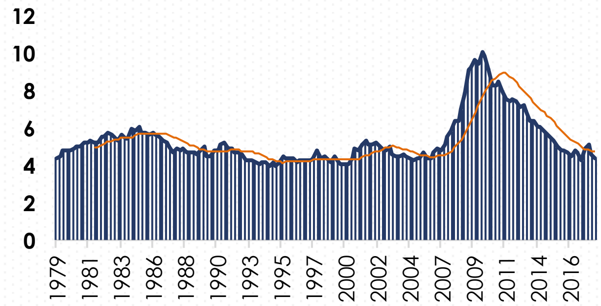
US Housing Data

Commentary: Housing remains strong in terms of quality as delinquencies remain muted and in a downtrend. The prices are slowing which is expected after a period of significant growth. There remains the opportunity for building as affordability remains strong, and starts are below median levels but improving. Housing remains one of the strengths for the US economy.

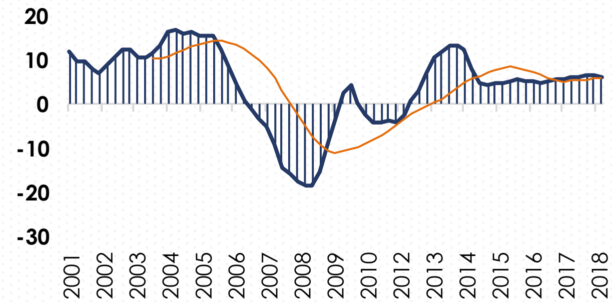
One interesting variable that is being impacted by the change in interest rates is the cost of living in the United States. With a jump in oil prices and rising interest rates, consumers are now faced with higher inputs for their fixed expenses. Mortgage applications fell off late in the quarter, a trend that has in consecutive weeks as refinancing and new applications each were reported lower.

- Long Term Quarterly Index Level
- 12 Quarter Moving Average

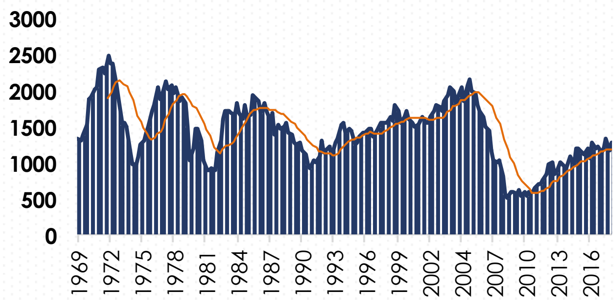
Mortgage Delinquencies



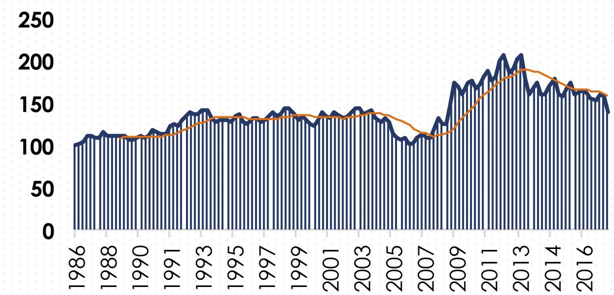
Shiller Housing Prices



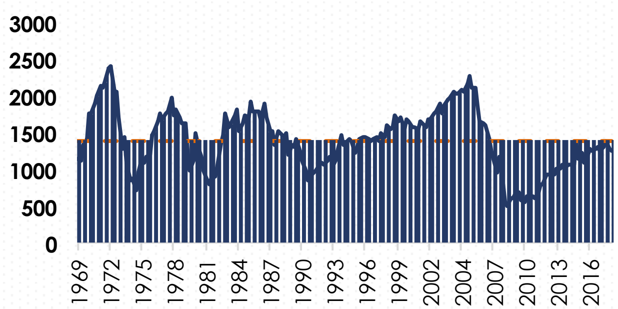
Housing Starts



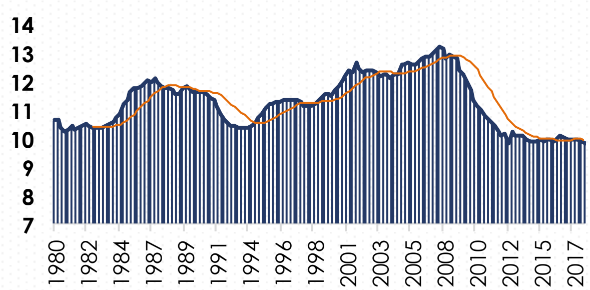
Houshold Affordability



Building Permits



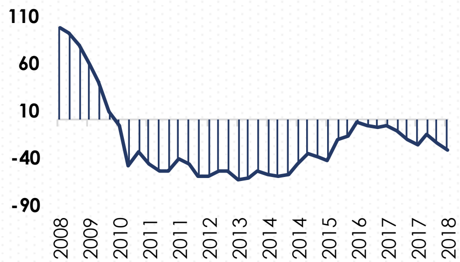
Household Debt to Service Ratio



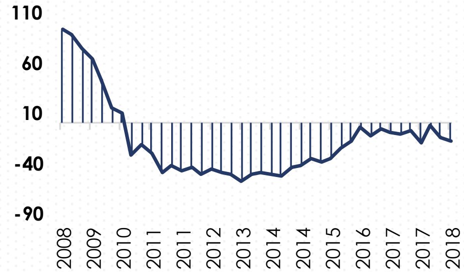
Source: **Mortgage Delinquencies:** Delinquencies As % Of Total Loans SA; Mortgage Bankers Association. **Shiller Housing Prices:** S&P/Case-Shiller Composite-20 City Home Price Index YoY **Housing Starts:** US New Privately Owned Housing Units Started by Structure Total SAAR **Household Affordability:** Housing affordability composite Index; National Association of Realtors **Building Permits:** Private Housing Authorized by Bldg Permits by Type Total SAAR **Household Debt to Service Ratio:** Federal Reserve US Household Debt Service Ratio Total SA.

Commentary: Credit expansion remains modest, and standards have not tightened.

