THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

Follow Larry Adam on Twitter: @LarryAdamRJ Follow Larry Adam on LinkedIn: Larry Adam

WEEKLY HEADINGS

In light of the horrific attack on Israel last weekend, our weekly commentary on the markets takes on a more solemn tone. Our hearts go out to everyone impacted by the tragic events that are ongoing. As the death toll rises and a full-scale war breaks out between Israel and Hamas, geopolitical uncertainty has once again been thrust into the limelight. The surprise attack comes at a critical juncture for the global markets, a time when central banks are preparing to wind down their tightening cycles as the threat of inflation eases. And while unexpected Middle East tensions have the potential to drive oil prices higher, we are hopeful that the conflict will remain contained. In fact, the market's initial reaction to the tragic events has been relatively muted. While the events are still unfolding, there are four key dynamics that we are watching to gauge the longer-term market impact:

Key Takeaways

Supply Chains Will Not Be Impacted By Israeli-Hamas War

Conflict Unlikely To Push Oil Prices Significantly Higher

No Changes To Our Economic Or Earnings Forecasts

- **Middle East Turmoil Not Likely To Upend Supply Chains Again |** After three years of overlapping crises, it is natural to wonder whether the surprise attack on Israel and its subsequent declaration of war poses another threat to the global economy and supply chains around the world. While these concerns are valid, we do not think the tensions in the Middle East will lead to any major disruptions. Why? For starters, unlike Russia and Ukraine, Israel is not a huge oil or commodities supplier to the world. And because of this, it is unlikely that the Israeli-Hamas war will disrupt supply chains or drag down economic confidence in the same way the Russia-Ukraine war or the pandemic did over the last few years. A major impact on supply chains could occur if there was an escalation in the war throughout the region. Fortunately, our oil analyst does not view this as a likely outcome. If we're right, this should be welcome news for the Fed as it is unlikely to place upward pressure on inflation or alter its projected rate path.
- **Conflict Is Unlikely To Push Oil Prices Significantly Higher |** The surprise attack on Israel symbolically coincided with the 50th anniversary of the Yom Kippur war. While the timing is sure to spark memories of oil embargoes, supply shortages and massive disruptions in the energy markets, the likelihood of a repeat of 1973 appears limited. Yes, oil prices climbed ~5% after the war broke out last weekend, but that pales in comparison to the near tripling in oil prices during the Yom Kippur war.* From our perspective, there are three major differences between today's war and 1973. First, the war (as it stands today) remains contained between Hamas and Israel. Unlike 1973, other neighboring nations have not been drawn into the conflict. Second, there is no threat of supply shortages today. Yes, OPEC has been cutting production, but there is enough spare capacity to meet current oil demand. And finally, Israel and its immediate neighbors are not big oil producers—which limits the likelihood of any major disruptions. While we do believe that the uncertainty may hold oil prices near our $85-$90/barrel target, we are not expecting oil to spike sustainably higher.
- **No Changes To Our Economic or Earnings Forecasts |** Not to minimize the impact and devastation of the events that are taking place in the Israeli conflict, but we think it is important to assess whether the conflict alters our asset class views or outlook for the economy or earnings growth here in the US. In our view, it does not materially impact our outlook for a few reasons. First, from an economic perspective, Israel is a small country, with a GDP of $521 billion—making it the 29th largest country in the world, representing only 0.5% of world GDP. To put this into perspective, when measured by GDP, Israel would rank as the 13th largest state in the US (roughly the size of Virginia) and when compared to companies in the S&P 500, Israel is roughly the same size as the 15th largest company (Eli Lilly). Additionally, Israel is not a significant trade partner of the US, making up only 0.7% of both US imports and exports (the 25th and 29th largest trade partner respectively). And because of this, Israel is not big enough to derail the US economy from its current path. From an earnings perspective, given that we do not expect a significant economic impact from the war, combined with the fact that the S&P 500 receives only 0.2% and 2.8% of revenues from Israel and the Middle East region respectively, we do not think that the conflict will have a meaningful impact on earnings. Finally, it is worth noting that previous events in the region have not had a significant market impact. In fact, in the previous 11 major conflicts, the S&P 500 was up ~15% on average in the 12 months following the onset of the conflict and was positive 75% of the time.*
- **Flight To Quality In Bond Market May Be A Catalyst |** After the brutal sell off in the bond market over the last few months, Treasury yields still demonstrated a traditional flight-to-quality response during geopolitical crises with the 10-year yield down ~18 bps to ~4.60% this week.* Short covering (as we alluded to in our Quarterly Outlook) and some dovish remarks from Fed officials, who were unnerved by the rapid rise in bond yields since the last FOMC meeting, also added fuel to the rally. While yields have moved higher as the market has priced in a soft, non-recessionary landing, we think recession risks are higher than what is priced into the market. Hopefully, the flight-to-quality move this week is the catalyst to halt the relentless upward march in rates. And if we're right and the economy does enter a recession in the first quarter of 2024, then there is plenty of room for yields to fall.

