SPECTRUM[SM]

INVESTMENT ADVISORS

4th Quarter | 2017
As of 9/30/2017

Good News!

Spectrum was selected as a finalist for The 401(k) Specialist's 2017 Top Advisor by Participant Outcomes award

The winner will be revealed at the EXCEL 401(k) National Conference, October 22-24 Wish us luck!

Please see important disclosures on page 4 of this newsletter

Upcoming Events:

Spectrum Investor® Coffee House Educational Series

January 2018

Featuring Guest Speaker
Brian Jacobsen, Ph.D.
Chief Portfolio Strategist
Wells Fargo Funds

For weekly market updates, visit our website at **www.spectruminvestor.com** under Resources & Links and click on Investment Resources

For an electronic version of this newsletter, our ADV Part 2A & 2B and our Privacy Policy, please visit our website

Past performance is not an indication of future results

We appreciate your business

Quarterly Economic Update

James F. Marshall
President

Jonathan J. Marshall
Chief Investment Officer

The year-to-date return of the S&P 500 Index is 14.24% as of 9/30/2017. International stocks (MSCI EAFE Index) gained 19.94% year-to-date and 5.4% for the quarter (Morningstar). On September 11, 2017, the bull market in US stocks (beginning 3/9/09) officially became the second largest since World War II with a gain of over 270% for the S&P 500 Index, besting the 267% gain from June 1949 to August 1956. Only the 417% gain from October 1990 to March 2000, is larger (*LPL Weekly Market Commentary*).

Rather than shy away from stocks due to geopolitical risks or a barrage of natural disasters, investors focused on strong corporate earnings and global growth that appears to have finally turned a corner. In the second quarter 2017, global Gross Domestic Product (GDP) grew at the fastest pace since 2010. For the first time since 2007, all 45 developed countries tracked by the Organization for Economic Cooperation and Development (OECD) are on pace for positive growth (*WSJ,* 8/24/17).

Stock markets not only rose, but did so with very limited volatility. Neither the S&P 500 nor the MSCI EAFE have had an intra-year decline of more than 3% in 2017. If that holds true through the fourth quarter, it would mark the least volatile year for global stocks in over 37 years. YTD, the S&P 500 has had the second smallest average daily price change in the history of the S&P 500 (*WSJ*, 9/29/17).

According to **Mohamed El-Erian**, Chief Economic Advisor at Allianz, "Investors have been conditioned to expect that their backs will be covered by central banks." For 10 years central banks have been ultra-accommodating in order to provide financial stability, boost growth, and avoid deflation. In the process, central banks have accumulated $14 trillion of assets and created record low interest rates. Here is a look at how things have changed since the Fed initiated QE3 in September of 2012:

	9/30/2012	9/30/2017	*Source*
Fed Balance Sheet	$2.8T	$4.5T	*Federal Reserve*
Int. Rates (US 10 YR)	1.64%	2.33%	*Treasury.gov*
Unemployment Rate	7.8%	4.4%	*Bls.gov*
Home Prices (Median)	$248,800	$317,200	*St. Louis Fed*
Stock Prices (DOW)	13,437	22,405	*Morningstar*
Gasoline Prices	$3.53/Gal.	$2.58/Gal.	*EIA.gov*
Consumer Confidence	78.3	95.1	*U. of Michigan*
S&P 500 Fwd P/E	12.9x	17.7x	*JPMorgan*

The University of Michigan's Consumer Survey Center questions 500 households each month on their financial conditions and attitudes about the economy. Results are compiled into an ongoing index measurement. The long-term average for the index since 1970 is 85.4. Levels above average indicate optimism in the economy, while below average indicates consumer pessimism. Median sales prices are of houses sold in the US. Please refer to the disclosures on page 3 of this newsletter.

With the economy showing signs of stability, the US will be the first major central bank to begin unwinding its balance sheet, beginning this fall. **Federal Reserve Balance sheet normalization** will start this October at a maximum of $10 billion per month and rise $10 billion per quarter to a maximum of $50 billion per month (see chart on page 6). The intention is for a gradual process. By comparison, purchases during QE3 totaled $85 billion per month. Supporting the notion that investors believe central banks have their back, the Fed stated that it will have the ability to reverse course back to easing if economic conditions deteriorate (Federal Reserve 9/16/17).

As economic confidence has risen, investors are now willing to pay 17.7x forward earnings compared to 12.9x earnings in September of 2012. At the Berkshire Hathaway Shareholder meeting this May, **Warren Buffett** said that interest rates are the most important factor in determining market valuations. Buffett recently said that stocks will look cheap at current valuations if interest rates are 1% higher, but not if they are 3% higher than today.

Dr. David Kelly, Chief Global Strategist at JPMorgan, referred to our economy as a healthy tortoise that may receive a temporary sugar boost due to hurricane recovery and potential fiscal spending through 2018 that could move GDP to rise over 3% and then return to the low 2% range. According to Dr. Kelly, with the potential for rising rates and GDP over 3%, the whole yield curve could be 1% higher in the next 12-18 months, which would still be at historically low levels.

