Q3 2017 Outlook

What a time to be a U.S. consumer

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Two items that are currently occupying media headlines (aside from Trump) and benefit the U.S. consumer include The Amazon Effect and stubbornly low oil prices. While seemingly disparate topics, both are interconnected and provide strong tailwinds for the U.S. consumer in a variety of ways.

The Personal Consumption Expenditure (PCE) is the Federal Reserve's preferred measure of inflation because it is designed to measure a wide range of household spending including autos, clothing, jewelry, gasoline, and housing. The PCE is a core input to the Fed's decision making process and ultimately influences the direction and magnitude of the implementation of monetary policy (level of short-term interest rates). It is widely known that the recent aim of Fed policy over the last several years has been directed at creating inflation, a herculean task given a number of deflationary factors in the economy.

It would be hard to overstate the role that The Amazon Effect has played in undermining the Fed's best efforts to escalate inflation through the U.S. economy. It is estimated that Amazon's Prime service has over 80 million U.S. subscribers or approximately one-third of all U.S. adults! When this group is included with the non-Prime Amazon shoppers, it is safe to assume that more than 50% of the U.S. population has directly benefitted from Amazon deflation. Most investors probably forgot that it was not too long ago that the online retailer largely sold books, but since has moved into almost every household category. And this is only half of the story; do not forget the traditional brick and mortar retailers that have been forced to indirectly compete. All together, Amazon is providing one huge stimulus package to the U.S. consumer.

In addition, consumers are spending less on gasoline due to both lower prices and improvements in fuel efficiency (which pressures demand), enhancing the spending potential of consumer wallets. Currently, the average price of gasoline is $2.20 per gallon and sits at multi-year lows providing additional consumer stimulus.

In the end, there is a self-serving element to the narrative. Lower prices for everyday goods, combined with declining energy prices, has increased deflationary headwinds resulting in lower interest rates. What a time to be a U.S. consumer!

Source: The Economist, March 25, 2017

While Amazon has been successful in disrupting brick and mortar businesses of all kinds, their attempt to bring drone delivery to reality has hit some bumps, at least in the U.S. The FCC has initiated a series of regulations making drone delivery exceptionally difficult – at least for now. Amazon has recently re-focused its efforts on the United Kingdom, but we would not dismiss a compromise in the U.S.

Summary of views

INVESTMENT GRADE

NEUTRAL
With few concerns about credit quality at the moment, yield curve positioning will be the main driver of performance in the investment grade space. The Fed seems intent on raising front-end rates, while tepid inflation and global demand for yield continue to keep the back end of the curve in check. We are keeping a close eye on developments in the muni sector as issues regarding state financials continue to make headlines.

MORTGAGE SECURITIES

NEUTRAL
Fundamentals in the mortgage sector continue to improve as home prices increase. Mortgage rates have modestly picked up, but have come down from highs earlier in the year. Refinancing applications have dropped to their lowest level post-crisis, indicating that most homeowners have already done so. Also, with the Fed still owning 1/3 of all agency mortgages, their plan to step back from reinvestments later in the year could cause prices to fluctuate as the market adjusts to the new supply.

NON-INVESTMENT GRADE

NEUTRAL
Credit spreads in the non-investment grade space continue to maintain ultra-low levels. While we do not see anything immediately on the horizon for spreads to increase, we would be hard-pressed to make new investments. Though spreads can remain tight for a while, they won't stay low forever, so we advise investors to upgrade their portfolios, moving out of the lowest tiers of non-investment grade, which have compressed the most.

US LARGE CAP

FAVORABLE
US equities (S&P 500) delivered a strong first half of the year, returning +9.3%. Supported by improving global economic trends (manufacturing and services), the earnings recovery has been broad across sectors and has resulted in only a modest uptick in the valuation multiple (P/E), although levels are at recent highs. Although tempting to favor a reduction in our outlook, we believe the drivers of large-cap equity returns are sustainable.

US SMALL CAP

NEUTRAL
Small caps and Value were two factors that underperformed through the first half of the year (the Russell 2000 returned +5.0%, for reference). Admittedly we are more interested in the asset class today, however, at this stage in the cycle characterized by tightening monetary policy, full employment, and higher-than-desired valuations, we remain Neutral in our return outlook.

INTERNATIONAL

FAVORABLE
With the avoidance of a French election misstep, the outlook for developed international markets is rosier today than in recent years. Earnings growth continues to mirror a much improved economic backdrop characterized by eurozone manufacturing data (PMI) that topped the scales in Q2 with the highest reading since Q1 2011. We believe the international momentum is sustainable: investors are still underweight Europe and Japan, and the cycle of outperformance can persist. The risk is that the ECB hits the brakes too soon.

Summary of views (cont)

EMERGING MARKETS

NEUTRAL
We wrote it last quarter and will state it again; we should have been more bullish on the emerging markets (EM) outlook entering the year. We describe the current backdrop as a goldilocks scenario supported by improving corporate growth, strengthening local currencies (weak U.S. dollar), and stable U.S. interest rates - a nice setup for EM. A quick +19% return year-to-date and the belief that too many macro variables need to remain unchanged through the second half for the momentum to continue leaves us at Neutral.

INFRASTRUCTURE

FAVORABLE
Global listed infrastructure continues to outperform most sectors, with no near-term obstacles on the horizon. Within the asset class, U.S. Midstream has somewhat resumed its decoupling from volume fundamentals to track energy commodity prices, most specifically with regard to crude oil, improving valuations.

COMMODITIES

NEUTRAL
Most commodity complexes are responding to supply rationalization, but the broad asset class continues to be dragged down by the energy complex. Natural gas, crude oil, and other energy commodities have pushed the broad index into negative territory for the year, and appear to face seemingly endless headwinds in the short-to-medium term. As a result, and despite favorable fundamentals in metals and parts of agriculture, we move to a Neutral rating on the asset class given additional impediments to a near-term recovery in energy.

REAL ESTATE

NEUTRAL
Listed real estate appears positioned to extend its broad up-cycle despite select domestic sector challenges, most notably in regional malls and shopping centers. Sector rotation proves to be a resilient source of alpha for active managers. Global listed real estate offers better momentum, as international property is poised to continue to outperform domestic in line with broad equities.