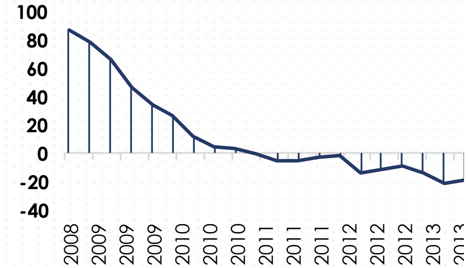
Increasing Loan Rates
Large Firms



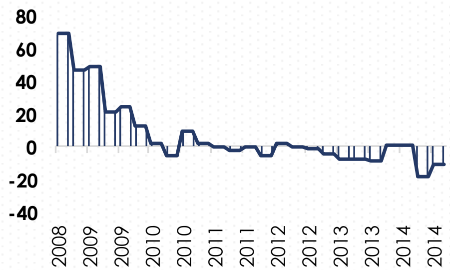
Increasing Loan Rates
Small Firms



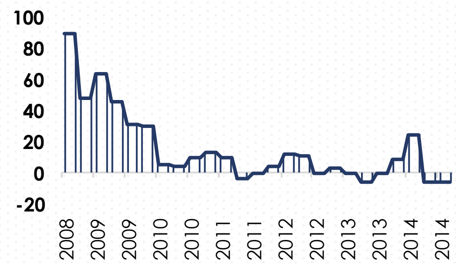
Comm. Real Estate Loans
Tighter Standards



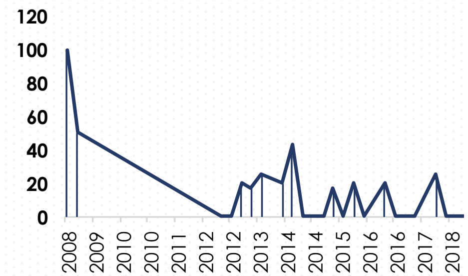
Prime Residential Loans
Tighter Standards



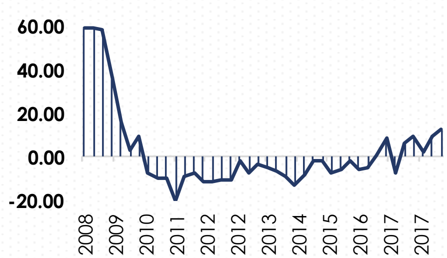
Non-Trad Residential Loans
Tigher Standards



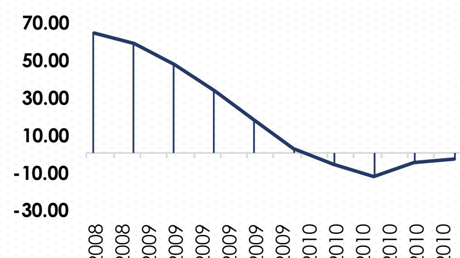
Subprime Residential Loans
Tighter Standards



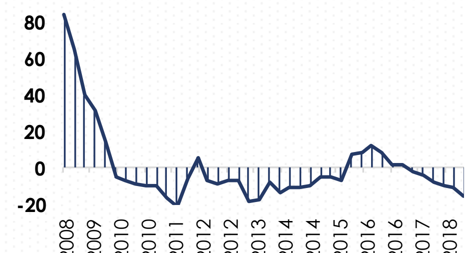
Credit Car Loans
Tighter Standards



Consumer Loans
Tigher Standards



Comm. & Industrial Lonas
Tighter Standards



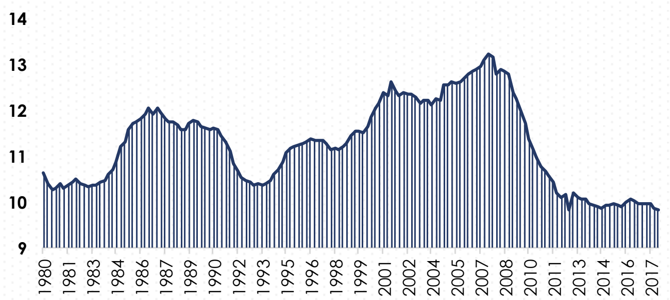
Source: Federal Reserve United States. Bloomberg Data.

Commentary: Student loan debt has grown more than auto loan, credit card, and home equity loan debt combined since 2003, according to the Federal Reserve Bank of New York, as the cost of higher education has skyrocketed, and more students have flocked to get degrees. The proliferation of high-interest student loans has outpaced inflation and earnings growth for college graduates, and delinquency rates for student loans are now higher than those for credit cards, auto loans, home equity loans and mortgages. The home ownership rate in the U.S. has fallen each year over the last six years, according to the U.S. Census Bureau.

We view student loans as the gorilla in the room that nobody is willing to acknowledge. Exceptionally long term implications are posed by the burden of education financing weighing the future generations.

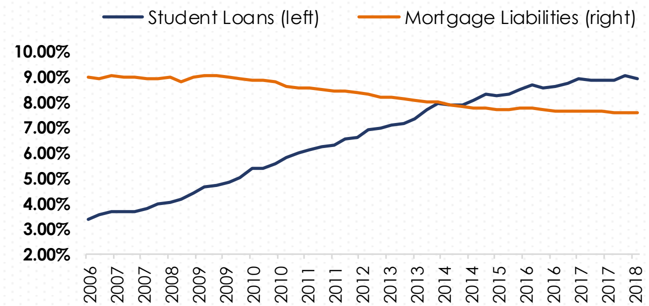
Household Debt Service Ratio

Debt payments as a percent of disposable income



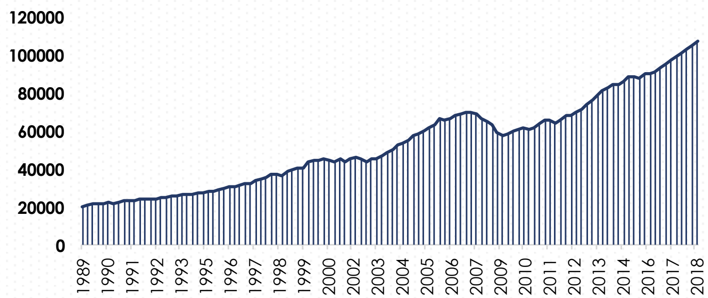
Student Loans as a Percent of Total Liabilities