Risks of an inflation and interest rate spike are likely to remain in check due, in part, to the following ongoing factors: 1) The smart phone/Amazon effect. 2) Low energy costs due to fracking technology. 3) Globalization. Global trade has increased from $1.8 trillion in 1980 to $15 trillion in 2016. 4) Low wage growth. Workers' bargaining power has diminished because of cheap labor abroad and automation (*Fidelity Monitor*, 10/17).

We continue to suggest a higher weighting toward international stocks. Like the US, international economies are growing, but stocks overseas generally have the advantage of cheaper valuations and higher dividends. Another advantage for international stocks could be the currency effect of a weakening dollar (See page 5). For the first time in five years, the US dollar is weakening, which adds returns for US investors holding international stocks.

On October 4, **Christine Lagarde**, Managing Director of the International Monetary Fund (IMF), quoted JFK saying, "The time to repair the roof is when the sun is shining". The sun is shining in this economy, but many challenges and risks remain, from central bank policy, to North Korea. In the ninth year of the bull market, enjoy the ride, but remember Ben Graham's famous three words from *The Intelligent Investor* and maintain a "margin of safety".

Wealth Management

A Stolen Identity

Brian White, CFP®
Wealth Manager

That sounds like a great title for the next blockbuster thriller, doesn't it? Unfortunately, it seems to be the reality these days after the announcement of the Equifax breach of data that took place earlier this summer. Just recently, Yahoo announced that EVERY ONE of its three million accounts was hacked at some level. Other large companies like Target, Whole Foods and Home Depot have also been a victim to online crimes where personal information was compromised. These types of crimes have a huge impact on consumers because they affect security. According to the Harvard Business Review, to "Feel Secure" is one of the top 10 emotional motivators that drive consumer behavior. Even though Halloween is approaching, it isn't our intent to scare you, but rather to educate and inform you so that you can take the necessary steps to move closer to that emotional motivator of feeling secure.

What can I do?

As you probably already know, you can go to Equifax's website and check to see if you have been compromised, as well as enroll in their free fraud alert service. The other main credit reporting agencies, Experian and TransUnion, also provide free fraud alerts. Enrolling in fraud alert services will provide you with a notification for any new account (credit card, loan, brokerage account, etc.) that you attempt to open.

You can also freeze your credit with the three major credit reporting agencies. There is a cost associated with this step and it is much more involved than a simple fraud alert. The Federal Trade Commission has a Frequently Asked Questions page on what happens with a credit freeze. This can be found at www.consumer.ftc.gov. Click on Privacy, Identity & Online Security and the Credit Freeze FAQs can be found under Identity Theft. As a brief summary, a credit freeze does not affect your credit score and will not prevent you from your free annual credit report. You'll have to lift the credit freeze if you apply for a new account or a new loan. It also won't stop you from prescreened credit offers.

Another option is to utilize a third party like LifeLock or Identity Guard to monitor your credit scores and reports. There is a cost associated with these services ranging from $15-$25 per month. Freezing your credit or utilizing a third-party can certainly help for the future, but it won't undo any damage that has already been done. Criminals may also file a fraudulent income tax return using your Social Security number. Be sure to keep an eye on all of the activity in your accounts. We've talked about Mint.com in this column in the past and this is a good tool for watching all of the transactions on your linked accounts. When your accounts are linked, you can see transactions on a daily basis and might be able to catch any unauthorized activity before it is too late. If you don't use a service like Mint.com, you can always watch each account individually.

What is Spectrum doing?

Spectrum Investment Advisors, Inc. has an Information Security and Privacy Liability (Cyber Insurance) policy in place. This policy is through GreatAmerican (an A++ insurance carrier) and covers our clients for any unauthorized access to our website or computer systems resulting in a breach of personal data. We don't store any individual client data (name, social security number, address, date of birth or phone number) on our public website, www.spectruminvestor.com. Any personal client information is stored on computers located at Spectrum or on encrypted laptop computers where passwords are changed every 90 days.

IRS Indexed Limits for 2017: 401(k), 403(b), 457 Plan Deferral Limit is $18,000. Catch-up Contribution limit is $6,000. Source: www.irs.gov

What is the Wealth Management custodian (TD Ameritrade) doing?

TD Ameritrade, Inc. offers each account holder The Asset Protection Guarantee. As per TD Ameritrade:

If you lose cash or securities from your account due to unauthorized activity, we'll reimburse you for the cash or shares of securities you lost. We're promising you this protection, which adds to the provisions that already govern your account, if unauthorized activity ever occurs and we determine it was through no fault of your own. Of course, unauthorized activity does not include actions or transactions undertaken by or at the request of you, your investment advisors or family members, or anyone else whom you have allowed access to your account or to your account information for any purpose, such as trading securities, writing checks or making withdrawals or transfers.

Cyber Security is a serious issue that is here to stay. If we both do our part, these issues will be something we only read about in the news and don't have to deal with personally.

