

October 2017

EQUITY MARKETS

New record highs were set once again in October as the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, Russell 2000, and Russell 3000 all eclipsed their prior peaks during the month. The S&P 500 has increased just over 20% since the election and has not even had a correction of 3% in 361 days, the second longest such run since 1928. Growth stocks outperformed value stocks and large cap stocks outperformed small cap stocks for the month. Developed international stocks trailed their large cap U.S. counterparts, while emerging markets outpaced the S&P 500.

FIXED INCOME MARKETS

Interest rates increased across the yield curve for the second consecutive month. The yield on the 10-year Treasury increased five basis points in October to 2.38%. The Bloomberg Barclays Aggregate Bond Index posted a modest increase in value for the month. Credit positions were once again rewarded as corporate bonds increased in value and high yield bonds hit record highs, while treasuries posted losses. Municipal bonds advanced modestly.

ECONOMIC DATA

The economy rebounded in September from August's hurricane-related slowdown. The ISM Manufacturing Index rose to its highest level since May 2004 and the ISM Non-Manufacturing Index hit its highest level since August 2005. The advance estimate of third quarter real gross domestic product (GDP) surpassed expectations and registered 3% growth. This marks the first time the U.S. has logged two consecutive quarters of GDP growth in excess of 3% since 2014. New home sales spiked to their highest level since October 2007 and retail sales were the best since March 2015. Job creation disappointed during the month, as non-farm payrolls lost 33,000 workers. On the flip side, unemployment reached 4.2%, the lowest level since January 2001. It is likely both these numbers were impacted by the hurricanes. Consumers remain upbeat as reflected by the Conference Board Consumer Confidence Index, which is at its highest level since December 2000. The Federal Open Market Committee ("FOMC") will conclude its two-day meeting on November 1st and no rate change is expected. The last FOMC meeting of the year is scheduled for December 12-13 and currently Fed funds futures are indicating an 82.8% probability of a rate hike at that meeting.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	Sep	80,000	-33,000	156,000	169,000
Unemployment	Sep	4.4%	4.2%	4.4%	
ISM Manufacturing	Sep	58.1	60.8	58.8	
ISM Non-Manufacturing	Sep	55.5	59.8	55.3	
Retail Sales ex Auto & Gas	Sep	0.4%	0.5%	-0.1%	0.1%
PPI MOM	Sep	0.4%	0.4%	0.2%	
PPI MOM ex Food & Energy	Sep	0.2%	0.4%	0.1%	
PPI YOY	Sep	2.6%	2.6%	2.4%	
PPI YOY ex Food & Energy	Sep	2.0%	2.2%	2.0%	
CPI MOM	Sep	0.6%	0.5%	0.4%	
CPI MOM ex Food & Energy	Sep	0.2%	0.1%	0.2%	
CPI YOY	Sep	2.3%	2.2%	1.9%	
CPI YOY ex Food & Energy	Sep	1.8%	1.7%	1.7%	
Industrial Production	Sep	0.3%	0.3%	-0.9%	-0.7%
Housing Starts	Sep	1,175,000	1,127,000	1,180,000	1,183,000
Building Permits	Sep	1,245,000	1,215,000	1,300,000	1,272,000
New Home Sales	Sep	554,000	667,000	560,000	561,000
Existing Home Sales	Sep	5,300,000	5,390,000	5,350,000	
Leading Index	Sep	0.1%	-0.2%	0.4%	
Durable Goods Orders	Sep (P)	1.0%	2.2%	2.0%	
S&P CoreLogic CS 20-City YOY	Aug	5.93%	5.92%	5.81%	5.83%
Personal Income	Sep	0.4%	0.4%	0.2%	
Personal Spending	Sep	0.9%	1.0%	0.1%	
GDP Annualized QOQ	3Q (A)	2.6%	3.0%	3.1%	
Univ. of Mich. Sentiment	Oct (F)	100.7	100.7	101.1	

A=Advance, P = Preliminary, F = Final

Source: Bloomberg

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