Mortgage as a percent of total liabilities



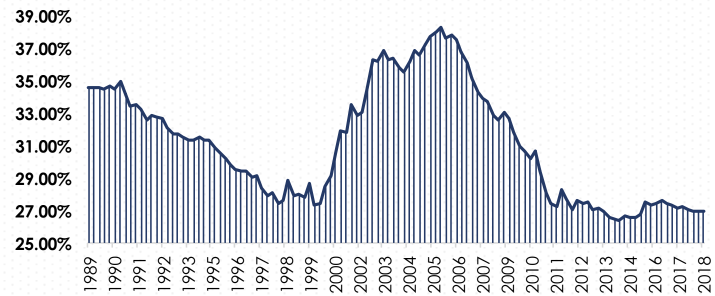
U.S. Household Net Worth

Federal Reserve US Household Assets



U.S. Real Estate as a Percent of Total Assets

Federal Reserve US Household Assets



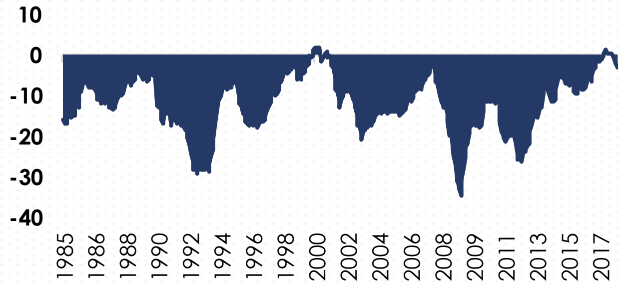
Source: **Household Debt to Service Ratio:** Federal Reserve US Household Debt Service Ratio Total SA **Student Loans, US Household Net Worth, US Real Estate, Liabilities:** Flow of Funds Federal Reserve. Data derived using Bloomberg.

Commentary: The Euro Area was a strong point of markets in 2017 and the conversation within Europe has turned to 2019. With European Central Bankers discussed potentially increasing rates in 2019, the global economy has one of the most significant central banks shifting their policy. We see all eyes pointing to Mario Draghi by end of the year.

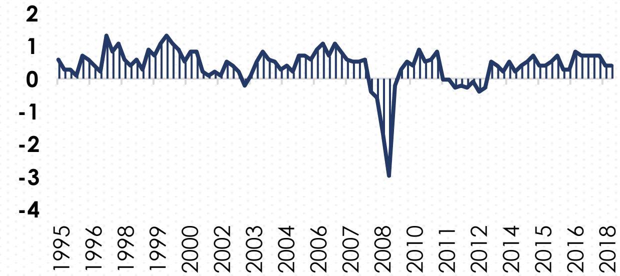
Confidence and business sentiment continue to churn higher, reaching levels last seen 16 year ago.

Since emerging from its double dip recession (2009/2012-2013) the European economy has proven to be a strong point in the global picture. Moving forward, indications from the IMF show a higher contribution of growth to the global economy stemming from the Euro area.

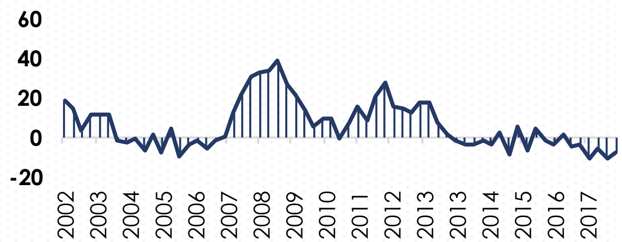
Consumer Confidence
Euro Area



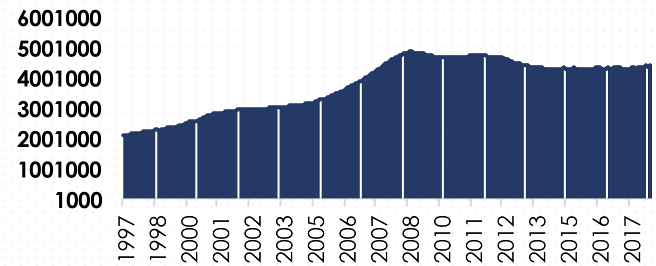
GDP Growth (QoQ)
Euro Area



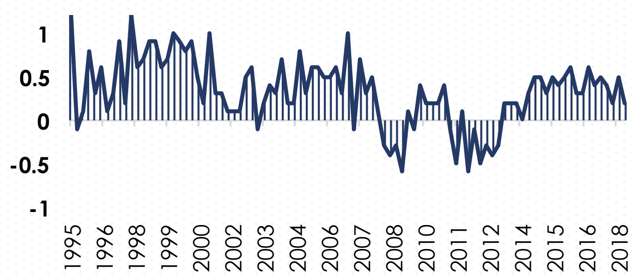
Banks Reporting Tighter Lending Standards (3M Chg)
Euro Area



