USI Advisors, Inc.

MARKET UPDATE
NOVEMBER 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

5200 N. Palm Ave
Fresno, CA 93704

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

"Equity Markets Reaching New Highs"

Robust synchronized global growth continued to support a solid advancement in all major indexes during the month of November. The global stock market, represented by the MSCI AC World Index, has registered a positive return in every single month in 2017, a significant milestone for the 30-year index. The global third-quarter corporate earnings season posted positive earnings growth, with emerging markets significantly benefiting from positive earnings momentum. Positive U.S. economic data, a robust third-quarter earnings season, and increased optimism for passage of a tax reform bill helped edge domestic equity markets to new highs.

U.S. economic growth had an upward revision in the third quarter from 3.0% to 3.3% annualized pace, marking the highest GDP growth in the last three years. Economists have forecasted that the economic activity will remain solid for the remainder of the year, strengthened by hurricane rebuilding and potential tax reform package. In the Eurozone, the economy expanded at a softer pace of 0.6% during the quarter while the manufacturing PMI, Purchasing Managers' Indexes, rose to its highest levels in the last seven years due to record hiring in the region. Consumer confidence in the U.S and Europe jumped to a 17-year record high last month. Specifically, the Conference Board's measure of U.S. consumer confidence increased to 129.5, which was a solid increase for a fifth consecutive month reaching its highest mark since the index hit 132.6 in November 2000.

Personal income improved by 0.4% in October ahead of expectations after increasing by the same margin in the previous month. Meanwhile, consumer spending, which accounts for more than two-thirds of U.S. economic activity, slowed in October with a muted increase of 0.3% compared to September's surge of 0.9%, as the hurricane-related boost to light vehicle sales declined. Regarding the job market, unemployment inched down to 4.1%, marking its lowest reading since December 2000. The Bureau of Labor Statistics reported that 261,000 jobs were added in October, notably offsetting September's weak number given the effects of Hurricanes Harvey and Irma.

	November 2017	YTD
DJIA	4.24%	25.69%
S&P 500	3.07%	20.49%
NASDAQ	2.17%	27.70%
MSCI EAFE	1.05%	23.06%
MSCI Emerging Markets	0.20%	32.53%
Barclays Aggregate	-0.13%	3.07%
Barclays Corp High Yield	-0.26%	7.18%
	11/30/2017	10/31/2017
US 10-Year Treasury	2.42%	2.38%

With strong consumer optimism, robust economic conditions, and easy access to cheap credit, the holiday shopping season is expected to bring record-high sales to America's retailers. The National Retail Federation estimates that sales for this year's holiday season could increase by 4% compared to 2016. As brick-and-mortar businesses have struggled to attract foot traffic to their stores in recent years, online-savvy retailers continue to increase their market share. A survey conducted by the National Retail Federation revealed that 59% of shoppers plan on purchasing their holiday gifts online, which would be the first time ever that digital sales are the most popular choice among consumers. Cyber Monday, the biggest sales day for online shopping in the U.S., registered an estimate of $6.59 billion in total sales with mobile shopping breaking a new record of $2 billion.

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In addition to the solid economic backdrop and the healthy holiday shopping season, third-quarter corporate earnings growth helped push all three U.S. major indices to all-time highs. Of the 473 companies that have reported earnings for the third quarter, 74% beat expectations, a strong showing above the historic average of 62% in the last 18 years. The Dow Jones Industrial Average registered its biggest gain since March, topping the 24,000 mark for the first time and delivering a solid return of 4.2% last month. The S&P 500 Index also reached record territory with its largest monthly return since February with a 3.1% gain in November. Both indexes registered impressive double digit returns year-to-date with the Dow jumping to 25.7% and the S&P 500 surging 20.5%. Meanwhile, the tech-intensive NASDAQ grew 2.2% in November, which brought the year-to-date return above 27%.

November brought some political noise in the Eurozone, specifically in Germany, after the collapse of talks on forming a new government. Furthermore, Italy is bracing for general election in 2018, with recent campaigns showing a growing support for anti-establishment parties. Despite the increased political uncertainty in Europe, the MSCI EAFE Index gained 1.1% in November, registering an impressive 23.1% return since the start of the year. In emerging markets, the MSCI Emerging Markets Index had a subdued return of 0.2%. However, the index is still delivering the best results year-to-date with a healthy 32.5% gain.

In fixed income markets, stable economic growth appears to support the U.S. Federal Reserve's plan to hike rates for the third time this year in December, helping push the 10-year U.S. Treasury yields 4 bps higher to finish the month at 2.42%. Although the Bloomberg Barclays Aggregate Bond Index fell 0.1% in November, year-to-date the index has delivered a 3.1% return. Meanwhile, the corporate-focused Barclays U. S. High Yield Index lost 0.3% during the month but has gained over 7% this year.

With one more month of trading left in 2017, the stock market is continuing its hot streak for the year. A solid earnings season and healthy economic growth have provided a strong support for an ongoing bull market. Historically, December is one of the best months for the equity markets. Investors are expecting a late-year surge in market gains due to the Santa Claus rally. Furthermore, stocks could benefit from a potential passage of the proposed tax plan by improving corporate earnings and providing an economic boost. With the holidays around the corner, investors will be keeping close tabs on political uncertainty, geopolitical events, and Federal Reserve policies that may trigger greater volatility on Wall Street and increase the risk of a market correction in the coming months.

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.

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.

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