DIRECTIONAL

FAVORABLE
In the second quarter, long/short hedge funds once again outperformed the broader hedge fund universe. In June, they outperformed the S&P 500 by over 40 basis points. Equity correlations have decreased in recent months and the international opportunity set has increased as political risk has diminished. Extended valuations in several areas provide ample opportunity for investors on the short side. We are Favorable on directional strategies that can take advantage of dislocations in credit markets, currencies, and any spike in volatility.

NON DIRECTIONAL

NEUTRAL
Nondirectional alternatives provide a good hedge to duration risk, as certain strategies can produce positive returns as interest rates rise. Yet, the risk of rising interest rates has lessened somewhat as recent inflation figures continue to undershoot expectations. Within relative value credit, funds are investing further down the capital structure, increasing risk in the strategy. Diverging trends within the macro backdrop reduces our view to Neutral.

Fear of missing out (FOMO)

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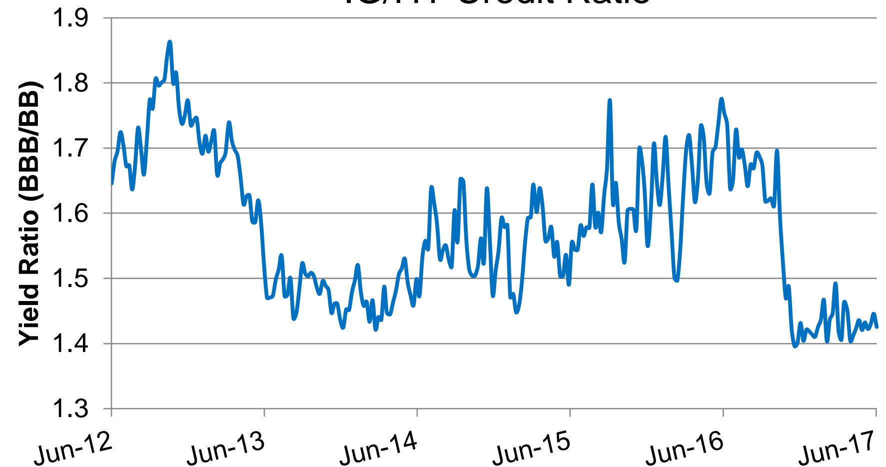
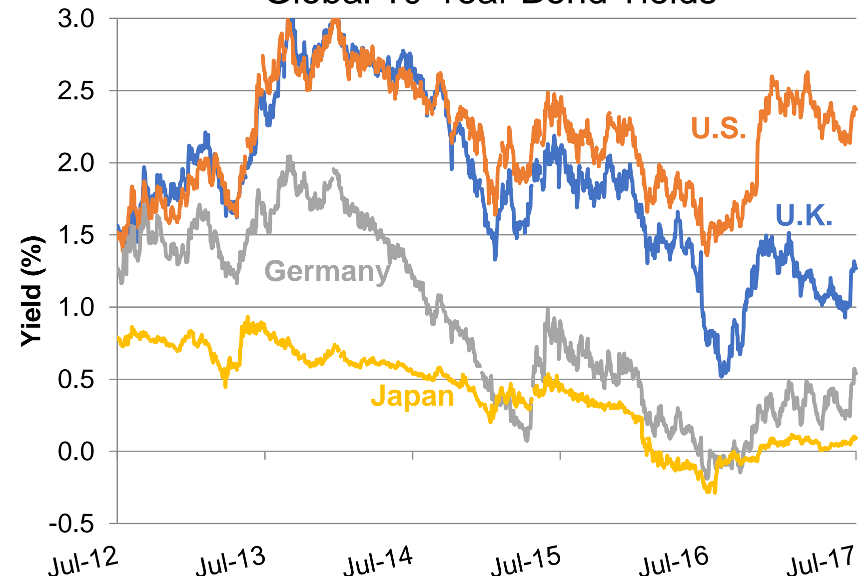
With everyone seemingly “plugged in” at all times, the fear of missing out can cause anxiety for those not in the know. While more applicable to social media, the same phrase also has meaning in the investment world, and we would caution investors not to be worried about FOMO as it relates to their fixed income portfolios. By most metrics the bond market rally appears a little long in the tooth, and while we see no immediate reason for the cycle to turn, now is not the time to extend risk in portfolios to garner marginally higher yields. As the chart at top right shows, the extra yield pickup from investing in BB corporate bonds in comparison to BBB bonds is at all-time lows and has been for the past few months. While we are not advocating that investors sell all their non-investment grade holdings as of yet, we believe future returns will largely be driven by the coupon.

The bond market seems to be pulling off a spectacular high-wire walk. Domestically, the unemployment rate remains low and core measures of inflation remain tepid. The Fed still sees the economy as strong enough to withstand an additional rate hike later this year (three projected for 2017) and hopes to slowly start decreasing the size of its balance sheet this year as well. There are a lot of moving parts right now for the Fed to juggle; growth is going well, and while the Fed wants to raise rates it does not want to choke off economic growth.

Looking abroad, the U.S. still seems to be the best place to invest within the developed fixed income markets. Yields have risen off their lows in Europe and Japan, but each area’s central banks are still actively pursuing expansionary monetary policy, trying to stimulate growth.