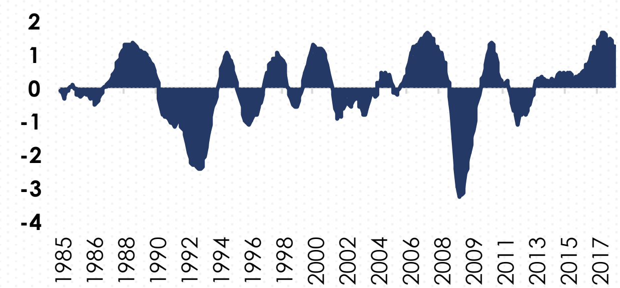
Eurozone Corporate Loans
Euro Area



Household Consumption (QoQ)
Euro Area



Business Climate Index
Euro Area

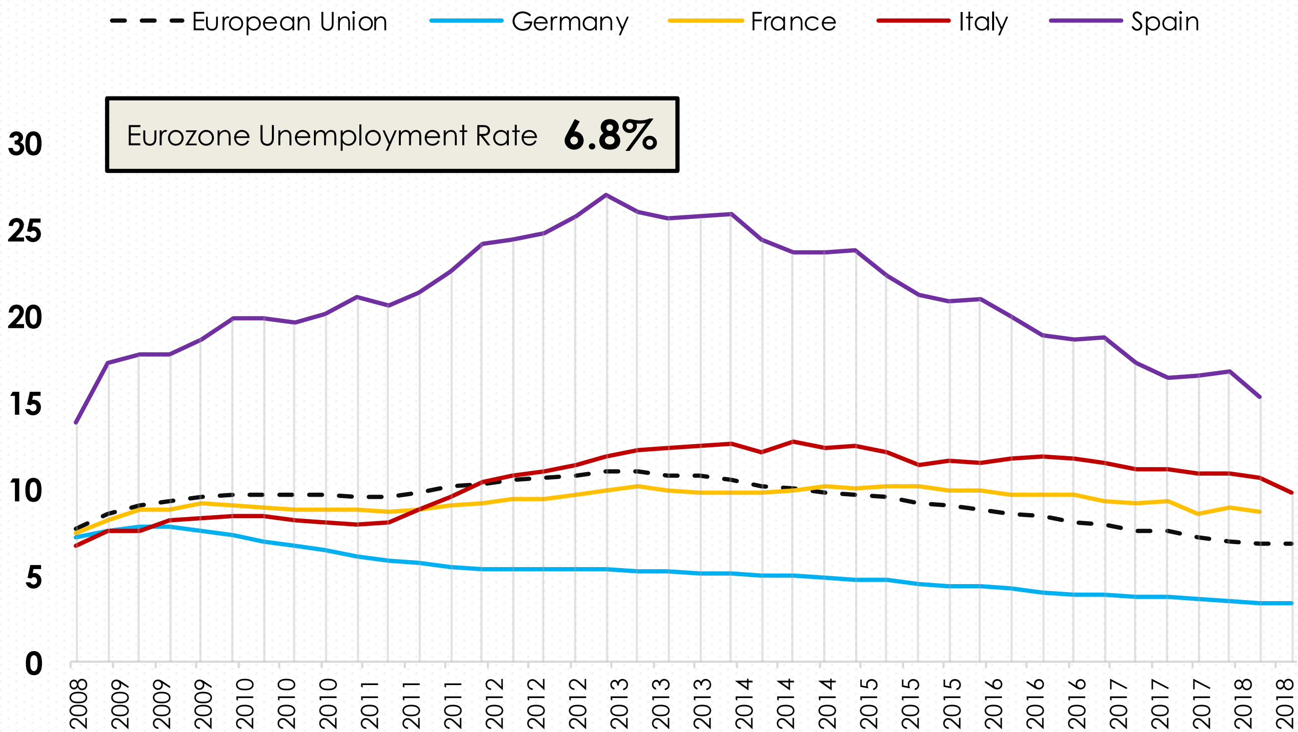


Source: **Eurozone:** European Commission. European Central Bank. Bloomberg Data.

Commentary: Unemployment has persistently churned lower since 2013. This is a trend that it largely responsible for the attractive economic mix that can be found in the region today: solid GDP growth, dispersion across countries narrowing and falling unemployment.

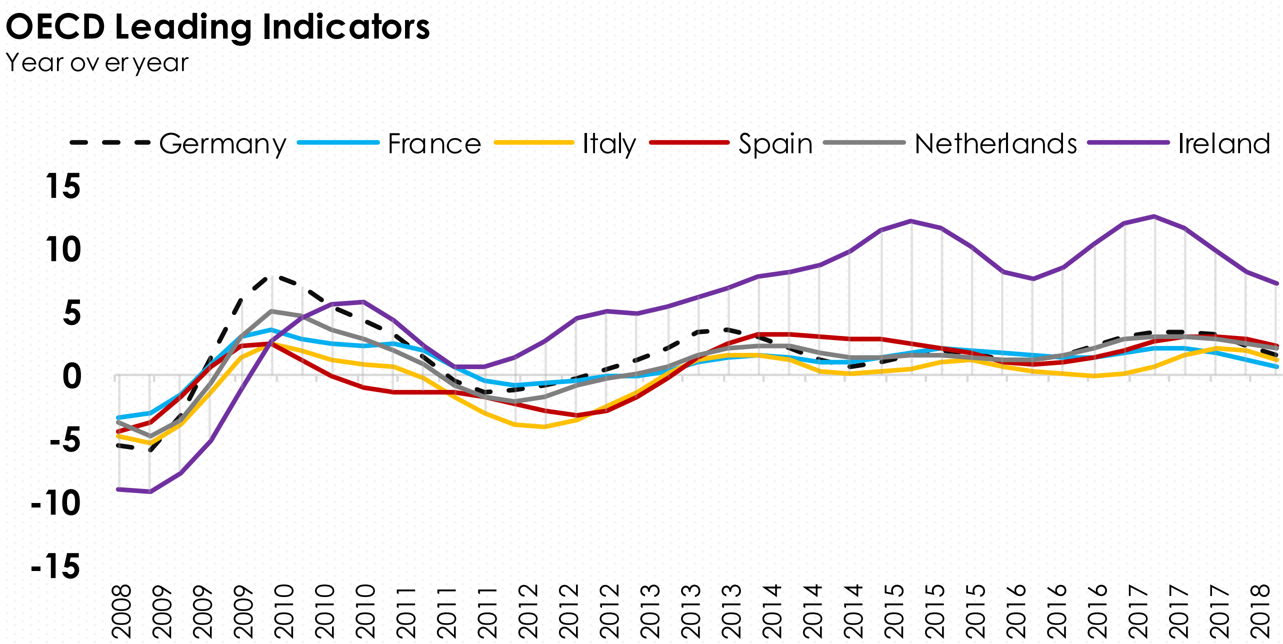
European Unemployment Rates

Quarterly Figures



Source: **European Union:** Eurostat. **Germany:** Deutsche Bundesbank **France:** INSEE National Statistics Office of France **Italy**: ISTAT **Netherlands**: Dutch Statistics Office **Spain**: INE All data derived through Bloomberg.

Commentary: Leading indicators have also pointed to a resurgence in the region. Debt to GDP however remains elevated and rising in everywhere other than Ireland.