CHART OF THE WEEK

S&P 500 Has Historically Shrugged Off Past Israeli Conflicts

The S&P has historically looked through conflicts in the Middle East. In the last 11 major conflicts in the region, the S&P 500 was up ~15% on average over the next 12 months and was positive 75% of the time.

*See Charts of the week on page 3.

ECONOMY

- Both Consumer (CPI) and Producer (PPI) Price Indices reflected higher than expected year-over-year growth, with the headline figures printing 3.7% and 2.2%, respectively. While this underscores the challenges still faced by the Federal Reserve (Fed), the core metrics (excluding food and energy) of 4.1% and 2.7%, respectively, highlight a continuing disinflationary trend.*
- Both import and export prices increased in September (+0.1% and +0.7% MoM, respectively). The bigger increase in export prices is good news for exporters, while the small increase in import prices, or decline if we exclude fuel, is comforting news for the Fed.
- The Michigan Consumer Sentiment Index declined considerably in October to 63.0, with every component in the Index moving lower. Consumer concern over rising energy prices pushed the 1-yr and 5-yr inflation expectations higher (3.8% & 3.0%, respectively).
- **Focus of the Week:** As more and more cracks in the strength of the consumer appear (i.e., depleted excess savings and rising household expenses), we will be looking for further supporting evidence in next week's Retail Sales report. While the topline Retail Sales figure is expected to slow, the more important "Control Group" subindex is expected to pick up the pace. In addition, with mortgage rates hitting 7.7% (highest since 2000), we will be paying close attention to any repercussions reflected in the many housing reports next week. New construction data have remained solid thus far, reflecting the limited inventory of homes available for sale.

October 16 – October 20

MON

TUE
Retail Sales
Industrial Production
NAHB Housing Index

WED
Building Permits
Housing Starts

THU
Jobless Claims
Existing Home Sales
Leading Indicators

FRI

FUTURE EVENTS
10/25 New Home Sales
10/26 GDP (3Q23 1st est.)
10/27 PCE

US EQUITY

- Happy Anniversary! This Thursday (10/12) marked the one-year anniversary of the current bull market, as the S&P 500 bottomed one year ago on October 12, 2022. While the S&P 500 is up ~22% over that time period, this marks the second weakest start to a bull market since 1945 and is nearly half the historical average (~42%).*
- 9 of 11 sectors are in positive territory during the current bull market, led by Info Tech (49%) and Communication Services (44%). Utilities (-5%) and Consumer Staples (-1%) are the only sectors in negative territory.
- Interestingly, small cap (which is historically a leader during the first year of a bull market given its higher beta) has lagged large cap by 19% during the current cycle. This marks the first time in the last four bull markets that small cap has lagged in the first year.
- **Focus of the Week**: The largest US banks reported earnings this morning (Friday, October 13). Solid financial performance was driven by lower-than-expected net charge-offs and loan loss provisions. The 3Q23 earnings season ramps up next week with 11% of the S&P 500 market cap reporting results led by the Financials and Consumer Discretionary sectors. Our focus will be on select payment processers such as Discover and American Express to assess the health of consumer spending.

