

October 2015 Recap

Market Indices ¹	October	Year-to-Date
S&P 500	8.44%	2.70%
Russell 3000	7.90%	2.02%
MSCI EAFE	7.82%	2.13%
MSCI Emerging Markets	7.13%	-9.45%
Barclays U.S. Aggregate Bond	0.02%	1.14%
Barclays Municipal	0.40%	2.17%
Barclays U.S. Corporate High Yield	2.75%	0.23%

¹Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

At-A-Glance

- The Dow Jones Industrials returned 8.59% in October, while the NASDAQ Composite surged 9.44%.
- The CBOE VIX Volatility Index fell from 24.50 in September to 15.07 in October, a 38.5% decline.
- WTI crude oil prices rose just \$1.03 to \$46.59/bbl. in October, even as the U.S. rig count fell to 578, the fewest in five years.

U.S. stocks drifted lower during October's final session, slightly trimming the strongest monthly performance in four years, as investors bid up valuations in a month dominated by several central bank easing actions. Continued signs of slowing global growth prompted the European Central Bank to signal a stimulus extension and boost the amount of its monthly bond-purchases, while China unexpectedly cut interest rates. At home, as widely expected, the Federal Reserve refrained from raising interests, but their October policy statement was more hawkish, lifting the odds for a December rate hike to 50% from as low as 30% before the policy meeting. Better-than-expected corporate earnings also helped drive stocks higher last month, returning the S&P 500 back into positive territory this year and extend its 11.3% rally since its August 25 low. The S&P 500's 159-point gain during October was its largest monthly point-gain on record, surpassing even the 132-point surge during the height of the dot-com tech bubble in March 2009. With about two-thirds of the third quarter earnings season now complete, around 75% of the S&P 500 reporting companies have so far exceeded analysts' profit forecasts, while just 44% have surpassed their revenue projections.

All ten major sector groups registered impressive gains last month, with Materials (+13.52%) gaining the most. Energy (+11.44%) and Technology (+10.76%) followed, posting their best monthly gains since October 2011. Consumer Staples (+5.82%) and Utilities (+1.09%) rose the least. Year-to-date, Consumer Discretionary (+13.53%) and Technology (+7.47%) are this year's top performers. Despite its double-digit monthly gain, Energy (-12.27%) remains this year's worst performing sector.

Small-cap stocks, as measured by the Russell 2000 Index, gained 5.63% in October, again underperforming their mid- and large-cap counterparts last month. Mid-cap stocks rose 6.20%, as measured by the Russell Mid Cap Index. YTD, small-caps are down 2.53%, while mid-caps are off just 0.01%. Growth stocks outperformed value with the Russell 1000 Growth Index up 8.61%, while the Russell 1000 Value Index gained 7.55%. The Russell 1000 Growth Index erased its YTD loss during the month, returning 6.94% so far in 2015, while the Russell 1000 Value Index is down 2.09% on the year.

Internationally, the MSCI EAFE Index, a broad measure of 21 global developed markets outside of the U.S. and Canada, advanced 7.82% last month, erasing its YTD loss. The STOXX Europe 600 rose 8.11%, its best monthly gain since 2009. The MSCI Emerging Markets Index rallied 7.13% in October, trimming its YTD loss to 9.45%. China's Shanghai Composite posted its first monthly gain since May, rebounding 10.8%, as Beijing introduced new stimulus measures and lowered interest rates a sixth time this year.

Treasuries, as measured by the Barclays U.S. Government Bond Index, fell by 0.35% last month, returning 1.43% YTD. The yield on 10-year U.S. Treasury notes rose by ten basis points in October, ending the month at 2.14%. U.S. investment grade corporate, government and agency-backed bonds, as measured by the Barclays U.S. Aggregate Bond Index, rose just 0.02% in October, fractionally extending its YTD return to 1.14%. The Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, rose 2.75% in October. The high-yield bond index is up 0.23% YTD. The Barclays U.S. Municipal Bond Index rose 0.40% last month, lifting its YTD gain to 2.17%.

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The **Barclays U.S. Aggregate Bond Index**, which used to be called the *Lehman Aggregate Bond Index*, is a broad base index, maintained by Barclays Capital, and it often used to represent investment grade bonds being traded in the U.S. Barclays Capital (BarCap) U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **CBOE Volatility Index[®] (VIX[®])** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P 500** 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 **Dow Jones Industrial Average** is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been among the most widely followed indicator of the stock market since October 1, 1928.

The **NASDAQ Composite Index** is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.