Source: OECD leading indicators: Organization for Economic Co-operation and Development Debt as a percent of GDP: Central Intelligence Agency
All data derived through Bloomberg.

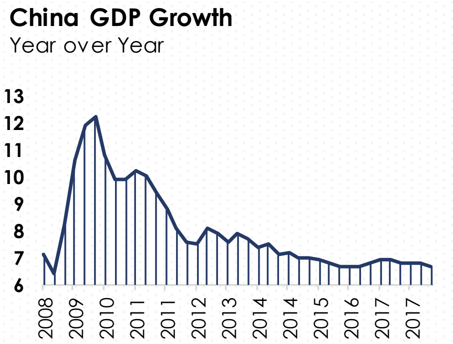
Chinese Economy

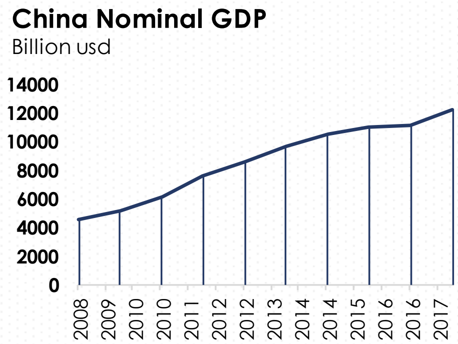
Commentary: Taking a step back from the noise of headlines and the ongoing trade war, lets take a look at the world's second largest economy.

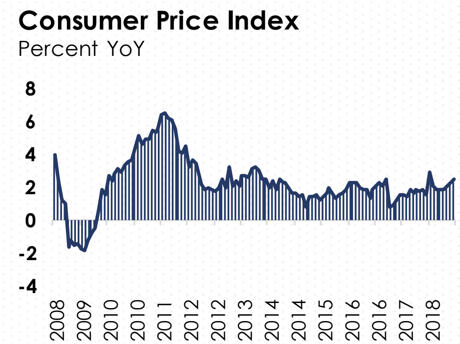
Ultimately, during 1H we saw China take significant steps towards aligning themselves as the premier global leader in the long-term. President Xi Jinping now serves as the President as the PBOC with no term limits.

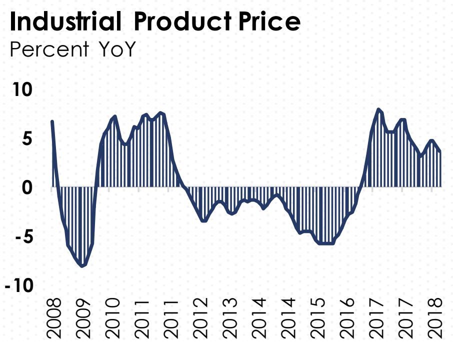
Trade concerns have largely been a war of words up until this point, with little tangible impact being shown in either the U.S. or Chinese economy. The U.S. and Chinese economy both reported favorable GDP growth reports for the second quarter, U.S. corporate earnings have shown little impact (although the term "tariff" has shown up in earnings call at a growing rate) and consumer confidence in China have shown little concern. How much of that last point has to do with the reporting on the situation domestically is up for debate.

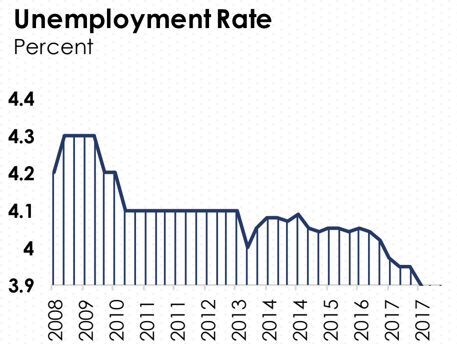
Additionally, we saw a TPP deal struck without the United States. We view the Chinese economy and markets as one of the most important influences on portfolios today.