Below is the 9/30/2017 Spectrum Investor® Update:

Spectrum Investor® Update 9/30/17

Morningstar Category Averages	3rd Qtr	1 Year	3 Year
Intermediate-Term Bond	0.88%	0.83%	2.51%
Allocation: 50%-70% Equity	3.01%	10.52%	5.38%
Large Cap Value	3.80%	16.17%	7.99%
Large Cap Blend	4.19%	17.65%	9.03%
Large Cap Growth	5.29%	19.75%	10.36%
Mid Cap Value	3.06%	14.83%	7.90%
Mid Cap Blend	3.57%	15.93%	8.00%
Mid Cap Growth	4.63%	18.18%	9.13%
Small Cap Value	4.69%	17.89%	9.17%
Small Cap Blend	5.10%	18.91%	10.01%
Small Cap Growth	5.62%	20.40%	11.15%
Foreign Large Blend	5.34%	18.01%	5.07%
Real Estate	0.76%	1.78%	8.76%
Natural Resources	8.40%	15.26%	-0.52%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in Blue = Best, Returns in Red = Worst. Please see Benchmark Disclosures on page 3.

DOW: 22,405	**10 Yr T-Note: 2.33%**
NASDAQ: 6,496	**Inflation Rate: 1.9%** (8/2017)
S&P 500: 2,519	**Unemployment Rate: 4.4%** (8/2017)
Barrel of Oil: $51.67	Source: Yahoo Finance, bls.gov, eia.gov

Data as of 9/30/17 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. 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. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

CFP®, Certified Financial Planner, administered by CFP Board, identifies to the public those individuals who have met rigorous professional standards and have agreed to adhere to the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence when dealing with clients.

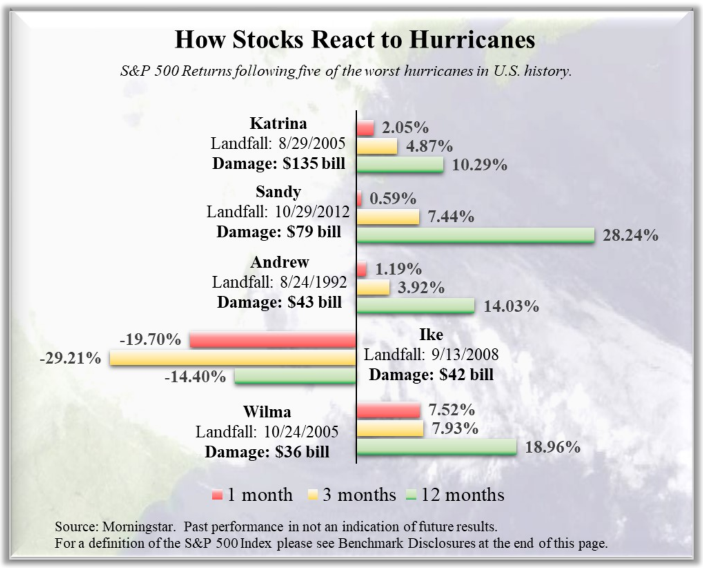
In Other Words

The Markets After Natural Disasters

Angie Franzone
Newsletter Editor

Natural disasters like the ones that have recently taken place in Mexico, Texas, Florida, Puerto Rico and all other islands of the Caribbean, have had devastating and life changing effects on those who live there. The pain and suffering experienced by those affected by the destructive forces of the earthquakes and hurricanes are in no way meant to be minimalized by this analysis of the markets' resiliency after natural disasters. It is our hope that the resilience of the people is just as strong.

Historically speaking, while natural disasters have an enormous local impact, the stock market is generally not affected in a major way. For the purposes of this article, our analysis of natural disasters will focus specifically on hurricanes. The below chart includes five of the worst hurricanes in US history and how stocks reacted to each. As the chart illustrates, in all but one case, the S&P 500 was in positive territory just one month out, and up at least 10% one year later.



Source: Morningstar. Past performance in not an indication of future results.
For a definition of the S&P 500 Index please see Benchmark Disclosures at the end of this page.

Recovery efforts for Hurricanes Harvey and Irma are still underway, but AccuWeather predicts that Harvey will be the most expensive natural disaster in US history, costing an estimated $190 billion, with Irma's estimated damages totaling around $100 billion (accuweather.com, 9/12/17). Despite potentially being the top two costliest storms in US history, in both cases, the S&P 500 was positive one month after landfall.

So why weren't stocks greatly affected by such disastrous hurricanes and what's the deal with Hurricane Ike in 2008? Let's start with the first part of the question, which will help provide the answer for the second part. One main reason the hurricanes included in the above chart did not have a major affect on the stock market is because of the health of the economy. In each case (except for 2008) the overall economy was in good shape. While the hurricanes were not the reason the markets moved higher, they happened when the market and the economy were already strong or strengthening, and the hurricanes didn't do anything to change that. The fact that the stocks hit new highs soon after Irma struck is a good example of how markets are resilient when they are supported by a strong economy; this was not the case in 2008. Hurricane Ike made landfall right as the financial crisis, which brought about the worst recession in 80 years, was beginning to gain steam.

Long-term, rebuilding, restocking and replacing efforts can help give the economy a boost after a hurricane hits, as well as the large amounts of financial aid from the government that flows into the economy. This is not to say that people are better off after a natural disaster strikes, but just a factor to take into consideration when analyzing the markets' resiliency after such disasters. Emotions are running high right now, which is natural and expected, but when it comes to your investment choices, leave your emotions aside. Having a balanced, diversified portfolio is a great way to help keep you from reacting to headlines during such highly emotional and stressful times.