Source: Bloomberg & BofAML Indices

Munis: Lots of noise, not much opportunity

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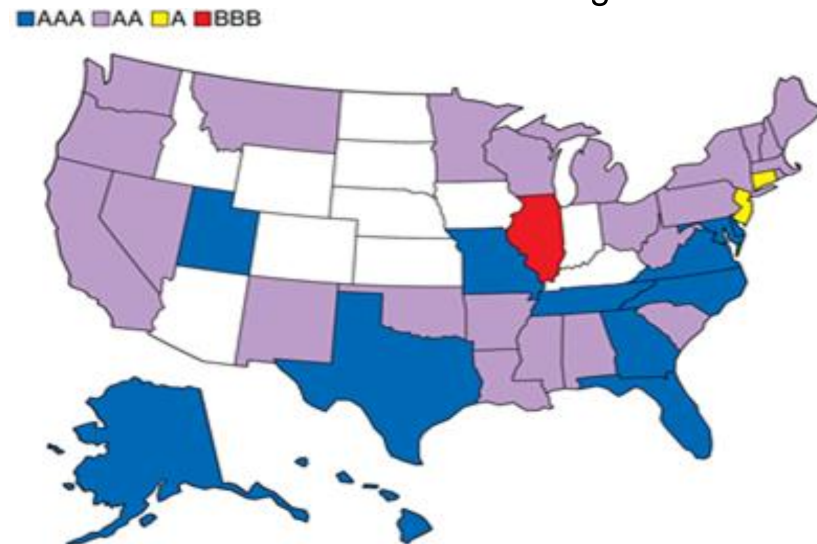
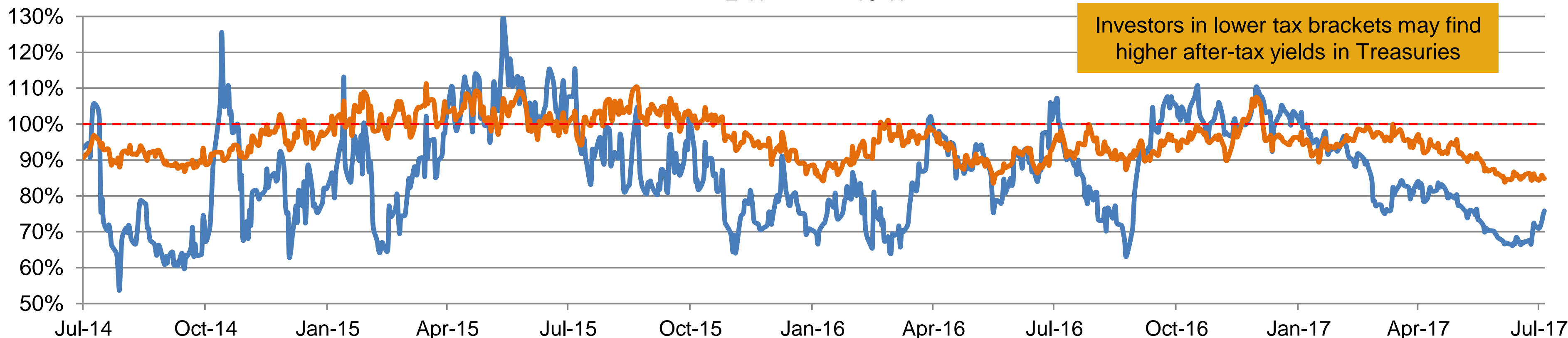
Several quarters ago, we briefly touched on some of the headwinds facing the traditionally sleepy municipal bond market. Some of these headwinds, namely policy out of D.C., have subsided as political gridlock has slowed the momentum of tax policy changes, but larger state-specific issues have taken hold. Just as the muni market was getting over the default of Puerto Rico, the slow train wreck that is Illinois' financial woes gained steam and the state budgets of New Jersey and Connecticut also worsened. So far this political dysfunction seems contained to the states in question and not a systemic risk to the muni market as a whole; the economic recovery has generally been supportive for state's budgets. As shown below, muni-to-treasury ratios are still well within check. Absent a political epiphany, the budget gaps and large unfunded pension liabilities are not going away anytime soon, and while states cannot go bankrupt, they can default. Many of the states causing concern already have lower credit ratings by the rating agencies. To throw fuel on the fire, residents in fiscally strapped states are relocating to avoid the likelihood of higher taxes.

S&P State G.O. Ratings



Muni-to-Treasury Ratios



Source: Bloomberg

Valuations continue to extend in the U.S.

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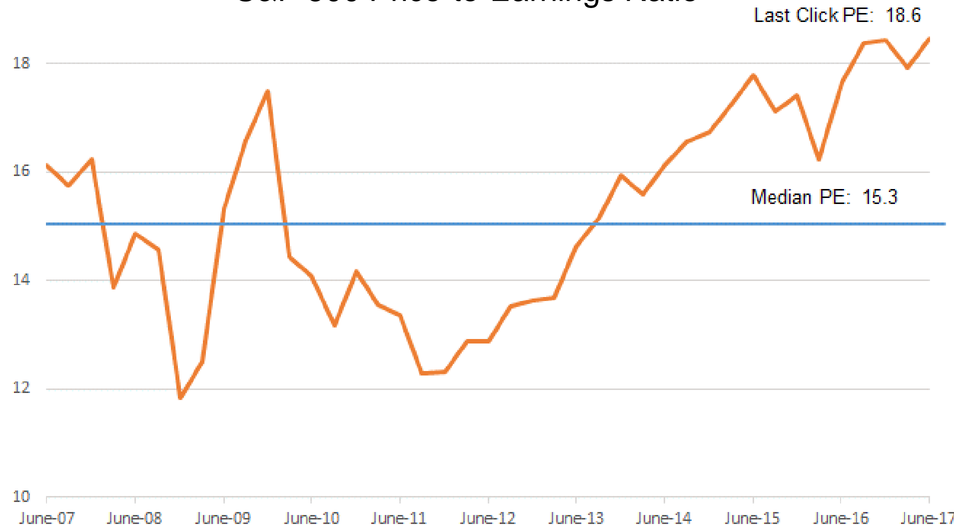
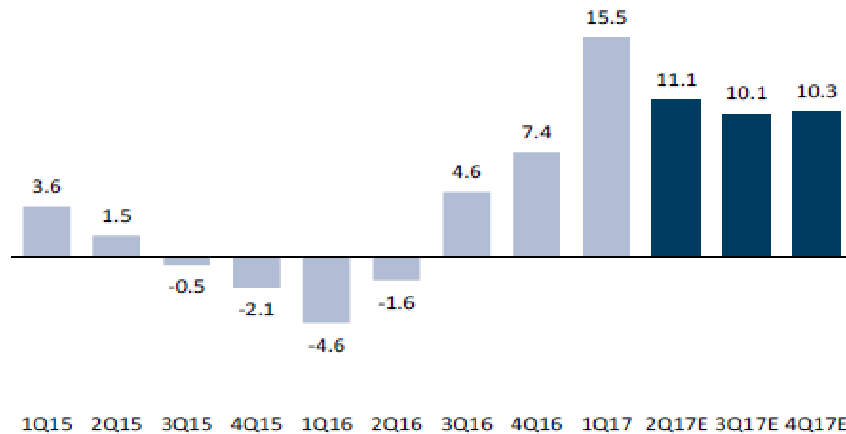




Through the mid-year point, large-cap valuations have extended modestly, building on a trend that began in 2011. Although at 18.6x forward earnings, the multiple is higher than in recent years; history suggests that the multiple could move higher, especially given that interest rates remain low and fundamentals remain robust. Our last Outlook was titled, "Stretching the Late Cycle" which we continue to believe is an appropriate theme to describe the U.S. market.