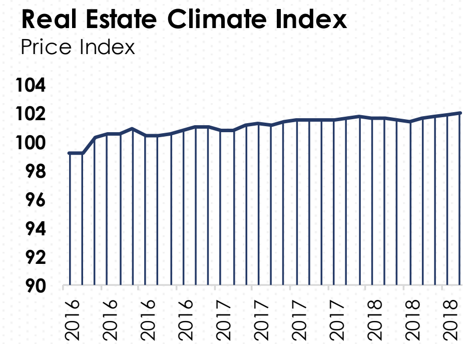


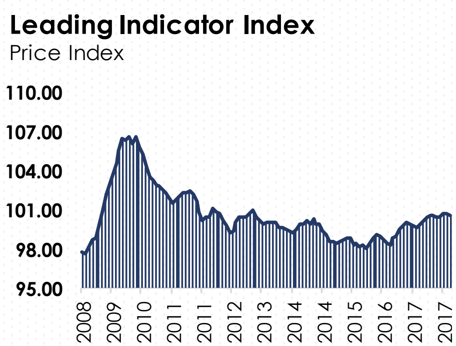


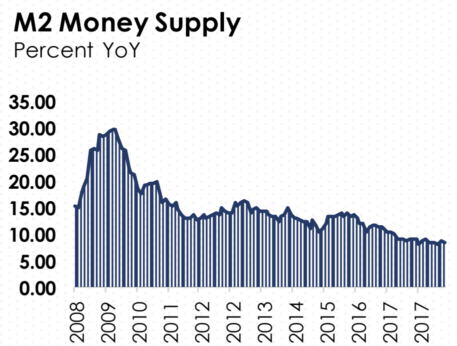


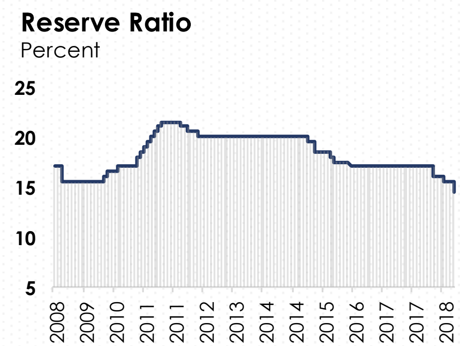








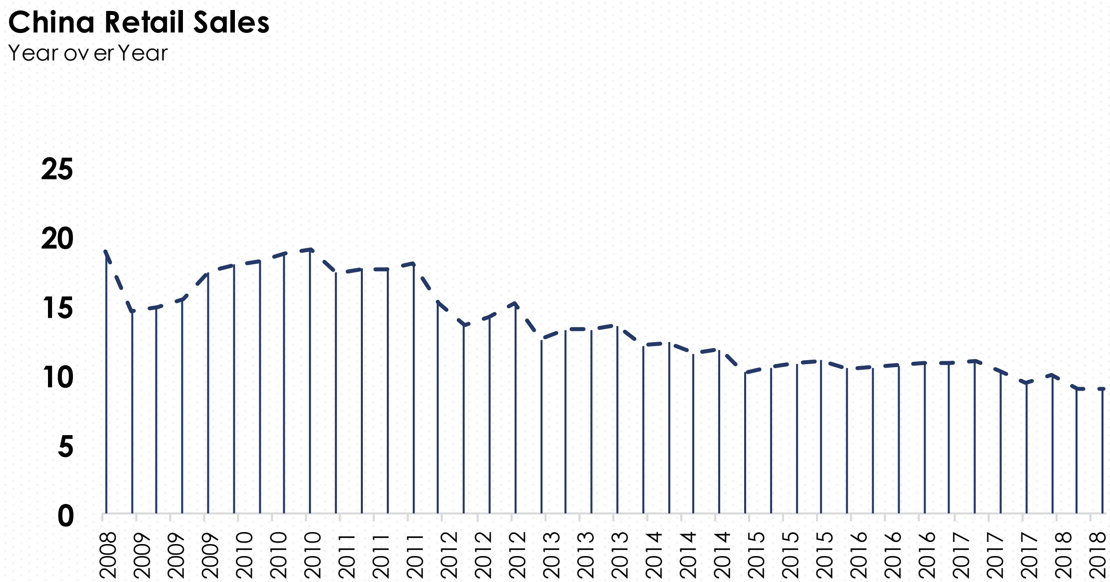




Source: China: National Bureau of Statistics of China. All data derived through Bloomberg.

Commentary: Retail sales is the proxy for domestic consumption in China. The graph on the top shows the double digit year over year retail sales growth. In addition, the service sector as measured by the non manufacturing PMI, is signaling expansion. China's service sector has doubled in the last 2 decades and now accounts for more than 50% of GDP.

PMI readings continue to remain in expansion territory for the non-manufacturing sectors. A positive indicator that the transition to service oriented growth still maintains positive momentum.



Business Conditions	Current	-3 Months	-6 Months	-1 Year
Manufacturing PMI	50.80	51.50	51.50	52.40
Non Manufacturing PMI	54.90	55.00	54.60	55.40
New Orders PMI	52.00	53.20	53.30	54.80
New Export Orders PMI	48.00	49.80	51.30	51.30
Order Backlog PMI	45.20	45.50	46.00	47.40

Source: China: China Federation of Logistics and Purchasing. All data derived through Bloomberg.

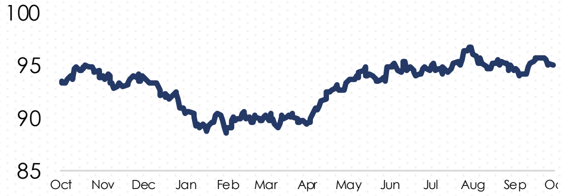
currencies

Global Currency Market

FX returns have been more idiosyncratically and technically driven. Nevertheless, broad dollar is the most likely beneficiary of the near-term persistence of macro and market instability. Recent early indications of year-end liquidity tightening should reinforce year-end support for the dollar, even if it is of the mundane seasonality sort rather than anything more ominous for dollar funding markets.