FIXED INCOME

- 10-year Treasurys continue to get whipsawed with yields trading in an intra-week range of 4.54% to 4.80%. Yields initially tumbled following the attacks on Israel, with the rally fueled by comments from Fed officials suggesting that policymakers may have reached the end of their tightening cycle. However, a modest upward surprise in the inflation numbers, $101 billion in new Treasury supply and soft demand at the auctions pushed yields off their lows for the week. We think the negative reaction to the inflation report was an overreaction, particularly given the core CPI ex-shelter came in just 0.1% on a MoM basis and 1.9% YoY.
- Fiscal dynamics have been a big driver of the upward pressure on bond yields of late, but there may be some relief ahead. The 8.7% cost-of-living adjustment (COLA) for social security in 2023 was a key factor pushing the deficit higher in 2023. However, the Social Security Administration just announced the 2024 COLA at 3.2%.
- **Focus of the Week:** While the FOMC minutes noted that one additional rate hike may still be needed, Fed officials appear to be backtracking a bit given the recent tightening in financial conditions. We'll be watching for any more insights from Fed speakers, particularly Powell's speech on the Economic Outlook to the Economic Club in NY, Wednesday's release of the Beige Book and keeping an eye on how much tax receipts climb following the October 16 filing deadline.

POLITICS

- The spike in Middle East tensions over the Israel-Hamas conflict adds additional urgency for the House to select a new Speaker and sets up likely additional defense funding, but House Republicans have yet to coalesce around a candidate who can secure the needed 217 votes on the House floor. The lack of a Speaker injects additional uncertainty in the government funding debate with a November 17 expiration of the current funding bill, but heightening geopolitical risks could force the House to return to regular order and pass another short-term extension. The speakership race remains unresolved at this stage after House Majority Leader Steve Scalise (R-LA) won an internal GOP vote for the role but subsequently withdrew due to significant internal dissent, previewing challenges that other candidates are likely to face as they advance toward floor votes. Talk has now shifted towards empowering a temporary Speaker, but we will be watching for whether the escalating crisis and need for aid to Israel accelerates the selection of a consensus Speaker candidate within the GOP, and if clarity around the appropriate level of aid for Ukraine becomes more of a focal point.

ENERGY

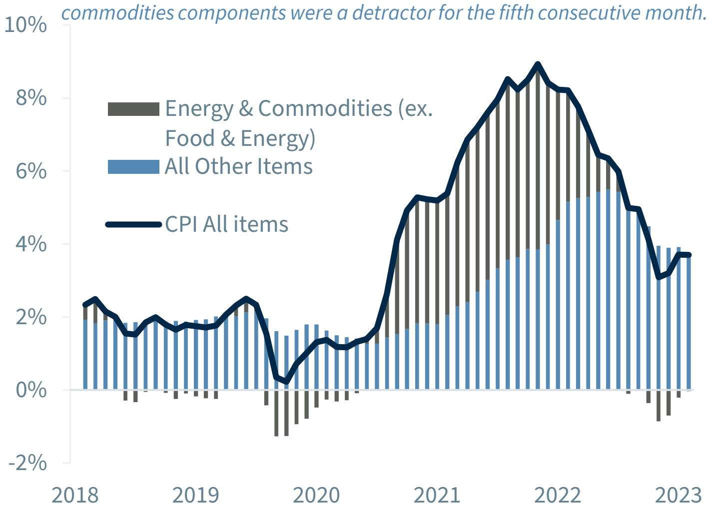
- It is understandable that this latest flare-up of Mid-East violence has raised questions about security of oil supply from the region. In practical terms, however, the risk for the oil market is low.* Here is why. Israel and its immediate neighbors—Gaza Strip, West Bank, Syria, Lebanon, Jordan—do not produce meaningful quantities of oil. (Egypt produces oil but is a net importer.) The only way oil supply could be disrupted is if Iran were to enter the war. There is no sign of that happening. Iran has long been a financial backer of Hamas, as well as Hezbollah in Lebanon, but that is very different from engaging in a direct military confrontation with Israel. As the leadership in Tehran knows very well, Israel is a nuclear-armed country and has the strongest air force in the Middle East. It would be downright suicidal for Iran to get involved.

*See Charts of the week on page 3.

Charts of the Week

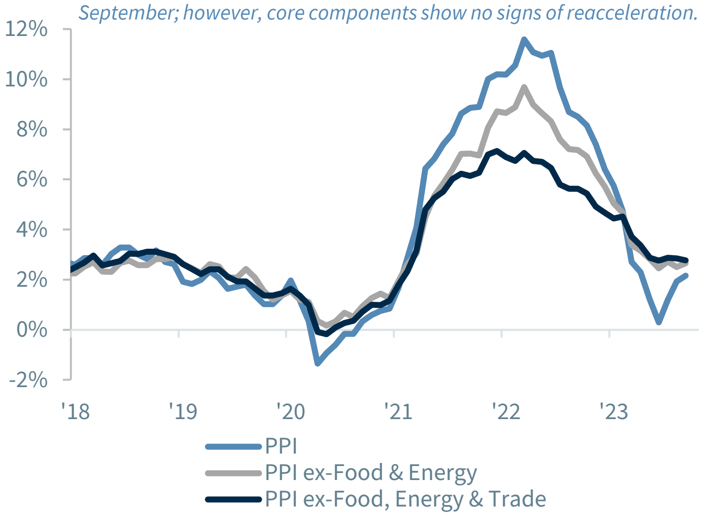
Inflation Holds Steady

While the pace of headline inflation held steady at 3.7%, the energy and commodities components were a detractor for the fifth consecutive month.