As the chart below highlights, earnings growth is expected to accelerate by double digits in 2017 (supporting our earlier comment on fundamentals). While decelerating earnings growth can be a significant headwind to a bull market, it's a recession that ultimately kills the bull. Looking ahead, in 2017 and 2018, the U.S. economy should continue its expansion. Beyond that, our crystal ball is clouded by a few factors, including the path of interest rates (guided by inflation), the health of the consumer, and the ability for companies to continue to deliver earnings growth. There are a few consumer statistics that suggest spending and debt levels are long in the tooth; however, as we discuss earlier, other competitive forces have extended purchasing power.

Our recommendation is for investors to stay the course in U.S. large cap equities in 2017. Unlike prior market tops, the current equity market is supported across a broad number of sectors, with technology, healthcare, industrials, and financials all leading the path. This suggests balance and increases our confidence in the full -year outlook.

Source: Bloomberg & BofAML Indices

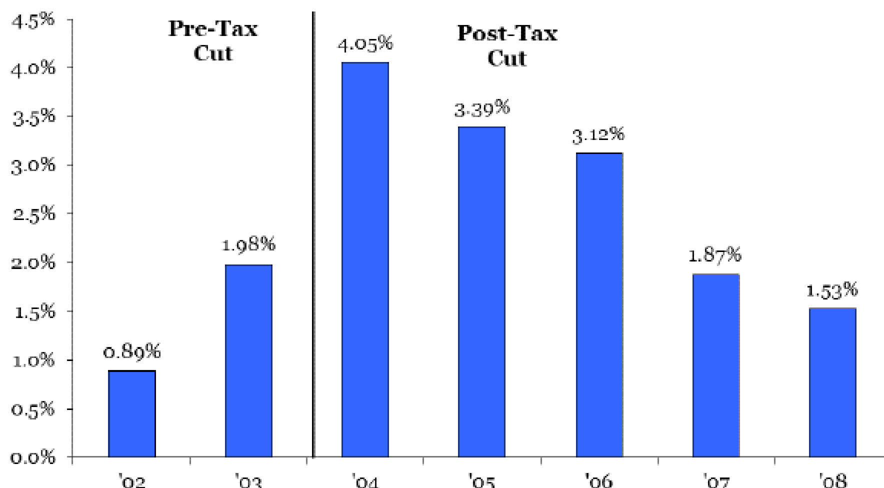
Contentious policies could delay tax reform

Timing of Tax Cuts & Reform

Year	Reform or Cut	Date of Passage	Time
1981	Tax Cut	Aug-81	8 Months
1986	Tax Reform	Oct-86	22 Months
2001	Tax Cut	Jun-01	5 Months
2003	Tax Cut	May-03	5 Months

Source: Strategas

Percent Change in Annual GDP



Source: Strategas

In light of recent obstacles surrounding the repeal of Obamacare, the White House has reaffirmed its position that the administration is “absolutely committed” to addressing tax reform in 2017. For investors, many of whom are growing impatient with the White House rhetoric and the continuous distractions from what many believe is the only agenda item that really matters, no time is too soon to begin this conversation.

We agree that tax reform is paramount but remind investors that other reforms, such as the Financial CHOICE Act of 2017, are impactful and are moving forward in the background. Similar to many of President Trump’s agenda items, the Financial CHOICE Act of 2017 is not without controversy, as it advocates reduced consumer protections and increases the level of risk that banks are able to assume in certain business lines. The potential is for stronger bank earnings and greater cost savings in the most regulated sector since the Financial Crisis.

The Trump administration has stated that tax reform will be the top objective beginning in August. At this juncture, we do not believe that tax reform is fully baked into the stock market. Opinions vary widely on just how much progress Republicans will make toward their goals. Given the recent headwinds surrounding healthcare and other contentious items, we believe expectations have to be lower today than earlier in the year. History does suggest that the timetable for tax reform is long but the impact can be significant (depending on scale). The Bush tax cuts enacted in 2003 were followed by an increase in growth and earnings. A similar outcome in 2018 would bode well for equity investors.

Growth over value in 2017 (a reversal from 2016)

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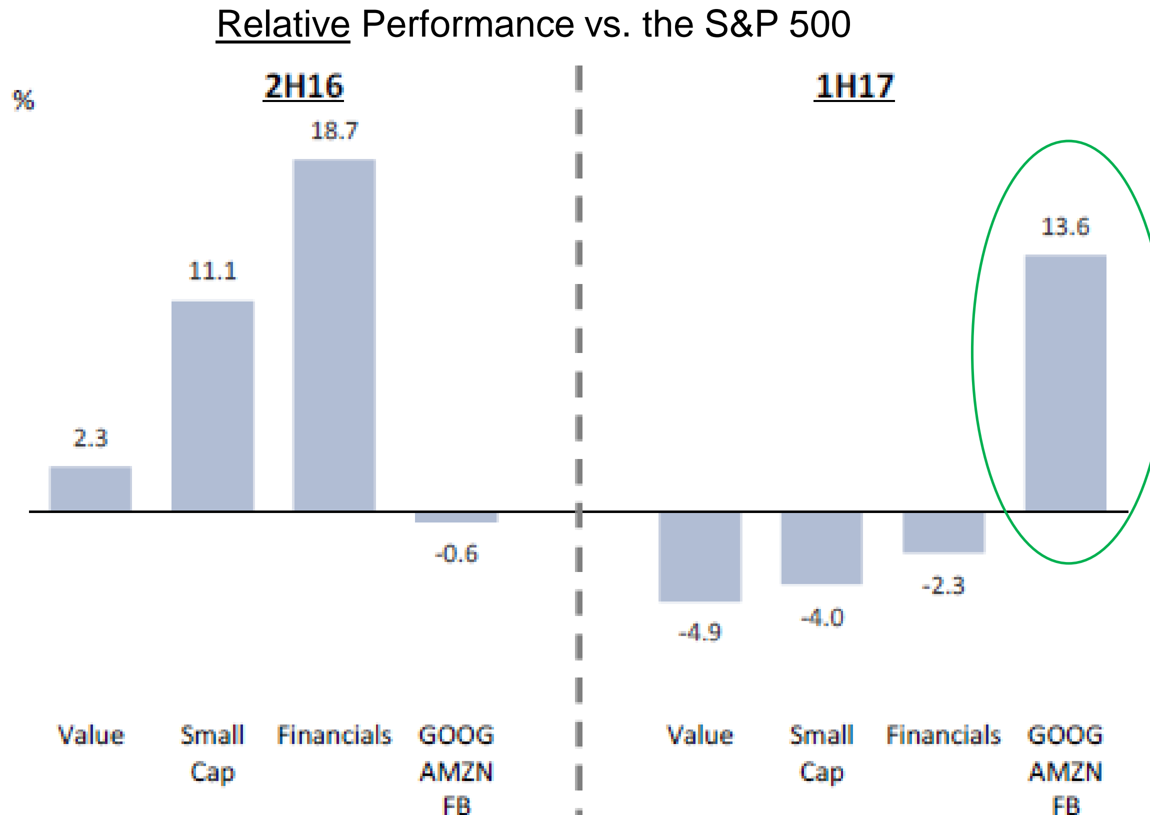
Relative Performance vs. the S&P 500