US Dollar Index

1 Year



EUR/USD

1 Year

USD/JPY

1 Year

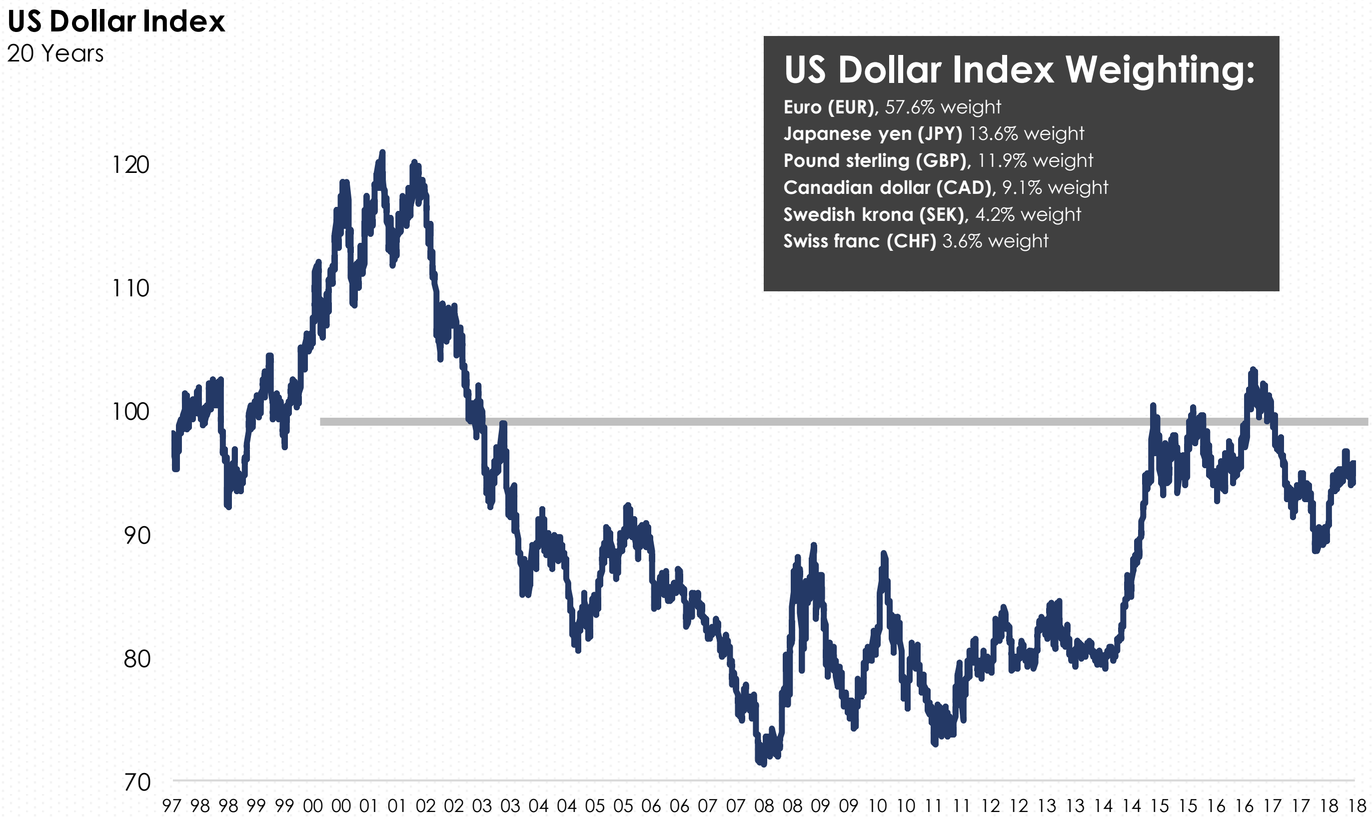
Region	Currency Pair	1 Year Change	Trend	Current	3 Months Ago	6 Months Ago	1 Year Ago	3 Years Ago
			Majors					
US Dollar Index	DXY	1.73%		94.9	94.5	89.4	93.3	94.5
Europe	EUR/USD	-1.76%		1.2	1.2	1.2	1.2	1.1
Australia	AUD/USD	-9.04%		0.7	0.7	0.8	0.8	0.7
Canada	USD/CAD	3.34%		1.3	1.3	1.3	1.3	1.3
United Kingdom	GBP/USD	-0.28%		1.3	1.3	1.4	1.3	1.5
Japan	USD/JPY	0.08%		112.3	112.3	107.1	112.2	119.4
Hong Kong	USD/HKD	0.38%		7.8	7.8	7.8	7.8	7.7
New Zealand	NZD/USD	-8.19%		0.7	0.7	0.7	0.7	0.7
Norway	USD/NOK	3.02%		8.1	8.1	7.8	7.9	8.1
Switzerland	USD/CHF	1.44%		1.0	1.0	1.0	1.0	1.0
			Asia					
Thailand	USD/THB	-1.65%		32.5	33.3	31.2	33.1	35.3
Taiwan	USD/TWD	2.36%		30.9	30.6	29.4	30.1	32.3
South Korea	USD/KRW	0.02%		1,128.0	1,129.1	1,073.9	1,127.8	1,129.4
Singapore	USD/SGD	1.64%		1.4	1.4	1.3	1.4	1.4
Philippines	USD/PHP	5.19%		53.9	53.5	52.1	51.2	46.1
Malaysia	USD/MYR	-1.53%		4.2	4.0	3.9	4.2	4.2
Indonesia	USD/IDR	12.80%		15,201.0	14,394.0	13,780.0	13,476.0	13,540.0
India	USD/INR	13.53%		73.5	68.6	65.5	64.7	64.8
China	USD/CNY	4.87%		6.9	6.7	6.3	6.6	6.4
			EMEA					
South Africa	USD/ZAR	6.88%		14.2	13.2	12.1	13.3	13.1
Israel	USD/ILS	4.11%		3.6	3.6	3.5	3.5	3.8
Turkey	USD/TRY	58.38%		5.8	4.8	4.1	3.6	2.9
Russia	USD/RUB	14.18%		65.4	62.3	61.1	57.3	61.3
Poland	USD/PLN	3.01%		3.7	3.7	3.4	3.6	3.7
Hungary	USD/HUF	6.48%		277.8	275.9	250.5	260.9	273.4
			Latin America					
Mexico	USD/MXN	-1.46%		18.8	18.8	18.0	19.0	16.4
Colombia	USD/COP	-1.46%		18.8	18.8	18.0	19.0	16.4
Chile	USD/CLP	8.29%		670.7	650.1	596.5	619.4	675.0
Brazil	USD/BRL	17.10%		3.7	3.9	3.4	3.2	3.9
Argentina	USD/ARS	111.02%		36.6	27.3	20.2	17.3	9.5

Source: All data derived through Bloomberg. Past performance is not indicative of further returns.

US Dollar Index

Commentary: The framework for relating fiscal stimulus to the dollar remains simple unchanged from when we first considered it late last year – greater cyclical optimism into an economy at near full capacity could drive a fuller pricing of the Fed '18 dots.

What seems like a short term bottom in the dollar being placed early in the second quarter, dollar strength was a driving force in Q2. We view fundamental catalysts that are expected to unfold in 2018 to be headwinds for the dollar long term. However, even despite the 5% move in the greenback in Q3, we can see short term dollar strength persisting here.

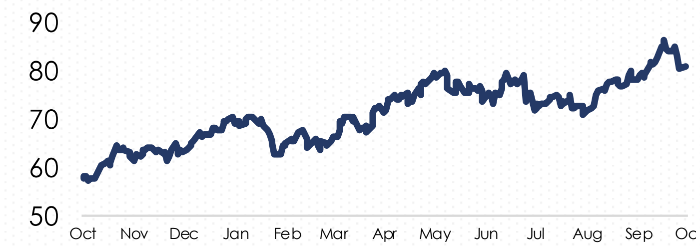


Source: US Dollar Index: All data derived through Bloomberg.

