Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

CORPORATE OFFICE:

95 Glastonbury Blvd.
Suite 102
Glastonbury, CT 06033
(860) 652-3239

Both USI Advisors, Inc. and USI Securities, Inc. are wholly owned subsidiaries of USI Consulting Group.

USI ADVISORS OFFICES:

261 Madison Avenue
5th Floor
New York, NY 10016

900 South Gay Street
Knoxville, TN 37902

312 Elm Street 24th Floor
Cincinnati, OH 45202

50 Cabot Street
Needham, MA 02492

2400 East Commercial Blvd
Suite 600
Fort Lauderdale, FL 33308

3190 Fairview Park Drive
Suite 400
Falls Church, VA 22042

6501 So Fiddlers Green Circle
Suite 100
Greenwood Village, CO 80111

9800 Katy Freeway #500
Houston, TX 77024

2021 Spring Road, Suite 100
Oakbrook, IL 60523

USI Advisors, Inc.

www.usiadvisorsinc.com

USI Advisors, Inc.

Market Update

October 2016 Review

"Election Concerns Take Center Stage"

Traditional market fundamentals took a back seat in October as investors were focused on the U.S. presidential election. We had anticipated volatility to increase as we approach the election and equity markets subsequently were down for the month. Domestic equities were also overwhelmed by the ongoing tension between Fed policy expectations and global macro concerns. International markets showed signs of panic over Brexit negotiations while fixed income posted mixed results.

October has historically been one of the most volatile months of the year. Once every four years a presidential election adds to the uncertainty, especially when you take into account how emotionally charged this political season has been. Investors are inevitably riding an emotional rollercoaster. Given the polling numbers and how the market is priced today, the stock market appears to be expecting a Clinton win. If the outcome is different than these expectations, market volatility could surge. However, it is important to keep in mind that whatever the election results, investors should remain calm. Historically, presidential politics have had a surprisingly small impact on investments and any new policies regarding immigration, taxes or trade would take time to have any meaningful impact on the markets. Still, investors remain fearful of the election outcome and markets lost ground in October because of it. The S&P 500 was down 1.8% during the month, representing the biggest monthly drop since January. The Dow Jones Industrial Average lost 0.8% but is up year to date at 6.4%. The NASDAQ was also negative at -2.3% in October but has posted a 3.6% gain since the beginning of the year.

The market pulled back despite all the positive economic news released in October. The first estimate of third quarter GDP Growth came in at 2.9% as consumer spending, exports and inventory contributed. This number is also much higher than the 1.4% growth rate the previous quarter. Also, corporate earnings season is in full swing and so far the results are starting to show signs of stabilization in beaten down areas such as energy. It is expected that this quarter's earnings season will break the five quarter string of negative earnings. Additionally, positive housing data was released with pending and new home sales higher than expected in September and the S&P Case Shiller index rising the most it has in 9 months to its highest level since April of 2007. Most importantly, the U.S. consumer remains confident as indicated by the strong retail sales this quarter. A healthy consumer, of course, is critical to economic growth as consumer spending represents over two-thirds of economic growth.

	October 2016	YTD
DJIA	-0.79%	6.36%
S&P 500	-1.82%	5.87%
NASDAQ	-2.31%	3.63%
MSCI EAFE	-2.05%	-0.35%
MSCI Emerging Markets	0.24%	16.30%
Barclays Aggregate	-0.76%	4.99%
Barclays Corp High Yield	0.39%	15.56%
	10/31/2016	9/30/2016
US 10-Year Treasury Yield	1.84%	1.60%

The major international equity markets tended to follow the same pattern as the S&P 500 Index in October. The MSCI EAFE Index was down 2% which pulled the year to date results to negative territory at -0.4%.

Emerging Markets have been the outperformers so far, having posted double digit gains since the start of the year at 16.3%. However given uncertainties about global growth and central bank action, they remained flat for the month.

Fixed income returns were mixed with the Barclays Aggregate Bond Index losing 0.8% during the month while High Yield continues its positive streak, further boosting year to date results to 15.6%. The 10 Year-Treasury Yield ended the month at 1.84%, up nearly 24 basis points. This increase likely reflects the market's expectations of a rate hike in December.

If the Fed had decided to raise interest rates just a few days before the election at their November 2nd meeting, that would have most likely been detrimental to the equity markets. However once the election is over, the Fed will move back to the forefront, with all eyes on the December meeting. Janet Yellen has been preparing investors for a policy move at the end of the year and economic data has confirmed progress towards that goal. Economic growth has picked up during the second half of the year, labor markets continue to show strength and inflation has risen. In addition to a potential rate hike in December, investors will also be looking for any indication on future rate hikes in 2017. Between the election results and monetary policy changes, markets may continue to be volatile through the end of the year.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable 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.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

The S&P Case Shiller Index is a group of indexes that tracks home prices in the U.S. It seeks to measures the value of residential real estate in 20 major U.S. cities.

© USI Consulting Group – 2016
All Rights Reserved

Market Update is a monthly publication circulated by USI Advisors, Inc. and is designed to highlight various market and economic information. It is not intended to interpret laws or regulations.

This report has been prepared solely for informational purposes, based upon information generally available to the public from sources believed to be reliable, but no representation or warranty is given with respect to its completeness. This report is not designed to be a comprehensive analysis of any topic discussed herein, and should not be relied upon as the only source of information. Additionally, this report is not intended to represent advice or a recommendation of any kind, as it does not consider the specific investment objectives, financial situation and/or particular needs of any individual client.