Relative is the key word here – technology, specifically the FAANG stocks (Facebook, Apple, Amazon, Netflix, Google), led sector returns during the first half of 2017, while Value as a style lagged the overall market, reversing the 2016 trend. Style momentum (i.e., Growth or Value) has alternated each year since 2014, with widening performance dispersion between the two. There are many explanations behind investors' fickle behavior, but the direction of interest rates has influenced the alternating trends. As interest rates rise, investors generally prefer Value and its immediate cash flow above Growth as a longer-duration asset. When interest rates are lower, Growth has tended to outperform. Few, if any, investors have accurately and repeatedly forecasted the direction of interest rates (or Growth versus Value), therefore, we recommend that investors implement both styles across their portfolio. Looking forward, we believe Value will shine again – because of recent underperformance and higher expectations for the FAANG stocks.

Source: RBC Capital Markets

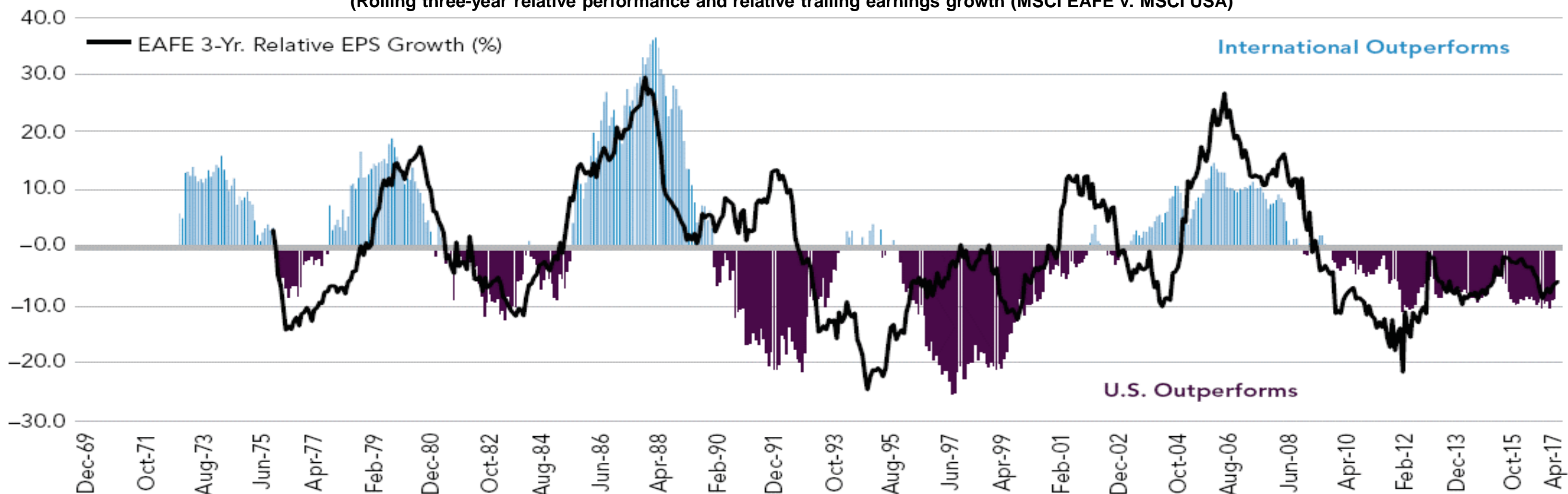
International reversing a trend of underperformance

Throughout the prior nine months, we have observed a reflation theme in broad developed markets. The negative interest rate policy (NIRP) that was prevalent in Europe and Japan has recently subsided. Over the past year, the U.S. 10-Yr Treasury has rallied from 1.51% to 2.32%, the Swiss 10-Yr Bond has moved from negative 0.6% to 0.14%, and the German 10-Yr Bund has rallied from negative 0.09% to 0.58%. The reflation theme that started in Q4 of last year is still progressing, and we continue to see momentum in global PMIs (Purchasing Managers' Index). Additionally, developed international indices have increased leverage to an uptick in PMIs. The sector composition of the MSCI EAFE Index (Europe and Asia) has more exposure to cyclically sensitive sectors like financials, energy, industrials and materials. These areas of the market have the most near-term earnings and margin recovery prospects. On the contrary, the U.S. has larger exposure to defensive and growth-oriented areas like healthcare and information technology.

Historically we have witnessed economies moving in cycles as demonstrated in the below chart. Our view is that Europe and Japan are two to three years behind the U.S. this cycle. The next few years should bode well for international developed equities given this tailwind. European and Japanese equity valuations remain attractive. Currently on a forward 12-month P/E, the S&P 500 is trading at 18.6x versus the MSCI EAFE trading at 15.2x (over an 18% discount). Oftentimes throughout history, when you pair positive business momentum with attractive valuations, investors have been rewarded. For these reasons, we remain Favorable on the asset class.

Earnings growth tends to drive stock prices

(Rolling three-year relative performance and relative trailing earnings growth (MSCI EAFE v. MSCI USA)



Period: Dec. 1969 through May 31, 2017. Data shown in U.S. dollars. Sources: FactSet, MSCI, as of May 31, 2017. Past performance is no guarantee of future results.