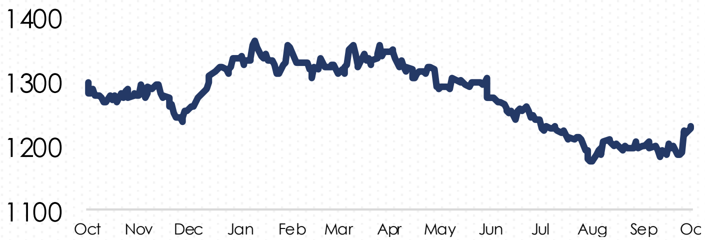
commodities

Commodity Market

Brent Crude
1 Year



Gold
1 Year



Commodity	1 Year Change	Trend	Current	3 Months Ago	6 Months Ago	1 Year Ago	3 Years Ago
Broad Commodity Index	8.08%		199.5	191.2	199.5	184.6	199.4
GSCI Commodity Index	19.53%		483.0	455.4	463.8	404.1	369.6
Bloomberg Comm. Index	1.18%		87.0	82.8	89.0	86.0	89.8
Corn	7.28%		376.0	341.8	382.5	350.5	376.8
Coffee	-3.96%		118.9	107.5	114.3	123.8	125.9
Sugar	-5.99%		13.3	11.1	12.0	14.2	14.3
Wheat	20.33%		525.3	488.5	462.3	436.5	492.3
Aluminum	-3.76%		2,031.0	2,066.8	2,291.0	2,110.3	1,552.5
Copper	-14.17%		278.0	275.7	309.6	323.9	240.4
Gold	-5.43%		1,229.3	1,239.7	1,347.5	1,299.9	1,183.6
Silver	-14.73%		14.8	15.7	16.7	17.4	16.1
Brent Crude	39.61%		80.7	71.8	71.4	57.8	50.5
WTI Crude	38.44%		71.8	68.1	66.2	51.9	47.3
Gasoline	21.32%		196.2	200.2	204.0	161.7	132.8
Natural Gas	9.64%		3.2	2.8	2.8	2.9	2.4

Oil was gaining headlines late in the quarter as the price of oil eclipsed $75 for the first time since 2014. The run-up in price, and continued pressure on Iran has led other OPEC nations to increase their production, notably Saudi Arabia. What was missing form the recent announcement however, was a specific number of barrels to be expected to hit the market. It is expected thought that the ramp up in production (in reality, deliveries) will reach hundred of thousands. As oil has slowly worked its way back to attractive levels for producers, energy stocks have reentered the conversation for many. If oil prices are able to persist at the recent highs, then it should be expected for investors to reward the energy names which would help sustain the current market rally. However, a downturn in global growth could quickly lead to a downturn in demand, sending not only energy companies but the market as a whole lower from here.

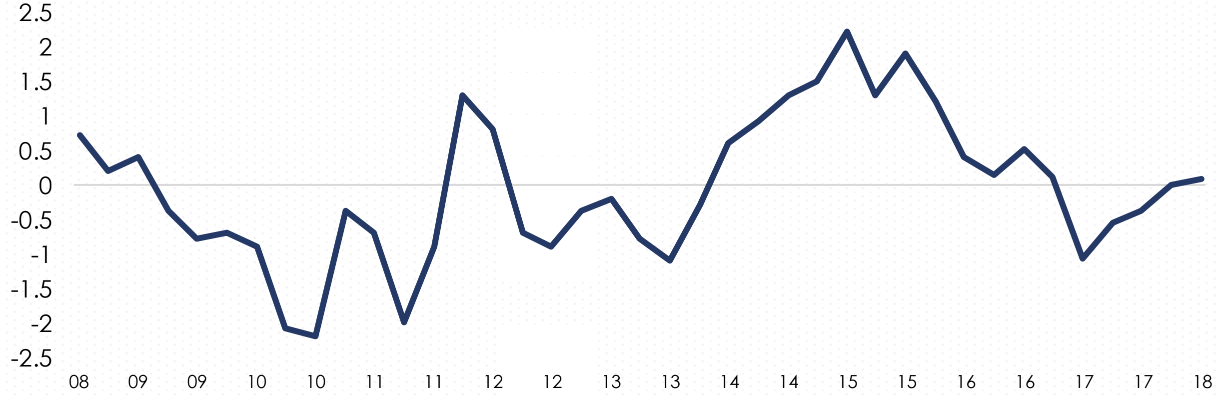
Source: All data derived through Bloomberg. Past performance is not indicative of further returns.

Energy Supply Demand

Commentary: Our studies show that oil tends to bottom prior to rig counts. Oil bottomed prior to rig counts as expected, but production remains robust. This is likely to keep pressure on oil prices from soaring higher. Also the crude demand is expected to outpace supply over the next several quarters.

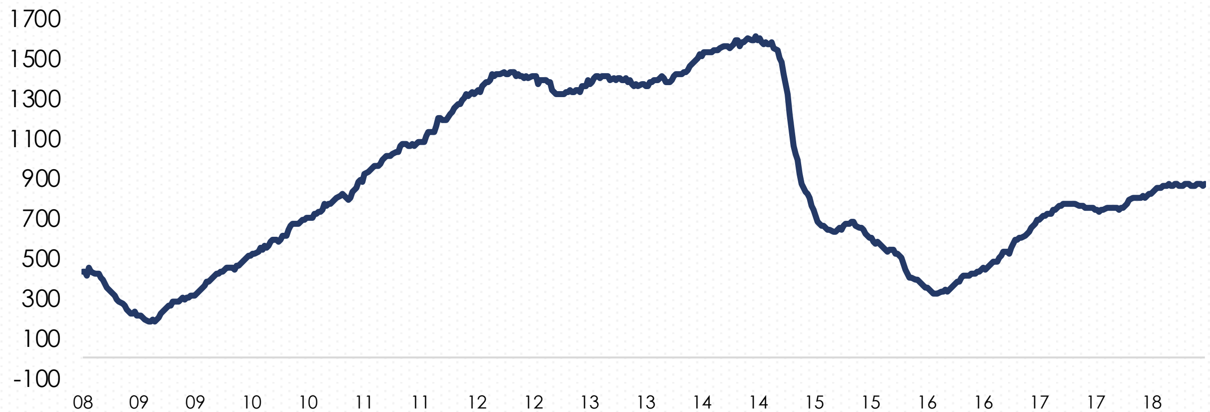
Crude Surplus/Deficit Million BPD

5 Year IEA supply minus demand



Baker Hughes Oil Rig Count Index

5 Year



Source: International Energy Agency. Baker Hughes Index. All data derived through Bloomberg.