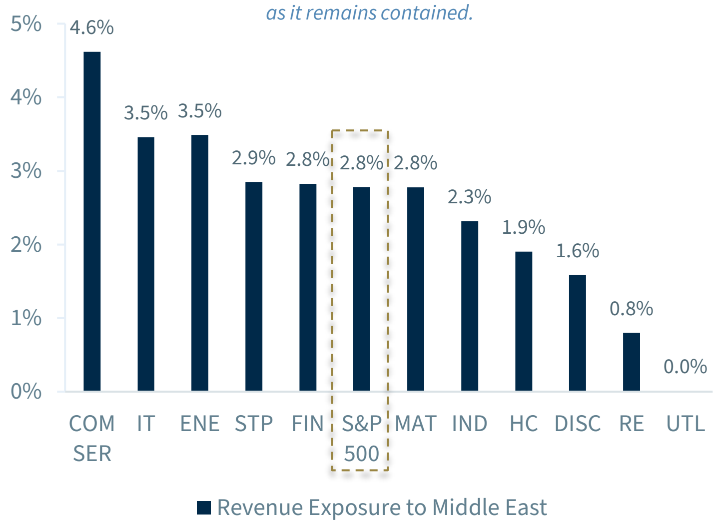
Producer Prices Push Higher

The pace of growth in producer prices (+2.2%) increased again in September; however, core components show no signs of reacceleration.



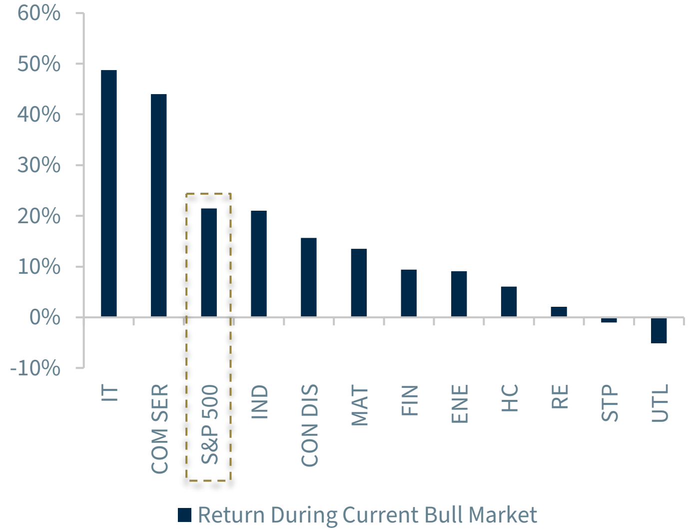
Low Revenue Exposure to The Middle East

The S&P 500 only has ~3% revenue exposure to the Middle East indicating minimal financial impacts from the conflict in Israel as long as it remains contained.



Bull Market Anniversary

The S&P 500 bottomed one year ago. Since then, the Index has returned 22% with all sectors trading higher except for Staples and Utilities.

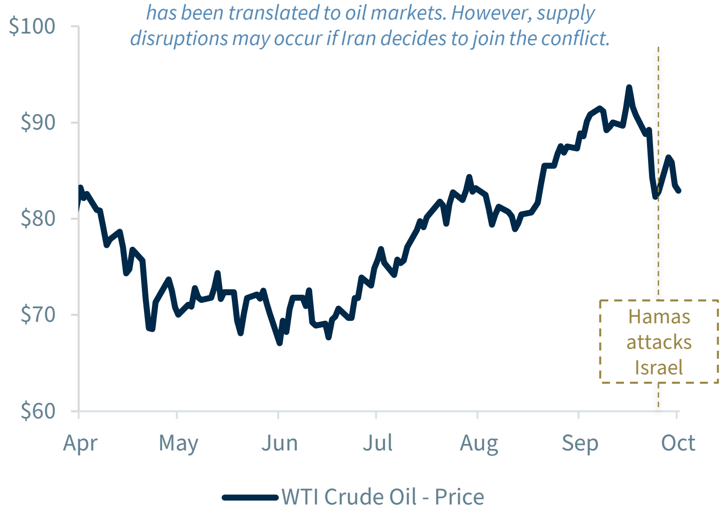


Middle East Conflict Halts Rise in 10-Year Treasury Yields

Treasury yields demonstrated a traditional flight-to-quality response during geopolitical crises.

