

JULY 2017 - ADVISORY COMMENTARY

JUNE SAW CONTINUED GAINS IN THE S&P 500 AS WELL AS THE DOW JONES INDUSTRIAL AVERAGE. ONE NOTABLE EXCEPTION TO THE INDEX GAINS WAS THE NASDAQ COMPOSITE INDEX, WHICH SAW A SHARP PULLBACK OF 0.94%. THIS IS PARTICULARLY NOTEWORTHY, AS THE TECHNOLOGY STOCKS THAT MAKE UP THE MAJORITY OF THIS INDEX HAVE BEEN THE MOMENTUM LEADERS IN THE MARKET'S CURRENT BULL RUN.

FROM A CHARTING STANDPOINT, THE NASDAQ 100 INDEX, WHICH IS EVEN MORE TECHNOLOGY-CENTRIC THAN THE NASDAQ COMPOSITE, IS BEGINNING TO FALL DOWN TOWARDS ITS MAJOR UPTREND LINE RUNNING FROM THE PAST FEW YEARS. IF IT WERE TO BREAK BELOW THIS LEVEL, IT WOULD LIKELY SIGNAL A MAJOR MOMENTUM SHIFT TO A SIDEWAYS OR POTENTIALLY DOWNWARD MARKET DIRECTION.

ANOTHER VERY IMPORTANT MOVEMENT TO KEEP AN EYE ON IS THE SLOWLY CREEPING INCREASE IN THE 2-YEAR AND 10-YEAR TREASURY BOND YIELDS. THESE INSTRUMENTS ARE OFTEN THE BENCHMARKS THAT ARE USED TO SET THE RATES AT WHICH BUSINESSES AND HOME-BUYERS CAN FINANCE THEIR BORROWINGS. SHOULD RATES CONTINUE TO INCREASE GOING FORWARD, THIS COULD BE A CONSIDERABLE HEADWIND TO MANY COMPANIES AND EVEN A LARGE NUMBER STATES AND MUNICIPALITIES THAT ARE INCREASINGLY DEBT-BURDENED. THESE BORROWERS HAVE ENJOYED EXTREMELY LOW DEBT-SERVICING COSTS OVER THE PAST DECADE, DUE TO THE FED'S LOW-INTEREST RATE POLICY.

THE OVERALL YIELD CURVE IS BEGINNING TO FLATTEN CONSIDERABLY, WHICH USUALLY SIGNALS THE ONSET OF AN ECONOMIC PULLBACK, IF NOT AN OUTRIGHT RECESSION. ONE MAJOR WILDCARD IN THIS CALCULATION IS THE FACT THAT THE WORLD'S CENTRAL BANKS HAVE DISTORTED THE YIELD CURVE WITH THEIR MASSIVE BOND PURCHASING PROGRAMS SINCE 2008. TRULY MARKET-BASED INTEREST RATES WOULD CERTAINLY BE HIGHER THAN THEY ARE CURRENTLY, BUT ONE COULD NOT BE CERTAIN IF THE OVERALL LEVEL OF THE YIELD CURVE WOULD BE MORE OR LESS FLAT OR INDEED INVERTED IF IT WEREN'T FOR THE CENTRAL BANK INTERVENTION.

SINCERELY,



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JUNE 2017 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR **+0.62%**
- DOW JONES INDUSTRIAL AVERAGE TR **+1.74%**
- NASDAQ COMPOSITE INDEX **-0.94%**
- RUSSELL 3000 INDEX TR **+0.90%**
- CBOE SPX MARKET VOLATILITY INDEX **+7.40%**

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX **-0.10%**
- BARCLAYS U.S. TREASURY BOND INDEX **-0.16%**

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX **-1.92%**
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN **-5.21%**
- U.S. DOLLAR INDEX **-1.32%**
- GOLD SPOT **-1.89%**
- DOW JONES COMPOSITE REIT INDEX TR **+2.00%**
- CBOE BUYWRITE MONTHLY INDEX **+0.35%**

ANCHORED GROWTH BENCHMARK **+0.61%**

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK **+0.42%**

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK **+0.01%**

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. TREASURY SHORT INDEX, 20% CASH)

*SOURCE: KWANTL.COM (7/8/17). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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