Source: Bloomberg and The Boston Company

Emerging markets earnings accelerating above others

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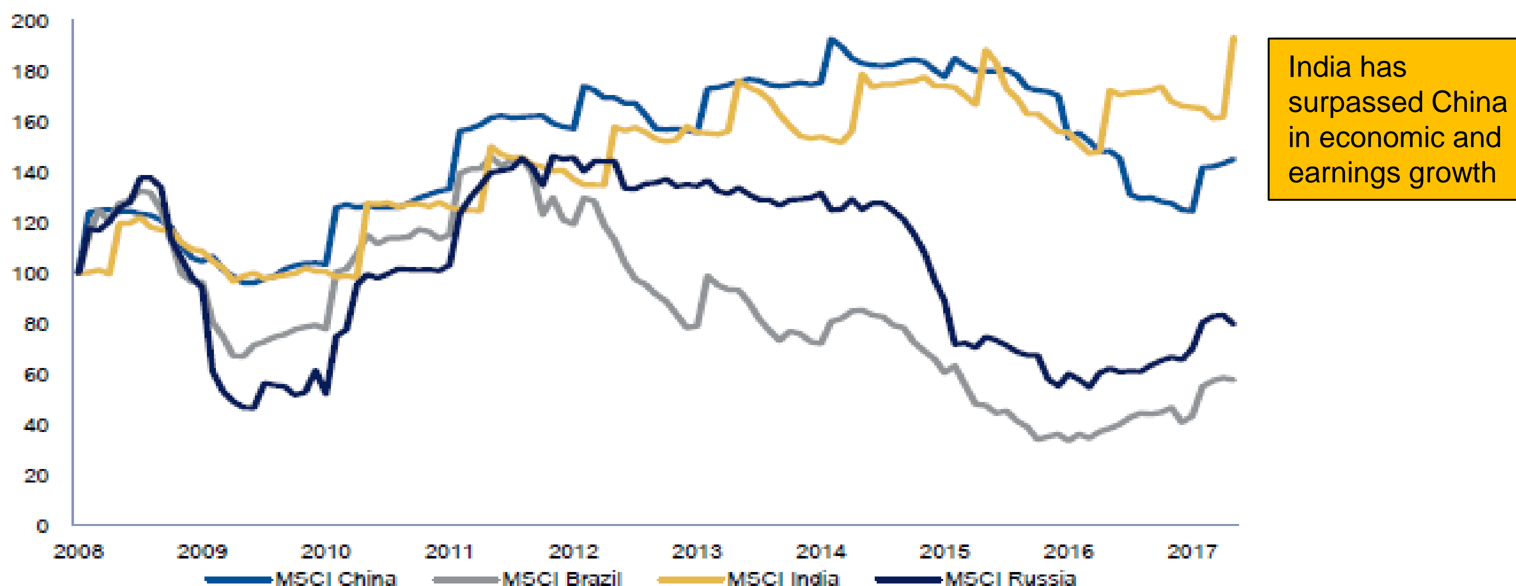
Last quarter we highlighted several supportive trends for emerging markets and encouraged investors to stay the course through 2017. The second quarter delivered, with the MSCI Emerging Markets Index returning +18.6%, outperforming both the U.S. and broad international developed markets. There are a number of ingredients that historically have set the backdrop for emerging market success; these include stability in local inflation and U.S. interest rates, and preferably a weakening U.S. dollar (i.e. strengthening EM currencies). These factors combined with robust economic growth in Asia (the region is expected to grow 6% in 2017) and improving deficits, created a "goldilocks" scenario for investors.

Looking ahead, we continue to believe in the earnings backdrop and expect earnings growth to remain robust through the second half of 2017. Expectations vary by source, but broadly investors are looking for another 8-10% growth rate in earnings in 2017, a trend that may be sustainable over a longer-than-average time period given the declines experienced over the prior several years. While corporate fundamentals are encouraging, it is hard to believe that the "goldilocks" backdrop will continue through the year ahead. At this juncture, we encourage investors to retain exposure, but adding new investment may not yield similar results as those experienced in the first half.

Emerging market earnings per share growth has accelerated



Source: Neuberger Berman

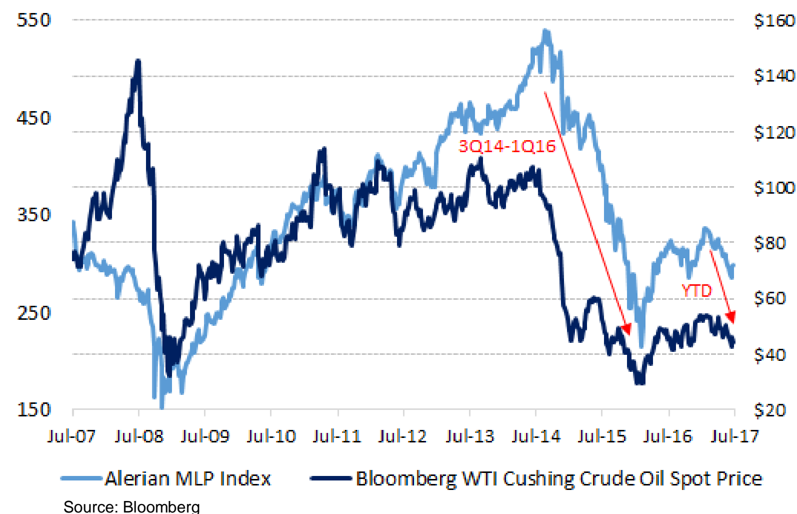
Energy prices dragging down pipelines…again

It feels a little bit like déjà vu in the U.S. midstream sector. The decline in energy prices this year has once again weighed on energy infrastructure stocks in a fashion similar to the period between the fall of 2014 and winter of 2015-2016. Despite the fact that most pipeline operators are compensated based on the volume of hydrocarbons they transport or process, rather than on the price of the commodity itself, and that volumes have increased and are expected to continue to do so, the market has tracked the price of oil almost one-for-one since the beginning of the prior energy correction (2H14-YTD Alerian MLP Index correlation to WTI Crude Oil is 0.81). This decoupling from revenue drivers like volume in favor of direct sensitivity to commodity prices continues to challenge the asset class in the near term.

So what has changed for the oil and gas pipeline industry since the last energy price meltdown? Fundamentals in the sector have improved in a number of ways. In addition to past and expected future volume increases (2017 crude volume exit rate to increase 12% year over year), upstream producer counterparty risk has somewhat subsided, and OPEC is no longer waging a market share war.