Oil Prices Keep Their Calm

As the Israeli-Hamas war enters its second week, little risk has been translated to oil markets. However, supply disruptions may occur if Iran decides to join the conflict.



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of October 12)**

Weekly Returns (as of October 12)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	1.1%	2.1%	3.0%
Mid Cap	1.4%	1.5%	1.8%
Small Cap	0.6%	0.2%	-0.3%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	3.0%	2.6%	3.2%
Mid Cap	2.3%	1.9%	2.0%
Small Cap	2.0%	1.1%	1.4%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	0.0%	0.1%
Invest. Grade	0.1%	0.2%	0.4%
High Yield	0.3%	0.5%	0.4%

Year-to-Date Returns (as of October 12)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	0.7%	14.5%	29.2%
Mid Cap	-0.5%	3.2%	10.0%
Small Cap	-3.0%	-0.3%	1.9%

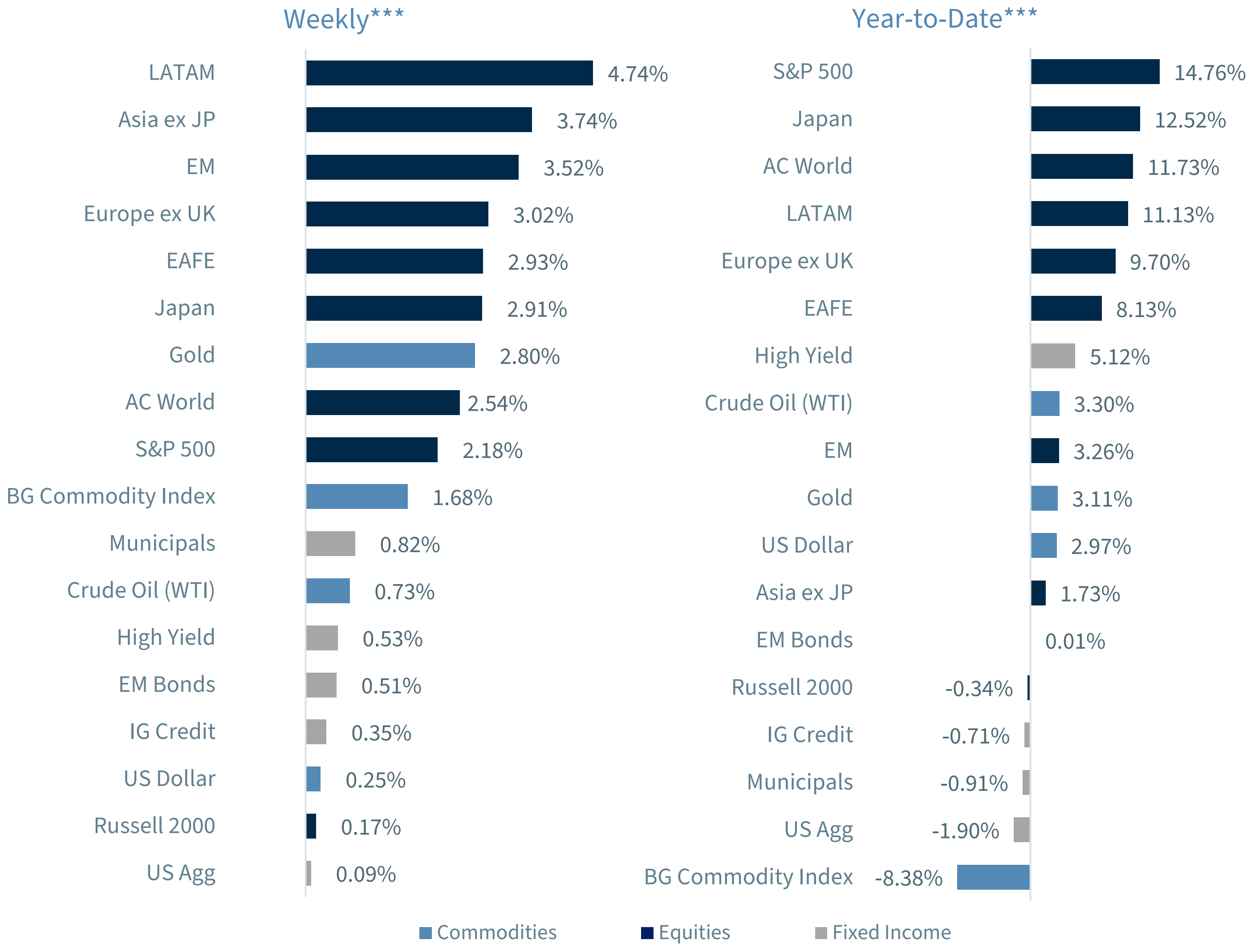
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	12.5%	14.4%	4.9%
Mid Cap	10.2%	5.4%	8.6%
Small Cap	6.4%	5.1%	17.8%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	3.9%	-0.8%	-4.3%
Invest. Grade	2.3%	1.1%	-0.3%
High Yield	7.0%	5.2%	1.3%

