USI Advisors, Inc.

MARKET UPDATE
OCTOBER 2017 REVIEW

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

USI Consulting Group is the parent company of both USI Advisors, Inc. and USI Securities, Inc.

USI CONSULTING GROUP OFFICES:

350 Fifth Avenue
Suite 3700
New York, NY 10118

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

2711 N. Haskell Ave
Suite 2000
Dallas, TX 75204

601 Union Street, Suite 1000,
Seattle, WA 98101

USI Advisors, Inc.
www.usiadvisorsinc.com

"More of the Same..."

Equity markets continue their upward march, reaching new highs every week. The S&P 500 has hit 46 all-time highs so far this year and we are in the 8th year of a bull market. Even though the age of the expansion raises questions about sustainability, previous expansions have been more likely to die of poor health than of old age. The macro backdrop remains positive with stable economic growth, low inflation and strong labor markets, which all support a path for higher interest rates.

Even though the short-term impact of the recent hurricanes is unknown at this point, the U.S. economy has performed well this year. The first reading of third quarter GDP growth came in at a 3% annual rate. Combined with second quarter's 3.1% gain, this 6-month period marks the strongest growth in two consecutive quarters over the last 3 years. Tax reform has been a major focus for the current administration, which if implemented over the coming months, could be a significant tailwind and further aid this expansion.

With more details to be unveiled, the general framework of the tax reform aims to permanently lower individual and corporate taxes. However, there is a difference between tax cuts and tax reform. If designed wisely, tax reform can be vital in strengthening the economy whereas simple tax cuts can lead to higher borrowing, further adding to the U.S. public debt, which is already on a rising trend. Reform should aim to make the system fair, as one person's tax cut is typically another's tax increase. As additional details about the tax reform package emerge, it will be crucial to evaluate the impact on different groups of taxpayers. In terms of the Republican tax plan's effect on the stock market, Strategas Research indicates that there is no evidence supporting that the recent rise in stocks is due to tax reform expectations. The S&P 500 has been rising while the companies most likely to benefit from the tax reform plan are underperforming, suggesting that other factors related to economic fundamentals have been driving the markets. The Dow Jones posted the largest gain in October at 4.4% and has registered 20.6% this year. Meanwhile, the S&P 500 was up 2.3% and the tech-heavy NASDAQ was up 3.6% last month posting the largest domestic gain year-to-date at 25%.

	October 2017	YTD
DJIA	4.44%	20.58%
S&P 500	2.33%	16.91%
NASDAQ	3.57%	24.98%
MSCI EAFE	1.52%	21.78%
MSCI Emerging Markets	3.51%	32.26%
Barclays Aggregate	0.06%	3.20%
Barclays Corp High Yield	0.42%	7.45%
	10/31/2017	9/30/2017
US 10-Year Treasury	2.38%	2.33%

Globally we are witnessing a synchronized recovery. The International Monetary Fund raised its estimate for global growth in 2017 to 3.6%, which is slightly higher from their projections in July. With a few exceptions, most central banks across the world remain accommodative. In the BRIC nations (Brazil, Russia, India and China), inflation remains subdued. Developed markets in the Asia Pacific region like Australia and Japan are experiencing higher growth rates. Macron's victory has led to less skepticism in the Eurozone, at least in the short term. International indexes in general have been experiencing healthy gains this year. The MSCI EAFE posted 1.5% in October and the MSCI Emerging Markets returned to positive territory in October with a healthy 3.5% gain, still leading the pack year-to-date at 32.3%.

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.

Although flat for the month, most fixed income sectors have produced modest gains in 2017. The Bloomberg Barclays Aggregate Bond Index is up 3.2% whereas the High Yield Index gained 0.4% in October and has increased 7.5% so far this year. Fixed income may be impacted by interest rate normalization policies and balance sheet reduction. The Federal Reserve communicated its intent to unwind the $4.5 trillion balance sheet by allowing maturing securities to run off at a pace of $10 billion a month. A gradual unwind should not lead to higher volatility in the markets. Additionally, President Trump nominated Fed Governor Jerome Powell as the next chair of the Federal Reserve, signaling a continuation of Yellen's cautious approach to rising interest rates.

Much of the focus in the final months of the year will likely be on tax reform. The most controversial aspects of tax reform dealing with individual tax rates changes may not be easy to pass although Congress seems to be in agreement on lowering the corporate tax rate to solve the issue of overseas profits. A tax cut on the corporate side would likely improve corporate earnings and provide a boost to the economy. If implemented successfully, the tax reform could continue to boost market returns. If the opposite scenario plays out where lawmakers fail to pass the tax reform, we can expect some level of volatility in the market. However, so far, political uncertainty, international tensions and natural disasters have not shown to have impact on this market so we may experience more of the same market performance through the rest 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.

Michigan Consumer Sentiment Index is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

Conference Board's Consumer Confidence Index an index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.