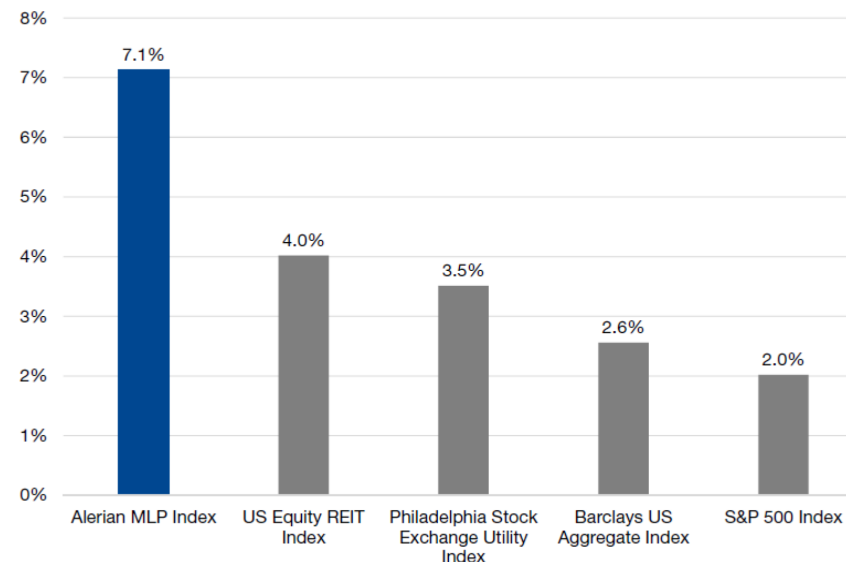
In addition, structural and financial improvements – which have led to more simplified corporate ownership, fewer IDRs, higher distribution coverage (sector average has increased from 1.1x to 1.4x), and lower overall leverage – should provide better valuation support longer term. With the appetite for yield still strong, we think investors will be hard-pressed to exit the space at this juncture.

High sensitivity to oil prices, especially in down markets



Source: Bloomberg

With cash flow and yields superior to alternatives



Source: Bloomberg

Crude facing headwinds above supply growth

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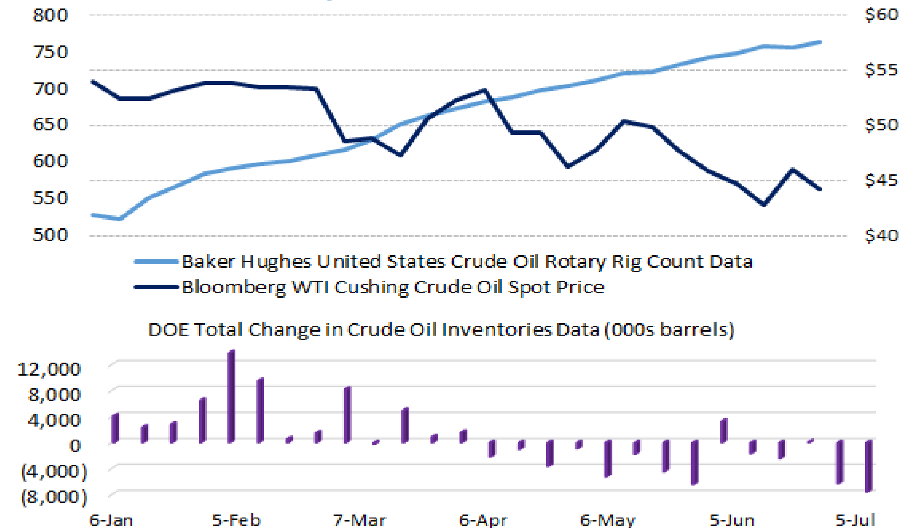
While global oversupply of crude oil and natural gas tends to be the most immediately cited culprit for this year's decline in energy prices, there seem to be other factors that are playing into energy headwinds. In particular, the WTI crude oil market appears to be tracking the U.S. active rig count (potential production) more closely than to changes in inventory (current supply). Additionally, on several trading sessions in the first half of the year, oil prices have fallen sharply despite U.S. DoE data releases indicating a tightening in supply. From a fundamental perspective, this has puzzled market participants, some of whom are now pointing to technical forces as an additional roadblock in the oil recovery story. Program trading based on algorithms now accounts for the majority of energy futures trading, according to a March study by the CFTC. In many instances, such automated trading is being blamed for further distorting an already clouded market.

Separately, it seems as if we are reminded week after week that sources of alternative energy have firm roots in our energy production and consumption future. This thematic and secular long-term shift toward cleaner renewable energy may be taking hold sooner than expected given recent announcements and current global sentiment, and could perhaps provide additional explanation for the drag in oil prices.

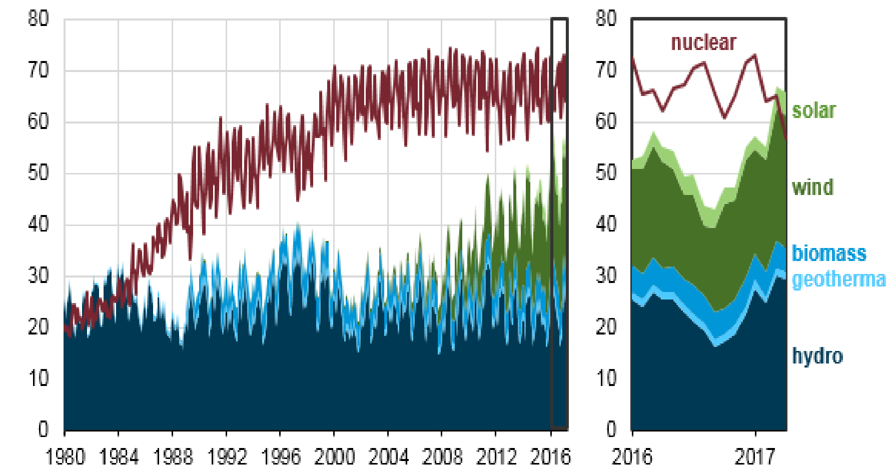
Recent evidence - such as Volvo's announcement that it will manufacture only electric or hybrid models starting in 2019 and France's declaration that it would ban sales of cars with diesel and gasoline engines starting in 2040 - potentially refute the argument that the previous seemingly boundless appetite for current sources of energy will continue – and lift prices from their current depressed levels. In March, and again in April, the U.S. EIA reported monthly renewable electricity generation surpassed nuclear generation for the first time since July 1984!