As we look ahead, the last three months of the year have historically been the best for the stock market. According to Bespoke Investment Group, over the past 20 years the Dow climbed 70% of the time during October (9/17). If you have not rebalanced recently, now would be a good time to do so. If you are concerned about your investment allocation or need help rebalancing, please call our office and speak with an advisor.

60% Stocks/40% Bonds Allocation vs. Indices Ending 9/30/17

15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	Index Definition
Mid Cap 11.97%	Lg. Growth 9.13%	Lg. Growth 15.00%	Lg. Growth 12.24%	Sm. Growth 20.98%	Small Growth: Russell 2000 Growth TR
Sm. Growth 11.78%	Mid Cap 9.00%	Mid Cap 14.43%	Sm. Blend 12.18%	Sm. Blend 20.74%	Small Blend: Russell 2000 TR
Sm. Blend 11.37%	Sm. Growth 8.47%	Sm. Growth 14.28%	Sm. Growth 12.17%	Sm. Value 20.55%	Small Value: Russell 2000 Value TR
Sm. Value 10.86%	Sm. Blend 7.85%	Lg. Blend 14.22%	Sm. Value 12.12%	Lg. Growth 19.90%	Large Growth: S&P 500 Growth TR
Real Est. 10.57%	Lg. Blend 7.44%	Sm. Blend 13.79%	Mid Cap 11.18%	Intl. 19.10%	International: MSCI EAFE NR
Lg. Growth 10.32%	Sm. Value 7.14%	Sm. Value 13.27%	Lg. Blend 10.81%	Lg. Blend 18.61%	Large Blend: S&P 500 TR
Lg. Blend 10.04%	60/40 6.39%	Lg. Value 13.21%	Real Est. 9.28%	Mid Cap 17.52%	Mid Cap Blend: S&P MidCap 400 TR
Lg. Value 9.62%	Lg. Value 5.57%	Real Est. 9.16%	Lg. Value 8.93%	Lg. Value 16.47%	Large Value: S&P 500 Value TR
Nat. Res. 8.84%	Real Est. 5.31%	Intl. 8.38%	60/40 6.45%	60/40 9.03%	60/40: 60% Diversified Stocks/40% Bond
60/40 8.76%	Bonds 4.27%	60/40 7.92%	Intl. 5.04%	Nat. Res. 0.35%	Natural Res: S&P North Am. Nat. Resources TR
Intl. 8.26%	Intl. 1.34%	Bonds 2.06%	Bonds 2.71%	Bonds 0.07%	Int.-Term Bonds: BarCap Aggregate Bond
Bonds 4.23%	Nat. Res. -0.35%	Nat. Res. -0.72%	Nat. Res. -6.56%	Real Est. -0.83%	Real Estate: DJ US Select REIT Index TR

Annualized returns. The above indices are unmanaged and cannot be invested into directly. Past performance is not an indication of future results. Diversification cannot protect from market risk. Source: Morningstar. *60/40 Allocation: 40% Bonds, 6% Lg. Value, Blend, & Growth, 12% Mid Cap, 6% Sm. Value & Blend, 6% Intl., Nat. Res., and Real Est. Allocation, excludes Small Growth. Rebalanced annually on Apr 1. Please see benchmark disclosures below.

Benchmark Disclosures: Morningstar Category Averages: *Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments help by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average.* ***Large Cap Growth: S&P 500 Growth Index*** *– Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Intermediate-Term Bonds: Barclays US Agg Bond Index*** *– Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS.* ***Large Cap Blend: S&P 500 Index*** *– A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US.* ***Large Cap Value: S&P 500 Value Index*** *– Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Mid Cap Blend: S&P MidCap 400 Index*** *– Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment.* ***Small Cap Blend: Russell 2000 Index*** *– Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.* ***Small Cap Value: Russell 2000 Value Index*** *– Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.* ***Small Cap Growth: Russell 2000 Growth Index*** *– Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.* ***Foreign Large Cap Blend: MSCI EAFE NR Index*** *– This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes.* ***Real Estate: DJ US Select REIT Index*** *– Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment.* ***Natural Resources: S&P North American Natural Resources Index*** *– Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. The* ***Dow Jones Industrial Average (DJIA)*** *is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.*

Invest In Your Health

Getting Out of Transylvania

David Meinz, MS, RD, FADA, CSP
America's Personal Health Improvement Expert

It's the season of ghosts and goblins. And vampires, too. Many people today don't realize that there still is an actual place called Transylvania. Bordered to the east by the Carpathian Mountains, it's located in central Romania. In the movies it's supposedly the home of that famous vampire, Dracula.

Most Americans have also been living in the land of TRANS-ylvania for decades. In 1911, Proctor and Gamble first introduced its partially hydrogenated new product called Crisco. Some time later margarine was introduced on a wide-scale. It also contained partially hydrogenated oil. Both products were more convenient to use than their animal-source counterparts, lard and butter, and since they came from plant sources, they were thought to be healthier, too. Unfortunately, although they didn't know it at the time, partially hydrogenating the oil created something called trans-fats. It wasn't until the 1980s when safety concerns started being raised. It turns out that trans fats are actually worse for you than even butter, cream, and lard. Oh my!

"If I let myself get bitten by a vampire so I become immortal and only a wooden stake can kill me, can I get a better rate on my life insurance?"

But here's some good news. Since the FDA required food manufacturers to start listing the amount of trans fats in 2006, many of them have stopped using partially hydrogenated oils in their products. They'll even say "no trans fats" right on the front of the package. Not only is the fat in many of these re-formulated products often low, but it's also no longer partially hydrogenated. What's more, **the FDA has now ruled that trans fats need to be out of the American food supply by June of 2018.** Hooray!

And while that's still some time away, you're going to see less and less trans fats as manufacturers attempt to completely do away with them in their products before the deadline. I like that. **According to the Centers for Disease Control and Prevention, getting trans fats out of the food supply will prevent between 10,000 - 20,000 coronary events and 3,000-7,000 deaths each year. Every year.** It's about time we got rid of trans fats.

So how are the food manufacturers now going to create products consumers still like, but not use partially hydrogenated and trans fats? Ironically, they're going back to their old recipes and often using ingredients like palm oil. Yes, they still contain saturated fat, but they're less bad than the trans fats.

But palm oil has problems of its own. Most of it is imported from Indonesia and Malaysia. The expansion of palm oil plantations has already devastated the environment. Indonesia was once home to 425 million acres of biologically diverse rainforests. Today, about half of that is gone. It's estimated that another 45 million acres will be cleared in the next five years. The impact on wildlife has already been profound, and because of deforestation, Indonesia is the world's third largest producer of greenhouse gases, only behind the US and China.

What's the answer? Something new called "interesterified" oils appear to be safe. They're made from soybean oil and usually contain more polyunsaturated fats than palm oil. You'll probably start seeing more of those listed on food labels., but that's going to take a while.

In the meantime, remember that you often find trans-fats and palm oil in processed foods. Those same foods are also often high in fat, calories, and salt and low in nutrition. You'd be better off eating less of those anyway. Keep in mind that you'll almost always do better by eating food closer to the way it grows. Whole fruits and vegetables, whole grain breads and cereals, nuts, low fat or fat free dairy or milk substitutes, and protein sources like fish all make up the foundation of a healthy diet. And trans fats and palm oil aren't an issue.

The sooner you leave TRANSylvania, the better. Hopefully the only vampire you come across from now on will be Count Chocula.

David Meinz presents keynotes and workshops to businesses and associations internationally, based on his new book, ***Wealthy, Healthy & Wise: How to Make Sure Your Money and Your Health Last As Long As You Do***. For more information on his annual program in Orlando, Florida visit: **www.TheHealthyLifeSummit.com**. To order an autographed copy of any of his books, visit **www.davidmeinz.com.**

David Meinz is not affiliated with Spectrum Investment Advisors. Opinions voiced in this newsletter are for general information only and are not intended to provide specific advice or recommendations for any individual.

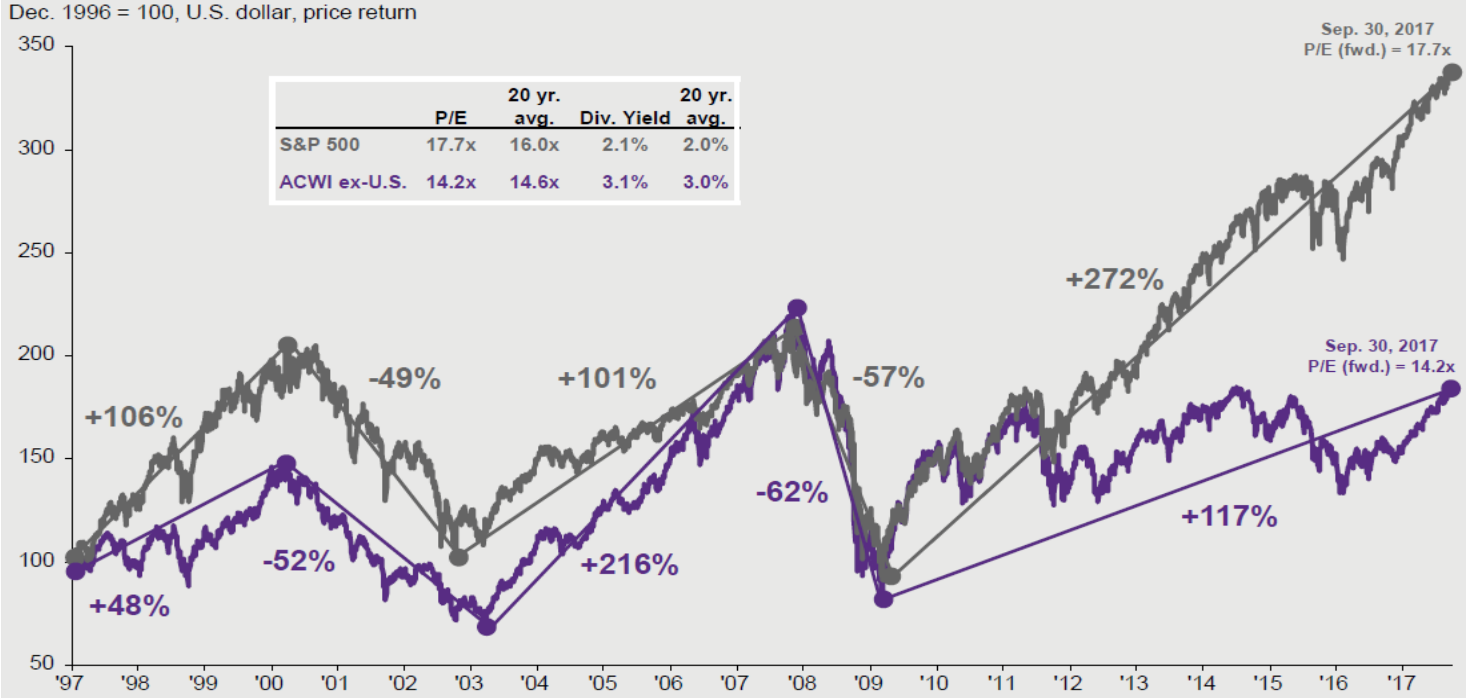
Important Disclosures

Spectrum Investment Advisors has been chosen as a finalist for 401(k) Specialist's 2017 Top Advisors by Participant Outcomes (TAPO) for the month of July. 401(k) Specialist magazine and website are specifically focused on providing retirement plan advisors with the information needed to assist the retirement plan sponsors and participants they serve. The 401(k) Specialists Top Advisors by Participant Outcomes finalists are selected monthly out of the advisors who chose to respond to the survey. An independent panel of industry experts is then convened annually to select the one overall winner from the monthly finalists, to be announced in October. The rating is not indicative of the advisors' future performance.

Inflection Points – The current P/E ratio of the S&P 500 is slightly above average at 17.7x earnings, compared to the 20-year average of 16.0x earnings, with a dividend yield of 2.1%. This compares to the ACWI ex U.S. (international stocks) where the P/E ratio is 14.2x compared to a 20-year average of 14.6x with a dividend yield of 3.1%. The international markets, relative to US stocks, have more attractive valuations. **Currency and International Equity Returns—**the chart on the bottom left indicates the value of the dollar weakening or strengthening from 5.5 years to 10 years, with an average of approximately 6 to 7 years. The dollar has strengthened 36% over the past 5.5 years and, so far in 2017, has weakened by approximately 9%, which could be the start of a multi-year weakening of the dollar. A weakening dollar helps the performance of international investing for US investors, as the chart on the bottom right indicates.

MSCI All Country World ex-U.S. and S&P 500 Index

Dec. 1996 = 100, U.S. dollar, price return

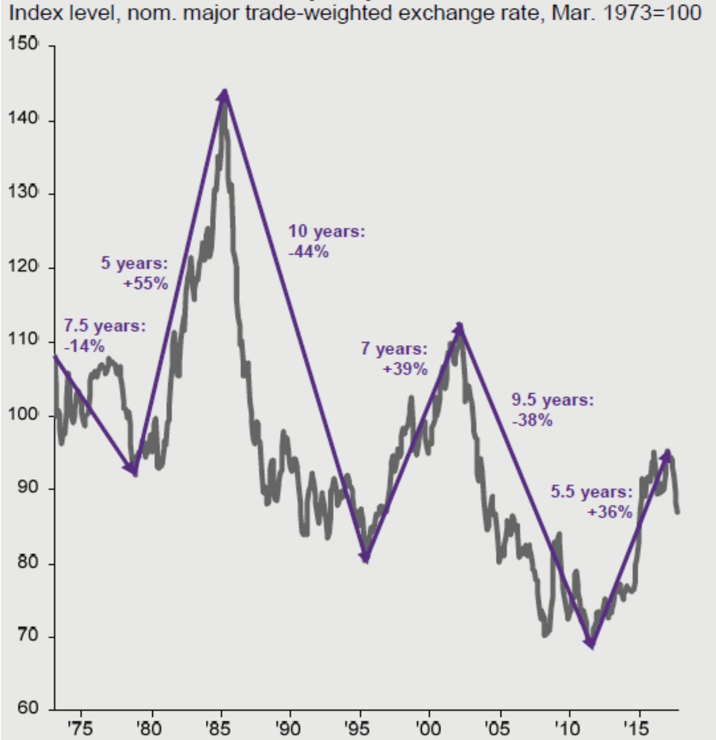


	P/E	20 yr. avg.	Div. Yield	20 yr. avg.
S&P 500	17.7x	16.0x	2.1%	2.0%
ACWI ex-U.S.	14.2x	14.6x	3.1%	3.0%

Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.
Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Dividend yield is calculated as consensus estimates of dividends for the next twelve months, divided by most recent price, as provided by FactSet Market Aggregates. *Guide to the Markets* – U.S. Data are as of September 30, 2017.

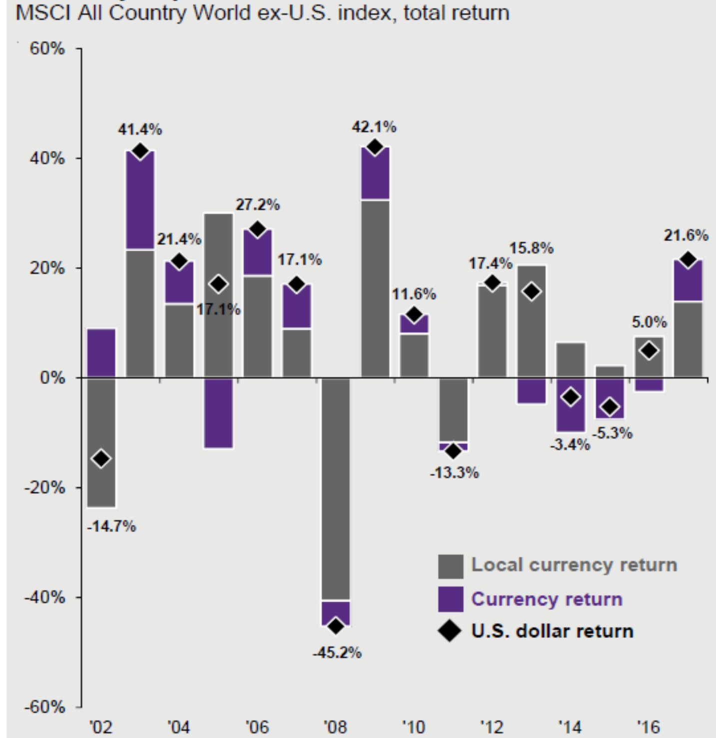
U.S. dollar in historical perspective

Index level, nom. major trade-weighted exchange rate, Mar. 1973=100



Currency impact on international returns

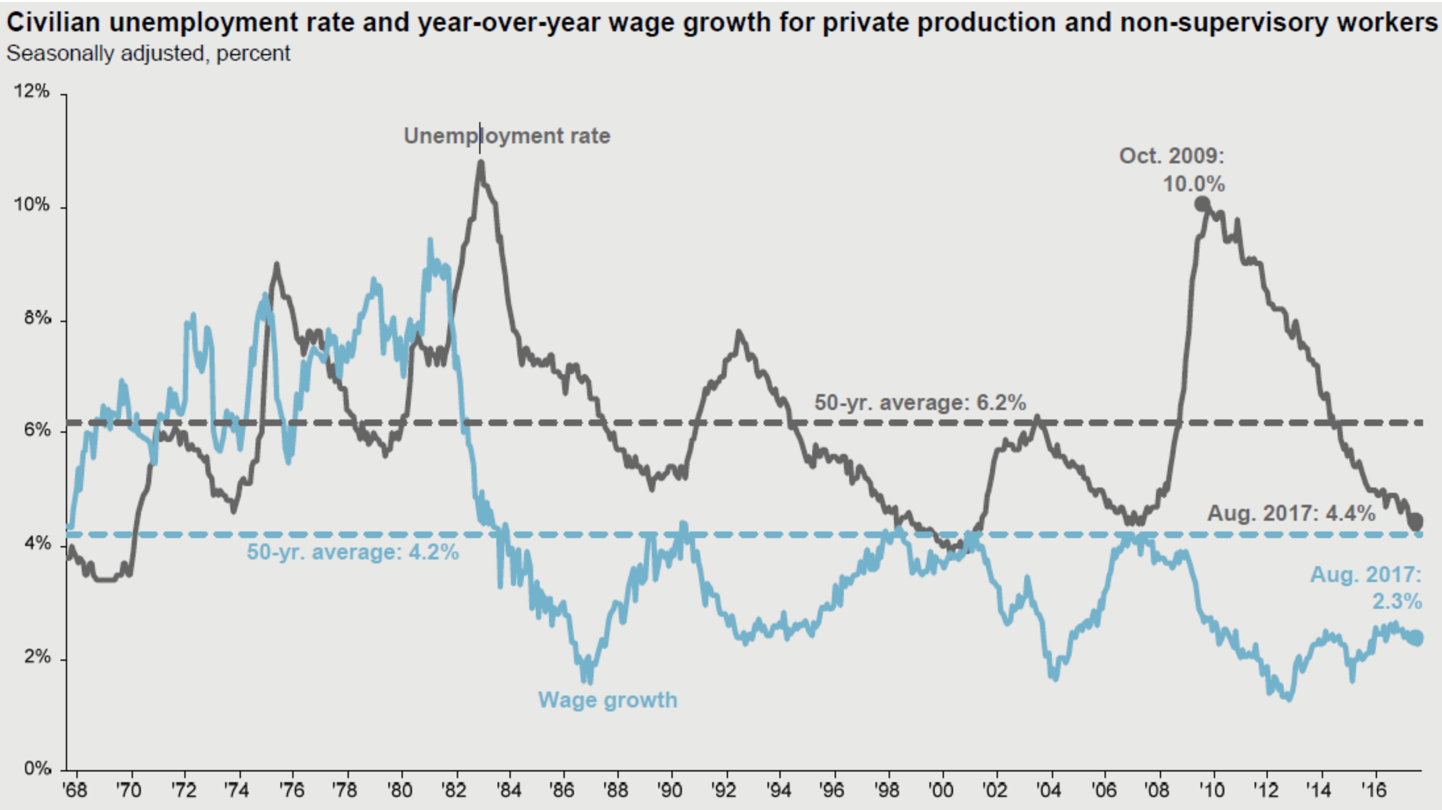
MSCI All Country World ex-U.S. index, total return



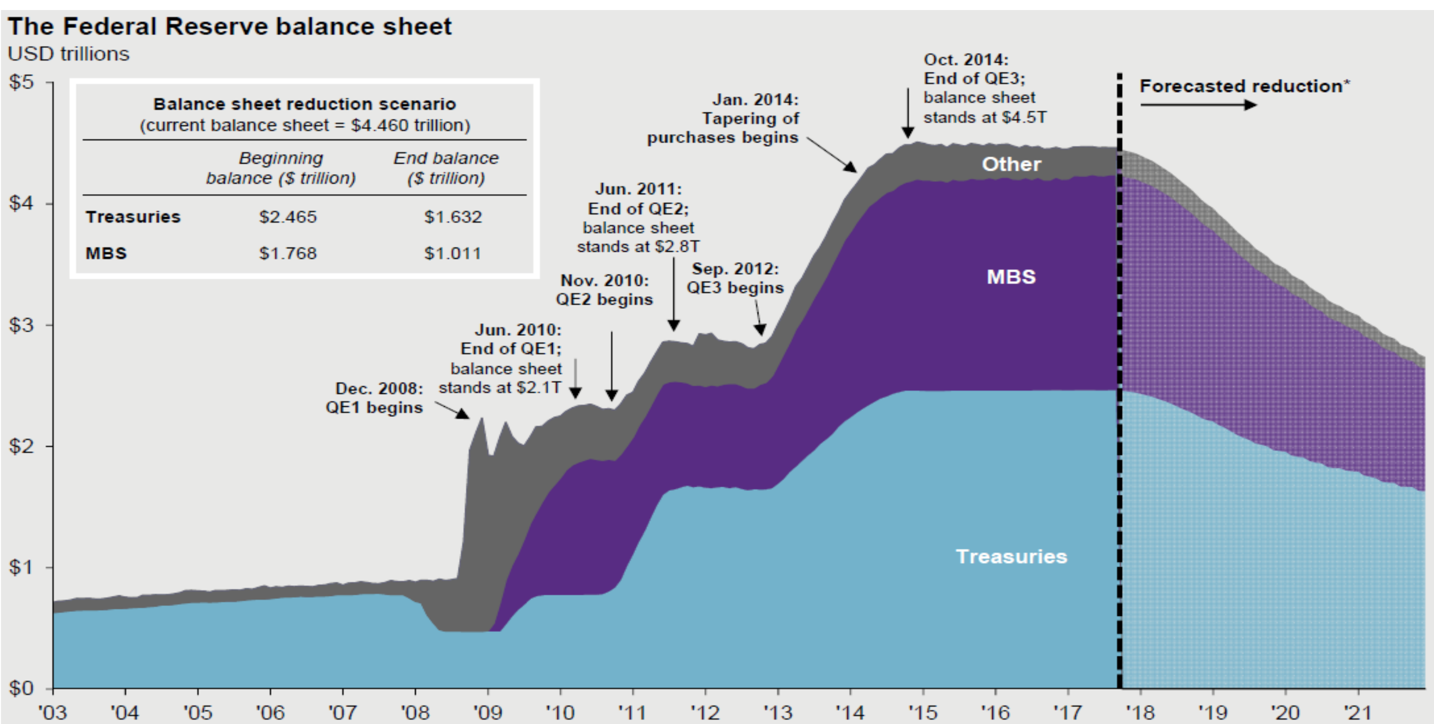
Source: FactSet, J.P. Morgan Asset Management; (Left) Federal Reserve; (Right) MSCI. Currencies in the nominal major trade-weighted U.S. dollar index are: British pound, Euro, Swedish kroner, Australian dollar, Canadian dollar, Japanese yen and Swiss franc. *Guide to the Markets* – U.S. Data are as of September 30, 2017.

Please see important disclosures on page 3 of the newsletter.

Unemployment and Wage Growth - Low wage growth is a result of diminishing bargaining power for US workers due to cheap labor abroad and new technology, such as the use of robots by US manufacturers. The top chart indicates that when unemployment gets close to equaling wage growth, that's when the Federal Reserve needs to escalate interest rates rapidly to fend off inflation. With wage growth at 2.3% and the unemployment rate at 4.2%, they remain stubbornly apart, keeping inflation at bay. This means the Fed is not under immediate pressure to escalate interest rates. **Federal Reserve Balance Sheet -** The Fed Balance sheet has peaked at \$4.6 trillion, up from less than \$1 trillion in 2008. The bottom chart indicates the direction of the Fed reducing its balance sheet on a gradual basis over the next 5 years to just under \$3 trillion. The Fed will likely want to decrease its balance sheet gradually to not disrupt the financial markets.



Source: BLS, FactSet, J.P. Morgan Asset Management. *Guide to the Markets* – U.S. Data are as of September 30, 2017.



Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.
*Balance sheet reduction assumes reduction from current level, beginning October 2017 until December 2021. Reduction of Treasuries and MBS is per FOMC guidelines from the September 2017 meeting minutes: the cap on Treasury securities will begin at \$6 billion per month initially and reduction rate will increase in steps of \$6 billion at three-month intervals over 12 months until reaching \$30 billion per month; the MBS cap will begin at \$4 billion per month initially and will increase in steps of \$4 billion at three-month intervals over 12 months until reaching \$20 billion per month; Other assets are reduced in proportion. In those months where the amount of maturing assets do not exceed the stated cap then the balance sheet will be reduced by the total amount of maturing assets. *Guide to the Markets – U.S.* Data are as of September 30, 2017.

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