Asset Class Performance | Weekly and Year-to-Date (as of October 12)**



**Weekly performance calculated from Thursday close to Thursday close.

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

Weekly Data**

Data as of October 12

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4349.6	2.2	1.5	14.8	23.7	8.9	11.4	11.9
DJ Industrial Average	33631.1	1.5	0.4	1.5	15.1	5.3	5.8	8.2
NASDAQ Composite Index	13574.2	2.7	2.7	29.7	30.3	4.6	12.6	13.6
Russell 1000	4575.4	2.1	1.3	14.5	21.2	9.5	9.6	11.6
Russell 2000	4310.1	0.2	(2.8)	(0.3)	8.9	7.2	2.4	6.6
Russell Midcap	7063.4	1.5	(0.7)	3.2	13.4	8.1	6.4	9.0

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	490.5	0.9	(0.8)	1.8	16.2	7.6	10.0	8.5
Industrials	868.4	3.2	1.3	5.8	23.2	10.0	8.8	10.1
Comm Services	231.6	3.1	4.4	46.6	45.2	5.4	9.9	7.5
Utilities	297.7	3.9	(0.5)	(14.8)	(1.5)	0.3	5.4	8.0
Consumer Discretionary	1270.7	1.5	0.5	27.3	17.1	0.4	9.0	11.6
Consumer Staples	699.9	(1.1)	(3.7)	(8.3)	2.0	3.5	8.3	8.2
Health Care	1507.5	0.6	0.5	(3.6)	8.0	7.6	9.3	11.7
Information Technology	3042.1	3.7	4.7	41.1	50.4	13.0	21.0	20.8
Energy	671.3	2.6	(3.3)	2.5	12.9	48.3	9.0	4.6
Financials	550.9	1.1	(0.1)	(1.8)	11.7	11.3	6.9	9.4
Real Estate	214.9	2.9	0.8	(4.8)	4.7	0.9	5.7	6.9

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.5	0.1	0.2	3.9	4.7	1.8	1.7	1.1
2-Year Treasury (%)	5.1	0.0	0.1	1.3	1.8	(1.1)	0.8	0.6
10-Year Treasury (%)	4.7	0.1	(0.9)	(4.3)	(3.0)	(8.6)	(0.6)	0.4
Bloomberg US Corporate HY	9.2	0.5	(0.7)	5.1	9.1	1.1	3.0	4.1
Bloomberg US Aggregate	5.5	0.1	(0.7)	(1.9)	0.5	(5.4)	0.1	1.1
Bloomberg Municipals	--	0.8	0.5	(0.9)	2.0	(2.0)	1.3	2.4
Bloomberg IG Credit	6.2	0.3	(0.7)	(0.7)	3.6	(5.2)	0.9	2.1
Bloomberg EM Bonds	8.3	0.5	(0.9)	0.0	7.2	(4.8)	0.2	2.2