Crude oil trading less on traditional fundamentals



Source: Bloomberg

And Alternative Energy generation on the rise



Source: US EIA

Appendix: financial market performance

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Market Performance

Index	April	May	June	Q2-17	2016	2015	2014	2013	2012	2011	3yr	5yr	10yr
					Total Return						Trailing (annualized)		
DOMESTIC EQUITY													
S&P 500	1.0%	1.4%	0.6%	3.1%	12.0%	1.4%	13.7%	32.4%	16.0%	2.1%	9.6%	14.6%	7.2%
DOW JONES INDUSTRIAL	1.4%	0.7%	1.7%	4.0%	16.5%	0.2%	10.0%	29.7%	10.2%	8.4%	11.0%	13.4%	7.6%
NASDAQ	2.3%	2.7%	-0.9%	4.2%	9.0%	7.1%	14.8%	40.2%	17.7%	-0.8%	13.1%	17.5%	10.2%
S&P 400 Midcap	0.8%	-0.5%	1.6%	2.0%	20.7%	-2.2%	9.7%	33.5%	17.8%	-1.7%	8.5%	14.9%	8.5%
RUSSELL 2000 INDEX	1.1%	-2.0%	3.5%	2.5%	21.3%	-4.4%	4.9%	38.8%	16.4%	-4.2%	7.3%	13.7%	6.9%
RUSSELL 3000 INDEX	1.1%	1.0%	0.9%	3.0%	12.7%	0.5%	12.6%	33.6%	16.4%	1.0%	9.1%	14.6%	7.2%
ALERIAN INDEX	-1.3%	-4.5%	-0.6%	-6.4%	18.3%	-32.6%	4.8%	27.6%	4.8%	13.9%	-11.2%	1.8%	5.6%
INTERNATIONAL EQUITY													
MSCI AC World (ACWI)	1.6%	2.3%	0.5%	4.4%	8.5%	-1.8%	4.8%	23.5%	16.8%	-6.8%	5.4%	11.2%	4.3%
MSCI EAFE	2.6%	3.8%	-0.2%	6.3%	1.6%	-0.3%	-4.3%	23.4%	18.0%	-11.7%	1.7%	9.3%	1.6%
MSCI EM	2.2%	3.0%	1.0%	6.3%	11.6%	-14.6%	-2.0%	-2.3%	18.6%	-18.2%	1.4%	4.3%	2.2%
MSCI EMEA	4.4%	0.2%	-2.2%	2.3%	20.6%	-19.7%	-14.5%	-4.7%	22.5%	-20.2%	-5.4%	-0.9%	-1.1%
DJ Stoxx 50	4.0%	4.4%	-1.4%	7.1%	1.8%	-3.6%	-7.9%	28.2%	21.8%	-15.8%	-0.3%	10.5%	-0.3%
FTSE 100 INDEX	1.9%	4.4%	-1.6%	4.7%	-0.2%	-6.7%	-5.3%	21.0%	15.7%	-2.2%	-2.6%	5.6%	0.7%
NIKKEI 225	1.4%	3.1%	0.5%	5.1%	5.9%	9.9%	-4.2%	30.6%	12.4%	-10.4%	7.9%	11.6%	3.8%
HANG SENG INDEX	2.0%	4.6%	1.2%	8.0%	4.2%	-3.9%	5.3%	6.5%	27.7%	-17.3%	7.1%	9.5%	5.3%
SHANGHAI SE COMPOSITE	-2.3%	0.0%	3.8%	1.4%	-16.3%	6.4%	54.0%	-1.0%	6.9%	-16.5%	14.9%	8.6%	1.4%
BRAZIL BOVESPA INDEX	-1.1%	-6.0%	-1.4%	-8.4%	69.1%	-42.0%	-13.4%	-26.8%	-2.0%	-27.1%	-7.5%	-6.8%	-3.8%
MSCI BRAZIL SMALLCAP	3.1%	-5.1%	-0.9%	-3.1%	64.6%	-49.1%	-25.2%	-26.1%	29.5%	-24.0%	-11.2%	-7.9%	NA
S&P SECTOR BREAKDOWN													
S&P 500 ENERGY INDEX	-2.9%	-3.4%	-0.2%	-6.4%	27.4%	-21.1%	-7.8%	25.0%	4.6%	4.7%	-10.5%	1.6%	1.3%
S&P 500 MATERIALS INDEX	1.4%	-0.1%	1.9%	3.2%	16.7%	-8.4%	6.9%	25.6%	15.0%	-9.8%	4.7%	11.1%	5.3%
S&P 500 INDUSTRIALS IDX	1.8%	1.5%	1.4%	4.7%	18.8%	-2.6%	9.8%	40.6%	15.3%	-0.6%	10.2%	16.0%	7.6%
S&P 500 CONS DISCRET IDX	2.4%	1.1%	-1.2%	2.4%	6.0%	10.1%	9.7%	43.1%	23.9%	6.1%	12.2%	17.4%	10.5%
S&P 500 CONS STAPLES IDX	1.0%	2.9%	-2.3%	1.6%	5.4%	6.6%	16.0%	26.1%	10.8%	14.0%	10.2%	12.6%	10.5%
S&P 500 FINANCIALS INDEX	-0.8%	-1.2%	6.4%	4.2%	22.7%	-1.6%	15.2%	35.6%	28.7%	-17.1%	12.3%	18.0%	0.4%
S&P 500 HEALTH CARE IDX	1.5%	0.8%	4.6%	7.1%	-2.7%	6.9%	25.3%	41.5%	17.9%	12.7%	11.0%	17.8%	10.6%
S&P 500 INFO TECH INDEX	2.5%	4.4%	-2.7%	4.1%	13.8%	5.9%	20.1%	28.4%	14.8%	2.4%	15.9%	17.2%	10.7%
S&P 500 TELECOMM SVCS IX	-3.3%	-1.0%	-2.9%	-7.0%	23.5%	3.4%	3.0%	11.5%	18.3%	6.3%	4.0%	5.8%	3.7%
S&P 500 UTILITIES INDEX	0.8%	4.2%	-2.7%	2.2%	16.3%	-4.8%	29.0%	13.2%	1.3%	19.9%	9.4%	11.2%	7.0%
FIXED INCOME													
US MUNICIPAL 3-5 YEAR	0.9%	0.8%	-0.1%	1.6%	-0.2%	1.7%	2.0%	1.4%	2.4%	5.4%			
US BROAD CORPORATE	0.4%	1.1%	-0.1%	1.4%	6.0%	-0.6%	7.5%	-1.5%	10.4%	7.5%			
US HIGH YIELD	1.3%	1.6%	-0.2%	2.7%	17.5%	-4.6%	2.5%	7.4%	15.6%	4.4%			

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