Clark Capital Management Group

Monthly Recap

September 2017

EQUITY MARKETS

U.S. stocks again continued their post-election rally. The S&P 500, the Dow Jones Industrial Average, NASDAQ, the Russell 1000, Russell 2000, and Russell 3000 all set record highs during the month. Leadership shifted from that of the prior month with value stocks outperforming growth stocks and small cap stocks outperforming large cap stocks. International stocks underperformed domestic stocks, with developed markets in positive territory and emerging markets posting a negative return.

FIXED INCOME MARKETS

September was a challenging month for bonds as interest rates increased across the yield curve. The yield on the 10-year Treasury increased 21 basis points in September to 2.33%. The Bloomberg Barclays Aggregate Bond Index decreased in value for the month as both Treasuries and corporate bonds posted losses. Municipal bonds also declined in value. High yield bonds followed stocks higher, as credit exposure was rewarded during the month.

ECONOMIC DATA

The economy appeared to slow somewhat in August, which is not unusual as vacations are in full swing both here and abroad. Hurricane Harvey exacerbated the problem as it slammed into Texas near the end of the month, disrupting many businesses and refining operations in particular. As a result, gasoline prices rose significantly. Hurricane Irma then hit Florida in early September. Typically speaking, these types of disruptions tend to dampen economic growth for a short period but have little long-lasting impact. While most economic data points were soft, new job openings as measured by the Job Openings and Labor Turnover Survey were a bright spot, hitting a new all-time high of 6.2 million. To put this in perspective, there are now 1.1 unemployed people per job opening, a significant improvement from the peak of 6.6 seen in July 2009. As expected, the Federal Open Market Committee (FOMC) left the fed funds and discount rates unchanged at the meeting that concluded on September 20th. Details of the Fed's balance sheet normalization process were given with a gradual reduction of the reinvestment of maturing securities beginning in October. The reduction will be $10 billion per month initially and will increase by $10 billion every quarter until the $50 billion level is reached. The unwinding of the balance sheet is characterized as "gradual and predictable" by the FOMC. The next FOMC meeting is scheduled for October 31 through November 1. No rate change is expected at this meeting. Importantly, Congress agreed to extend the debt ceiling limit for three months at which time it will need to be renegotiated.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	**Aug**	**180,000**	**156,000**	**209,000**	**189,000**
Unemployment	**Aug**	**4.3%**	**4.4%**	**4.3%**	
ISM Manufacturing	**Aug**	**56.5**	**58.8**	**56.3**	
ISM Non-Manufacturing	**Aug**	**55.6**	**55.3**	**53.9**	
Retail Sales ex Auto & Gas	**Aug**	**0.3%**	**-0.1%**	**0.5%**	
PPI MOM	**Aug**	**0.3%**	**0.2%**	**-0.1%**	
PPI MOM ex Food & Energy	**Aug**	**0.2%**	**0.1%**	**-0.1%**	
PPI YOY	**Aug**	**2.5%**	**2.4%**	**1.9%**	
PPI YOY ex Food & Energy	**Aug**	**2.1%**	**2.0%**	**1.8%**	
CPI MOM	**Aug**	**0.3%**	**0.4%**	**0.1%**	
CPI MOM ex Food & Energy	**Aug**	**0.2%**	**0.2%**	**0.1%**	
CPI YOY	**Aug**	**1.8%**	**1.9%**	**1.7%**	
CPI YOY ex Food & Energy	**Aug**	**1.6%**	**1.7%**	**1.7%**	
Industrial Production	**Aug**	**0.1%**	**-0.9%**	**0.2%**	**0.4%**
Housing Starts	**Aug**	**1,174,000**	**1,180,000**	**1,155,000**	**1,190,000**
Building Permits	**Aug**	**1,220,000**	**1,300,000**	**1,223,000**	**1,230,000**
New Home Sales	**Aug**	**585,000**	**560,000**	**571,000**	**580,000**
Existing Home Sales	**Aug**	**5,450,000**	**5,350,000**	**5,440,000**	
Leading Index	**Aug**	**0.3%**	**0.4%**	**0.3%**	
Durable Goods Orders	**Aug (P)**	**1.0%**	**1.7%**	**-6.8%**	
S&P CoreLogic CS 20-City YOY	**Jul**	**5.70%**	**5.81%**	**5.65%**	
Personal Income	**Aug**	**0.2%**	**0.2%**	**0.4%**	**0.3%**
Personal Spending	**Aug**	**0.1%**	**0.1%**	**0.3%**	
GDP Annualized QOQ	**2Q (T)**	**3.0%**	**3.1%**	**3.0%**	
Univ. of Mich. Sentiment	**Sep (F)**	**95.3**	**95.1**	**95.3**	

P = Preliminary, T = Third, F = Final　　Source: Bloomberg

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