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	82.9	0.7	(8.7)	3.3	(5.0)	28.1	3.1	(2.1)
Gold ($/Troy Oz)	1883.0	2.8	0.9	3.1	12.3	(0.8)	9.0	4.0
Bloomberg Commodity Index	103.4	1.7	(1.4)	(8.4)	(9.8)	12.4	3.7	(2.1)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	106.6	0.3	0.4	3.0	(5.9)	4.6	2.3	2.9
Euro	1.1	0.2	(0.3)	(1.1)	8.8	(3.7)	(1.8)	(2.5)
British Pound	1.2	0.5	0.1	1.5	10.3	(2.2)	(1.5)	(2.6)
Japanese Yen	149.7	(0.8)	(0.3)	(11.9)	(1.9)	(11.1)	(5.6)	(4.1)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	663.9	2.5	1.1	11.7	23.4	6.1	8.5	8.1
MSCI EAFE	2041.0	2.9	0.5	8.1	28.0	5.2	5.2	4.3
MSCI Europe ex UK	2254.8	3.0	0.5	9.7	33.6	5.3	6.8	5.1
MSCI Japan	3451.5	2.9	0.8	12.5	26.8	3.0	3.7	4.8
MSCI EM	962.7	3.5	1.1	3.3	14.7	(2.6)	2.5	2.2
MSCI Asia ex JP	615.7	3.7	1.9	1.7	15.7	(4.1)	3.0	3.7
MSCI LATAM	2251.5	4.7	(2.0)	11.1	12.2	13.0	2.2	0.1
Canada S&P/TSX Composite	14277.5	1.9	(0.2)	0.6	7.1	5.6	4.8	4.2

**Weekly performance calculated from Thursday close to Thursday close.

DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currency investing is generally considered speculative because of the significant potential for investment loss. These markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or bonds) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURYS | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

PERSONAL CONSUMPTION EXPENDITURE | Personal Consumption Expenditures (PCE) Personal consumption expenditures (PCE), also known as consumer spending, is a measure of the spending on goods and services by people of the United States.

ISM MANUFACTURING INDEX | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

ISM NON-MANUFACTURING (SERVICES) INDEX | The ISM Non-Manufacturing, or Services Index, measures business activity for the overall economy; above 50 indicating growth, while below 50 indicating contraction. The index represents the economic activity of more than 15 industries, measuring employment, prices, and inventory levels.

NFIB SMALL BUSINESS INDEX | The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides a indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

NAHBHOUSING MARKET INDEX | The NAHB/Wells Fargo Housing Market Index (HMI) is a monthly sentiment survey of members of the National Association of Home Builders (NAHB). The index measures sentiment among builders of U.S. single-family homes and is a widely watched gauge of the U.S. housing sector.

MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index is a monthly survey of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

IMPORT/EXPORT PRICE INDEX | The Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the US.

DATA SOURCE | FactSet, Bloomberg as of 10/12/2023

DOMESTIC EQUITY DEFINITION

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MUNICIPAL | **Bloomberg Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

BLOOMBERG CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | MSCI Europe Ex UK Net Return Index: The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

MSCI ACWI | The MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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Investment Strategy

Lawrence V. Adam III, CFA, CIMA®, CFP®
Chief Investment Officer
T. 410.525.6217
larry.adam@raymondjames.com

Eugenio J. Alemán, PhD
Chief Economist
T. 727.567.2603
eugenio.aleman@raymondjames.com

Tracey Manzi, CFA
Senior Investment Strategist
T. 727.567.2211
tracey.manzi@raymondjames.com

Anne B. Platt, AWMA®, RICP, AIF®
Vice President, Investment Strategy
T. 727.567.2190
anne.platt@raymondjames.com

Matt Hanna, CFA, FRM, CAIA®
Director of Asset Allocation and Quant. Strategy
T. 727.567.4978
matt.hanna@raymondjames.com

Mike Payne
Investment Strategy Analyst
T 410.525.6232
mike.payne@raymondjames.com

Talley Léger
Senior Equity Strategist
T. 410.525.6234
talley.leger@raymondjames.com

Matt Barry, CFA
Investment Strategy Analyst
T. 410.525.6228
matt.barry@raymondjames.com

Giampiero Fuentes, CFP®
Economist
T. 727.567.5776
giampiero.fuentes@raymondjames.com

Matthew Ziyadeh, CFA, CIPM®
Investment Strategy Analyst
T. 727.567.8984
matthew.kurayaziyadeh@raymondjames.com

Lindsay Smith
Investment Strategy Analyst
T. 727.567.3335
lindsay.smith@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM