OFFICE TALKS: WHAT'S MY NEXT MOVE?

July 20, 2022

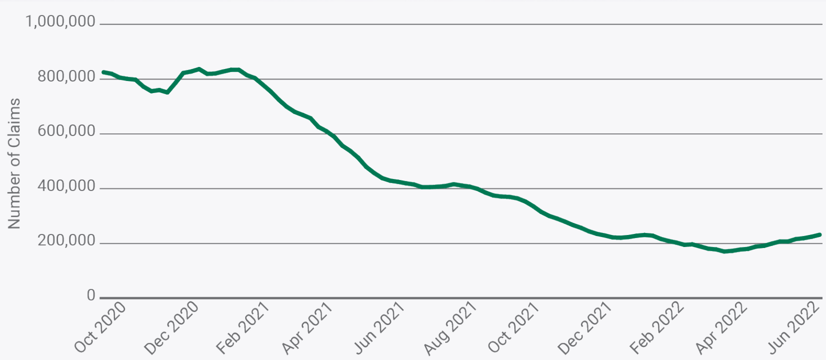
Today's market environment is anything but pleasant. Inflation, rising interest rates and recession questions have many people wondering what to do next. Our latest **Office Talks** covered what's happening now and how our investment professionals are addressing the conditions. You'll find our outlook for the coming months and some ideas for investors at different life stages.

WHAT'S HAPPENING NOW

U.S. Consumer Remains Strong

U.S. Consumers are key to the health of the economy with 70% of our **Gross Domestic Product** (GDP) driven by them. Because consumer spending is such a large component of GDP, it can typically provide insight into where the economy is going.

U.S. Initial Unemployment Claims



Source: FactSet, Bureau of Labor Statistics, June 30, 2022

There are usually three factors that can affect consumer spending: Debt, wages and confidence. And by most accounts, the U.S. Consumer is still healthy for now.

Unemployment is near all-time lows.

Household Net Worth, Share of Disposable Income

Data from 1/1/2004 to 2/28/2022.
Source: Federal Reserve Bank of St. Louis, March 31, 2022

Net worth is near all-time highs.

- We still have lots of cash in the bank compared to the pre-pandemic average.
- Today's consumers have approximately $2.5 Trillion in excess savings.
- Based on various data points, we're continuing to spend money on things like travel and leisure.

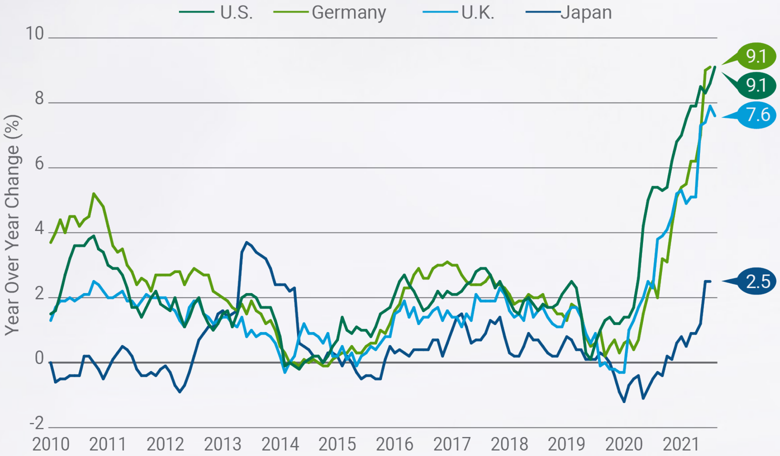
So, what is the challenge? The data tells us what has and is happening but not what will happen going forward. High wages and excess cash are contributors to inflation, which is a key concern for the broader economy.

GDP stands for Gross Domestic Product and is a measure of the total economic output in goods and services for an economy.

Inflation Remains At Multi-Decade Highs

The Consumer Price Index (CPI) has risen over 9.1% versus last year—the highest reading since November 1981. It's not just a U.S. problem, it's happening globally

Global Consumer Price Indicies



Most people understand the reasons behind inflation: a big influx of cash was pumped into the economy to offset a potential COVID slowdown. Once the economy opened, people started spending and driving prices higher.

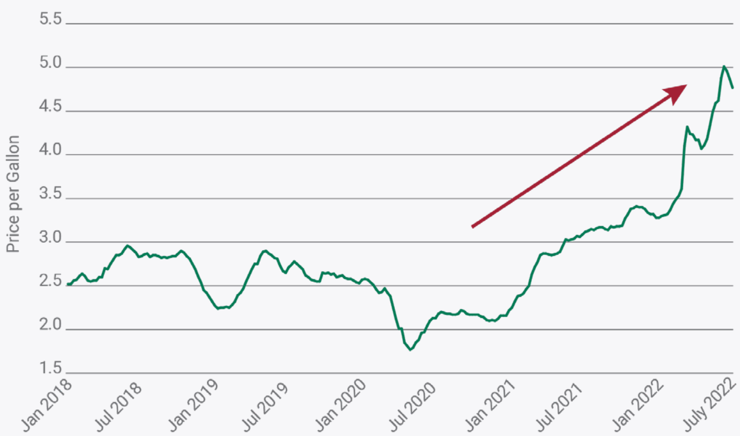
Inflation is much stickier than originally thought because of unaccounted for factors including:

- China's zero COVID policies keeping supply chains backed up
- Food and energy prices due to the Ukraine war

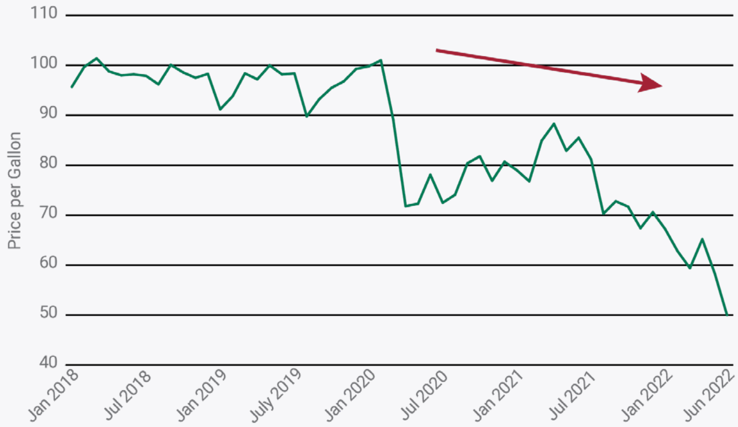
Data from 12/31/2010 to 6/30/2022. U.K. & Japan data is as of 5/31/2022. Source: Bloomberg

The **Consumer Price Index** (CPI) is the most widely reported measure of price changes across countries. It measures the change in the out-of-pocket expenditures of all urban households.

U.S. Regular Gasoline Price



Consumer Sentiment Index (U of Mich.)



Gas Prices Up, Consumer Sentiment Down

Gas prices skyrocketed as sanctions on Russia delivered another shock to global supply chains. Until this year, Russia was one of the world's largest crude oil exporters and provided one-third of Europe's energy. Russia and Ukraine are also significant exporters of natural resources used in industry.

The charts show that as gas prices have gone up, consumer sentiment about the future of the U.S. economy has been going down. With average gas prices hovering just below $5 a gallon, consumers are anxious because they have less disposable income.

So far, U.S. consumers have continued to spend, but the longer gas prices stay high, the higher the chance they will cut back spending on other items. This can have a negative impact on the broader economy.

Data from January 2018 to May 2022 Source: University of Michigan Survey of Consumers

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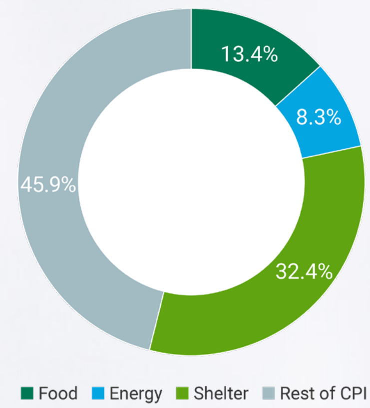
Housing and Food Also Adding to Price Pressures

Together, energy, food and shelter represent over 50% of CPI. What's keeping prices higher?

Home Prices can primarily be attributed to the pandemic as Americans sought larger spaces when inventory was extremely tight. However higher mortgage rates have stemmed some of the demand.

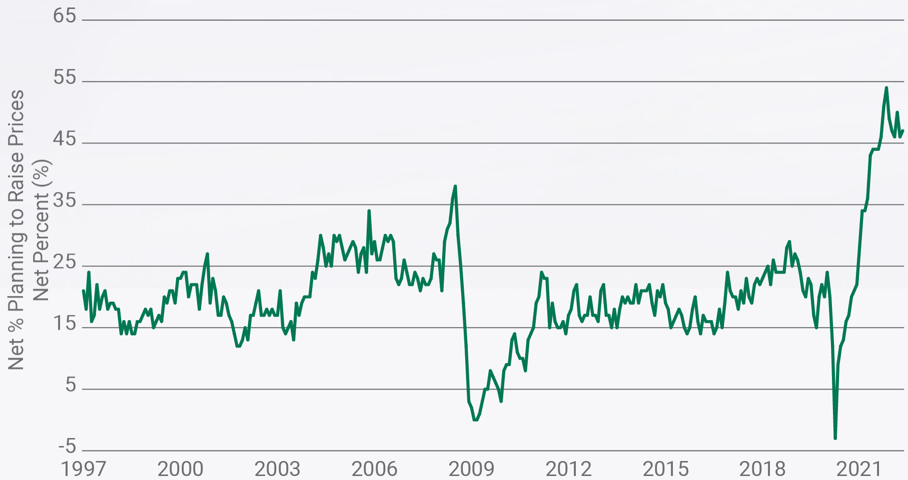
Food Prices have been significantly impacted by the war in Ukraine. Russia's blockade of Ukraine's grain exports choked much-needed trade for Ukrainians and reduced grain available to other nations.

Businesses will likely pass higher costs on to consumers.



Inflation is Also Top of Mind for Corporations

National Federation of Independent Business (NFIB) Small Business Price Plans



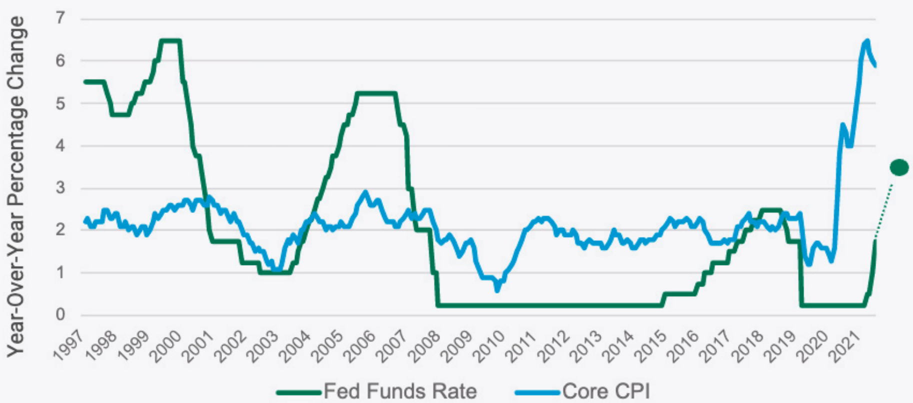
The chart shows the percentage of small businesses that say they're going to raise prices in the next 12 months. While down from November 2021, its still one of the highest readings on record.

All this puts focus on the Federal Reserve's (Fed's) ability to manage inflation, which may be challenging.

Price changes are represented by the National Federation of Independent Business (NFIB) Small Business Price Plans survey. Data from 1/31/1997 to 5/31/2022. Source: Bloomberg.

Inflation Forcing the Fed to Act

Inflation and Fed Funds Rate



Effective Federal Funds Rate and Consumer Price Index, all items excluding food and energy for the United States (percent change from year ago). Data from 12/31/1997 to 6/30/2022 Source: Bloomberg

The Fed has raised rates 75 basis points (bps) this year, increasing the core fed funds rate from 25bps to 1%.

It now appears the Fed's short-term rate target may end the year at 3.25% to 3.50%.

This seems like a sharp reversal from the Fed's 2021 strategy when inflation was considered transitory after the economy re-opened. The flexible average target it adopted also meant the Fed was willing to tolerate higher inflation with an average around 2% (not under it).

Inflation prompted the Fed to act aggressively, but it leaves us with a dilemma: If policymakers don't act quickly to tighten the money supply, inflation may worsen. If they raise rates too aggressively, they risk tipping the fragile economy into recession.

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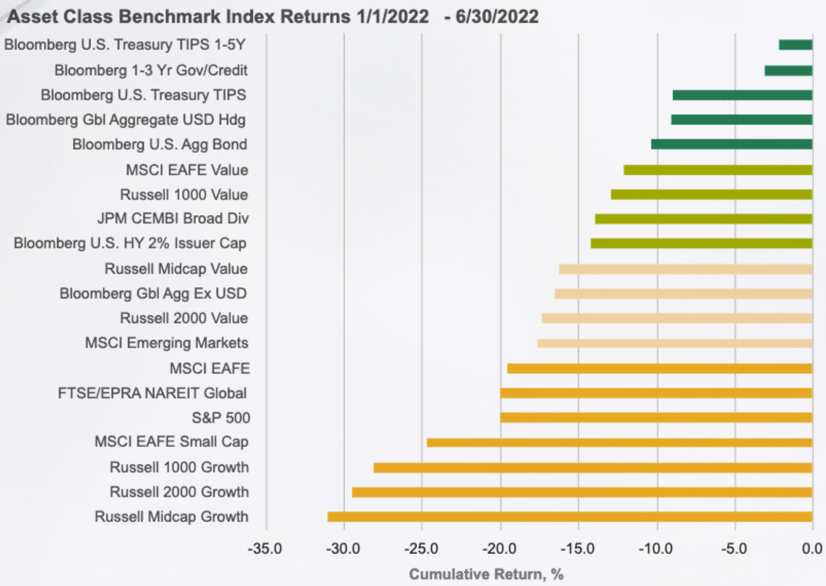
Uncertainty Leading to Elevated Market Volatility



This has been a very volatile period for markets—with losses across the board. The U.S. stock market fell into bear (a decline of more than 20%) territory in June and experienced 22 days with daily moves of 2% or more in the first half of 2022. This is well above average.

Given the market's distaste for uncertainty, volatility isn't surprising. What's more, we expect it to continue with ongoing unanswered questions about inflation, the Fed's ability to orchestrate a soft landing and when and how the tragic war in Ukraine will end.

Past performance is not a guarantee of future results.

Data from 1/1/2022 to 6/30/2022 Source: FactSet

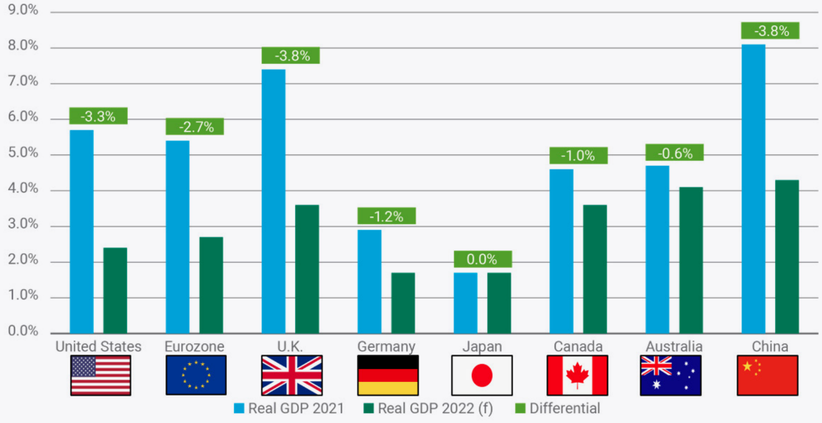
Don't Let Your Guard Down in Managing Risk

History and research demonstrate that investors who commit to a long-term asset allocation policy with disciplined risk controls may be better equipped to take advantage of market volatility. This means staying invested and being appropriately diversified across equities and bonds. While it's not common for stocks and bonds to decline at the same time, we have seen it before, and the periods have tended to be short lived. We also believe active management is important now, especially as we may see a shift from inflation investing to recession investing.

WHAT WE'RE WATCHING

Recession Watch: GDP Estimates Trending Down but Still Positive

2021 vs. 2022 GDP Growth Expectations



"f" is abbreviation for "forecast" **Forecasts are not a reliable indicator of future performance.**
Data as of 6/30/2022. Source: FactSet

What is a recession? The National Bureau of Economic Research defines it as "a significant decline in economic activity (typically measured by GDP) that is spread across the economy and lasts more than a few months."

The chart shows current GDP estimates: Blue bars represent 2021 GDP and green bars show 2022 expectations.

2022 estimates across the board are still positive, but significantly lower than a year ago.

The U.S. economy has slowed sharply from 5.7% GDP growth last year to a forecasted 2.4% today. Roaring inflation, rising interest rates, slowing corporate profits and supply chain constraints continue to cloud the economic outlook. Slowing is also seen across other regions too.

Our proprietary recession indicators put the chance of recession over the next 12 months at 34.5%. This remains below what we'd consider a high probability reading but it has been steadily ticking up so we're closely watching leading economic indicators to get a sense of whether that's likely to continue.

Leading Economic Indicators Flagging Signs of Trouble

Leading Economic Index (LEI)

Data from 01/31/2006 to 5/31/2022. Source: FactSet, Conference Board

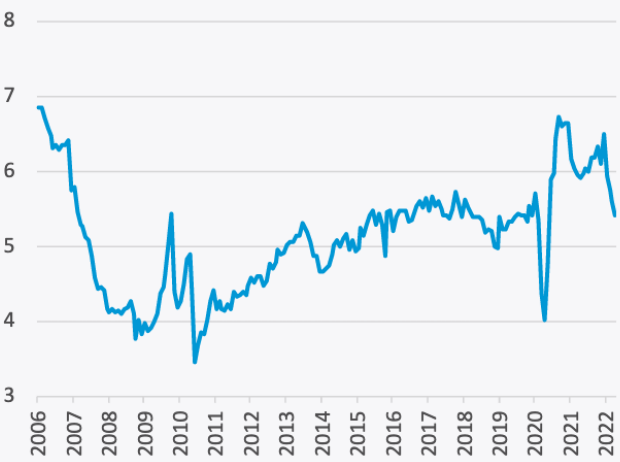
Leading economic indicators are the first data points in a business cycle. They include:

- Durable goods orders which reflect when companies feel confident to order big-ticket items
- Manufacturing jobs, indicating that factory orders are rising and more workers are needed
- Other factors like building permits, reflecting the strength of the housing market

The **Leading Economic Index (LEI)** tracks key indicators to predict global economic movements. Analyzing the index can help investors develop expectations for the future and make informed decisions The June report showed that while the index is still near a historic high, it's down 0.4% from 6 months ago, suggesting that weaker economic activity is likely in the near term.

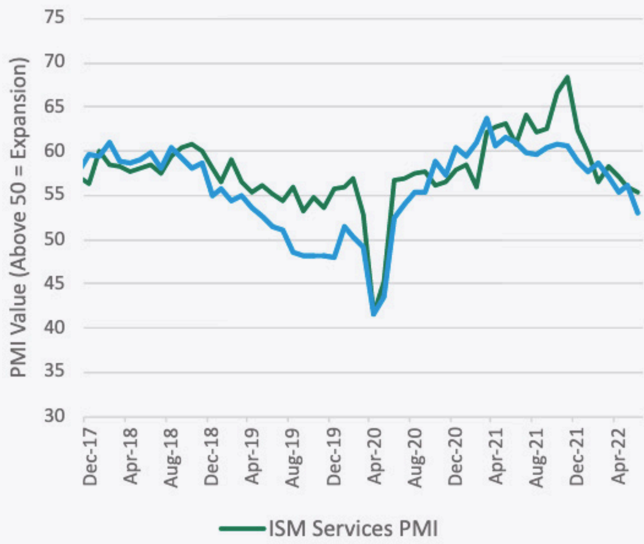
Other Key Indicators Worth Watching

U.S. Existing Home Sales (Units Sold in Millions)



Data from 2/28/2006 to 5/31/2022. Source: FactSet.

Institute for Supply Management (ISM) Services and Manufacturing Purchasing Manager's Index



Data from 12/29/2017 to 6/30/2022. Source: Institute for Supply Management (ISM).

We have certainly seen weakness in housing statistics. The first chart shows new home sales which have declined sharply as mortgage rates have gone up.

On the manufacturing side, the Purchasing Managers' Index (PMI) is an economic indicator, which is derived from monthly surveys of different companies. The index shows trends in both the manufacturing and services sector. Both still have readings above 50, which is expansion territory. However, they're both moving down together which suggests that even though today consumers and job numbers seem fine, there may be signs of trouble ahead.

Our longer view on the market is that we're going to be in a "risk off" mode. In other words, investors are going to be very cautious until we see key indicators bottom which may happen sometime later next year.

What Does This Mean for My Investments?

While equities may be in for a difficult period, it's important to keep recent events in context.

Peak Month	Through Month	Month in Contraction	Average Monthly Market Return
November 1973	March 1975	16	-0.31%
January 1980	July 1980	6	1.66%
July 1981	November 1982	16	0.99%
July 1990	March 1991	8	1.21%
March 2001	November 2001	8	0.14%
December 2007	June 2009	18	-2.00%
February 2020	April 2020	2	0.19%

Data from 11/1/1973 to 4/30/2020. Source: Avantis Investors. U.S. business cycle expansions and contraction data from the National Bureau of Economic Research. The CRSP U.S. Total Market Index represents the market. **Past performance is no guarantee of future results.**

The table shows the average monthly market returns during each recession over the past 50 years.

- The market produced a positive return in five out of seven.
- The meaningfully negative returns during the Great Financial Crisis (Dec. 2007 to June 2009) bring down the overall average.

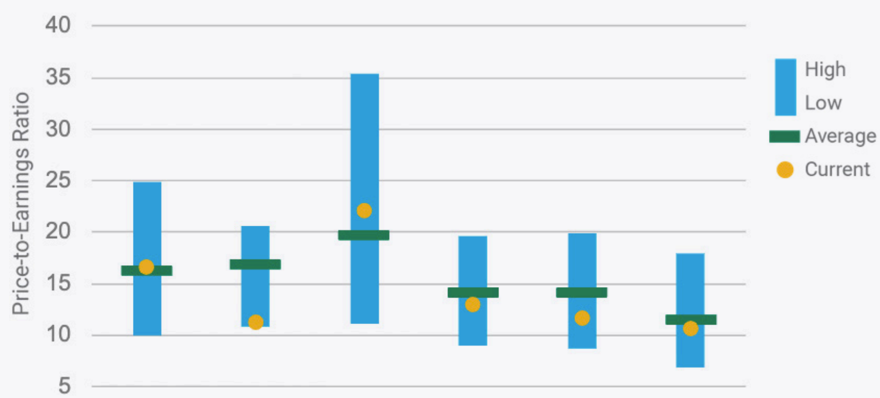
This tells us that market returns are not necessarily negative during periods of market contraction.

Historically most market losses happen early in drawdown periods, so beware of locking in losses with rash decisions. Also note, the stock market has delivered over the long haul despite these declines.

Current Valuations May Present Opportunities

Corrections are temporarily painful but sell-offs may create an attractive entry point for long-term investors.

Current Price-to-Earnings Ratio vs. 20-Year High, Low and Average (Units Sold in Millions)



	S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	MSCI EAFE	MSCI EM
High	24.9	20.6	35.3	19.7	19.9	17.9
Low	10.0	10.8	11.1	9.0	8.7	6.8
Average	16.3	16.9	19.7	14.2	14.2	11.5
Current	16.7	11.2	22.2	13.0	11.7	10.7

Data as of 6/30/2022. Source: FactSet.

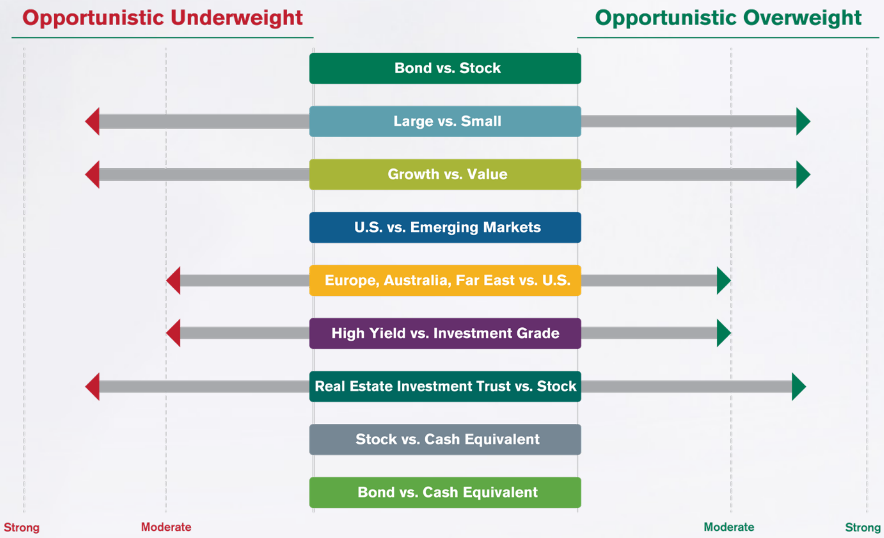
In this chart, the blue bar represents the range in valuations, the green line shows the average valuation over the past 10 years and the yellow dot shows where we are now.

We watch valuations because sectors that trade below their historical averages may present investing opportunities.

The yellow dots show a few areas where valuations are interesting to our investment teams:

- The S&P 500 is trading closer to its historical average than over the last 12 months.
- Growth stocks have come down from their highs but are still trading slightly above their long-term trend.
- Small caps and international socks are trading below their historical average.

Uncertain Conditions Make a Case for Strategic Diversification and Active Management



Current view of markets as of 6/10/2022.

Our investment professionals make tactical allocations (shorter term tilts) toward market segments we expect to outperform.

There are several areas where we are making moves as you can see on the chart.

Our Latest Tactical Moves

- Our preference for value stocks has been a successful position this year. Late in the economic cycle, select value-oriented sectors and industries have tended to hold up better.
- With European Central Banks real rates losing ground to rising U.S. rates, we believe non-U.S. stocks remain more attractive, which is supported by relative valuations and recent momentum.
- Real Estate Investment Trusts (or REITs) remain underweight in our portfolios, as rising bond yields and mortgage rates cloud the outlook for real estate securities.
- Our overall outlook for the bond market is that we will see modestly higher rates, elevated inflation and increased volatility. So, within fixed income, our investment teams are favoring inflation protected securities and are slightly underweighting credit risk.

Of course, these can and will change as markets evolve. It's one of the benefits of being an active manager (vs. a passive one) right now.

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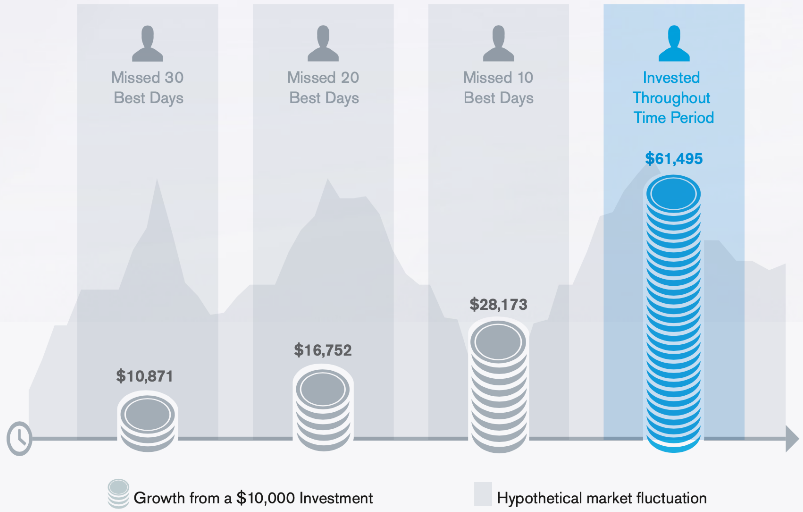
WHERE TO FOCUS THIS QUARTER

Investors Who Are Accumulating

Consider:
- Staying invested
- Diversification
- Increasing contributions
- Dollar Cost Averaging

Avoid Locking in Losses

Results of missing the market's best days over the past 20 years



Jumping in and out of the market may cause your portfolio to miss some of the markets' best days.

- Consider taking some profits when valuations are high.
- Having cash to invest allows you to take advantage of market pullbacks.

Source: FactSet. Growth of $10,000 in the S&P 500, 20-year data as of September 30, 2021. This hypothetical situation contains assumptions that are intended for illustrative purposes only and are not representative of the performance of any security. There is no assurance similar results can be achieved, and this information should not be relied upon as a specific recommendation to buy or sell securities.
Past performance is not a guarantee of future results.

Strategies to Consider: Dollar Cost Averaging

Let Market Swings Work for You

Investing a set amount every week or month helps you avoid buying shares at the wrong time. Instead, you buy more shares when prices are low and fewer shares when prices are high. This strategy may also help reduce the temptation to time the market since you're consistently contributing regardless of the market being up or down.

$600 Lump Sum		$100 Per Month for 6 Months	
When the share price was...	...you purchased	When the share price was...	...you purchased
$25.00	24 shares	$25.00	4 shares
		$20.00	5 shares
		$12.50	8 shares
		$14.29	7 shares
		$16.67	6 shares
		$25.00	4 shares
Cost per share: **$25.00**	Total shares: **24**	Average cost per share: **$17.65**	Total shares: **34**

This information is for illustrative purposes only and is not intended to represent any particular investment product. Dollar-cost averaging does not ensure a profit or protect against a loss in declining markets. This investment strategy involves continuous investment in securities, regardless of fluctuating price levels. An investor should consider their financial ability to continue purchases in periods of low or fluctuating price levels.

Investors Near Retirement (5-10 Years Away)

Consider:

- Staying invested and sticking with your plan
- Ways to stay ahead of inflation
- Interest rate changes
- Diversification needs

How Are Investors Managing Inflation?

Strategies to Consider:

Treasury Inflation-Protected Securities (TIPS)

- The principal of TIPS increases with inflation
- Be careful of duration
- Active managers can adjust the portfolio when rates change

Short Duration Fixed Income Strategies

- Shorter maturities mean bonds can be rolled over at higher rates
- Beware of strategies with too much credit risk/derivatives exposure
- Active managers can target where to be on the curve

Equities

- In a strong economy – equities look attractive on a total return basis
- Active managers seek to select winning stocks from the pack

Having a diversified portfolio may help mitigate inflation risk.

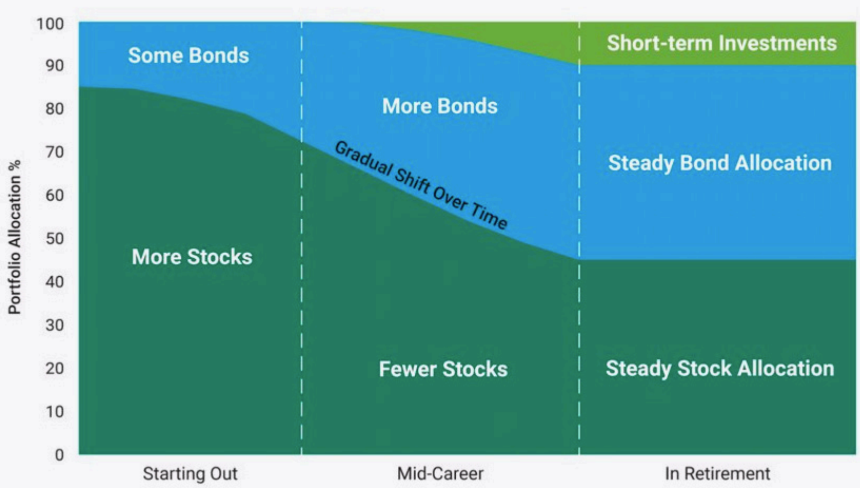
If you need the money in the next few years, consider adding TIPS or short duration bonds to your portfolio.

Although it may be recommended to reduce equity exposure when nearing retirement, maintaining some exposure may help manage inflation over the long run.

Professionally managed portfolios may already be adjusting for inflation.

There's no one-size-fits all so you may benefit from an individual conversation with a financial consultant.

Are You Balanced? Portfolio Makeup Over Time



Many investors are tempted to sell their stocks and even bonds during volatile markets. But too much in cash equivalents, for example, may mean you miss out on future stock and bond market gains.

If you're tempted to cash out or shift to less volatile investments, consider the potential risks you face with that decision, including not having your investments keep pace with inflation.

Source: American Century Investments
This information is for illustrative purposes only and does not constitute a specific recommendation.

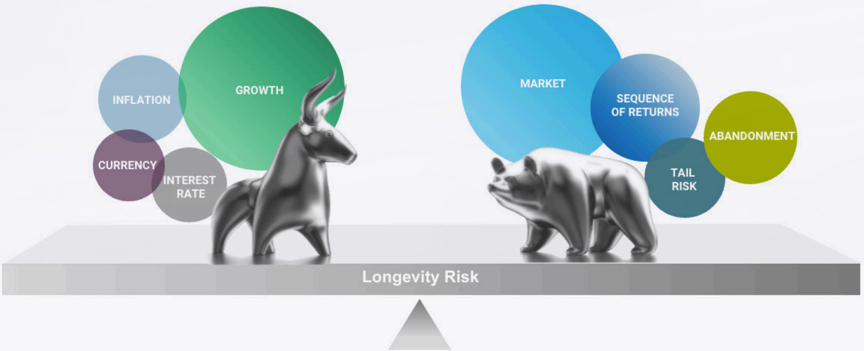
Investors Entering or in Retirement

Consider:

- Investing needs if you are entering retirement
- Keep investing
- Inflation growth needs
- Drawing down your investments
- Maintaining equities

Find the Right Balance of Risk

Naturally, once investors are in retirement and are no longer earning a consistent paycheck, we may want to put more emphasis on protecting the value of their investments, rather than trying to risk more for further growth.



You may not face the same risks as someone else. A financial consultant can help you find strategies for your personal situation.

- Investment Risk - The risk your investments will lose value.
- Longevity Risk – The risk you'll outlive your money.
- Inflation Risk – The risk you won't be able to purchase as much.

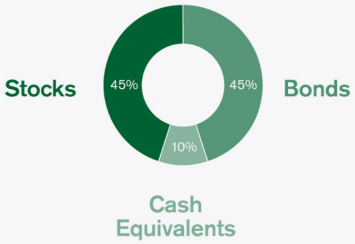
Strategies to Consider: A Total Return Approach

The total return strategy involves allocating your portfolio in a diversified way between stocks, bonds, and cash equivalents, which can provide growth potential over the long-run while also seeking risk-adjusted, total return that could be converted into annual income.

Advantage: In non-retirement accounts the strategy may be more tax efficient because the capital gains part of the returns are generally taxed at lower rates.

Downside: The strategy has some moving parts, such as holding periods of different investments. And unlike an interest-only strategy that relies solely on interest or dividends, growth will vary from year to year, so your spending plan should take that into account.

A **total return** portfolio focuses on generating capital growth



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- Based on your risk tolerance
- Diversified across asset classes
- Consists of interest, dividends and capital gains
- Focuses on capital growth over time
- Requires a prudent spending plan

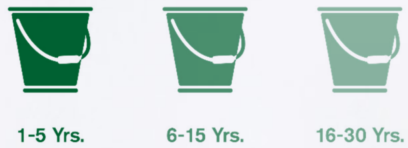
Strategies to Consider: Time Segmentation Bucket

Advantage: It provides flexibility to avoid selling more volatile investments when markets are down, and the potential of profits when markets are up to help replenish short-term buckets.

Downside: There is no guarantee that returns in the long-term bucket can adequately replenish short-term needs. It also takes work deciding when to sell investments and there are potential tax liabilities.

This strategy may be appropriate for those who are concerned about ups and downs in the market and anticipate relatively consistent expenses over time.

Divide your portfolio for specific time periods.



Portfolio Goals:
- Each bucket has its own liquidity and risk
- Income from short-term, less risky buckets
- Long-term buckets replenish short-term

Benefits:
- Match income timing to risk
- Maintain stock exposure
- Easy to measure and adjust

Cautions:
- Complex to manage
- May incur taxes

For Everyone: Diversification Matters

No matter what stage of investing you're in, it's important to understand that diversification is critical.

It can be challenging to select which asset class will perform the best in a given year. Just because an asset class performed the best in one year, doesn't mean it will do it again the next year. Spreading your investments across different asset classes can help your portfolio generate better risk adjusted returns through time. Diversification may be critical for an investor's long-term success and help weather market ups and downs.

WHAT CAN YOU DO RIGHT NOW?

1. Work with Your Advisor to:
   - Explore and consider inflation-fighting investments
   - Understand strategies for rising interest rates
2. Manage volatility in your portfolio
3. Take time for a portfolio review with a financial consultant – Talk about why diversification matters and if you have the right mix in your portfolio.

Are You Ready for Today's Real Challenges?

Let Us Help.

REQUEST A CALL

SCAN ME

MORE RESOURCES
FOR YOU

Inflation

Stay Ahead of Inflation
Is Your Portfolio Prepared for Inflation?
Inflation's Historic Impact on Investments (Calculator)
Gas Prices Are High With No Near-Term Relief in Sights

Interest Rates

Fed Tries to Tame Roaring Inflation With Largest Rate Hike in 28 Years
Is There Still a Place for Bonds When Rates Rise?
Understanding Interest Rate Risk and How You Can Manage It

Economy

U.S. Economy Braces for Bout of Stagnfication
Investment Outlook: Inflation, the Fed and Geopolitics Put Markets on Edge

Managing Your Portfolio

Trading One Risk for Another? Find Balance
The Surprising Truth About Diversification
3 Lower Risk Retirement Strategies for Uncertain Times
Keep Emotions in Check-Automatically
Market Volatility: Are You In or Out?
5 Tips for Turbulent Times

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Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

Diversification does not assure a profit, nor does it protect against loss of principal.

Generally, as interest rates rise, the value of the securities held in the fund will decline. The opposite is true when interest rates decline.

Rebalancing allows you to keep your asset allocation in line with your goals. It does not guarantee investment returns and does not eliminate risk.

International investing involves special risks, such as political instability and currency fluctuations. Investing in emerging markets may accentuate these risks.

Historically, small cap stocks [and mid cap] have been more volatile than the stock of larger, more-established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies.

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DEFINITIONS

Asset Classes

Treasury Inflation Protection Securities (TIPS) are a special type of U.S. Treasury security designed to address a fundamental, long-standing fixed-income market issue: that the fixed interest payments and principal values at maturity of most fixed-income securities don't adjust for inflation. TIPS interest payments and principal values do. The adjustments include upward or downward changes to both principal and coupon interest based on inflation. TIPS are inflation-indexed; that is, tied to the U.S. government's Consumer Price Index (CPI). At maturity, TIPS are guaranteed by the U.S. government to return at least their initial $1,000 principal value, or that principal value adjusted for inflation, whichever amount is greater. In addition, as their principal values are adjusted for inflation, their interest payments also adjust.

Risks

Inflation Risk is the possibility of investments not keeping pace with inflation. It may impact reaching your goals—even when the rate is relatively low.

Interest Rate Risk occurs when changes in interest rates affect fixed income investments. Higher interest rates usually mean lower bond prices, and vice versa.

Sequence of Return Risk is the risk of market conditions impacting the overall returns of an investment portfolio during the period when a retiree is first starting to withdrawal money from investments as income. For example, if a retiree has to withdrawal income from his or her portfolio when market prices are depressed, the portfolio may lose out on the potential returns that income could have made once market prices recovered.

Currency Risk affects global investing. Also known as exchange-rate risk, it is the possibility of losing money when exchange rates between currencies change.

Market Risk is when economic events cause the value of investments to drop.

Abandonment Risk is the risk an investor will cash out and abandon their investment strategy, typically during periods of volatility

Tail Risk is the chance of losing money during a rare, unpredicted event. It is defined by an investment that moves more than three standard deviations from the expected normal distribution or returns.

Indices

Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market. The index includes government and corporate securities, mortgage-backed securities, and asset-backed securities, with maturities of at least one year.

Bloomberg Barclays U.S. Treasury Inflation Protected Notes (TIPS) consists of Treasury inflation-protected securities issued by the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Global Aggregate Bond ex-USD (Unhedged) is a broad-based measure of the global investment-grade fixed income markets, excluding U.S. dollar-denominated securities. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities.

Bloomberg Global Aggregate Bond Index (USD, Hedged) is a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

Bloomberg U.S. 1-3 Year Government/Credit Bond Index is a component of the U.S. Government/Credit Bond Index, which includes Treasury and agency securities (U.S. Government Bond Index) and publicly issued U.S. corporate and foreign debentures and secured notes (U.S. Credit Bond Index). The bonds in the index are investment-grade with a maturity between one and three years.

Bloomberg U.S. 1-5 Year Treasury Inflation Protected Securities (TIPS) Index consists of inflation-protected securities issued by the U.S. Treasury with maturities between one and five years.

Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index is a component of the Bloomberg U.S. Corporate High-Yield Bond Index, which covers the universe of fixed-rate, non-investment grade corporate debt of issuers in non-emerging market countries. It is not market capitalization-weighted--each issuer is capped at 2% of the index.

CRSP U.S. Total Market Index represents nearly 100% of the U.S. investable equity market and includes nearly 4,000 companies across mega, large, small and micro capitalizations

FTSE EPRA/NAREIT Global Index is designed to track the performance of listed real estate companies and REITS in both developed and emerging markets.

J.P. Morgan CEMBI Broad Diversified Index is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

MSCI EAFE (Europe Australasia, Far East) Index measures developed market equity performance, excluding the U.S. and Canada.

MSCI EAFE Small Cap is a market capitalization-weighted index that is designed to measure developed market equity performance of small cap stocks, excluding the U.S. and Canada.

MSCI EAFE Value Index is a market capitalization-weighted index that monitors the performance of value stocks from Europe, Australasia, and the Far East.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Purchasing Managers Index (PMI) measures dominant economic trends in manufacturing. It is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activity.

Russell 1000® Growth Index measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Growth Index measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Total Return measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index, representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000® Value Index measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Other

Atlanta Fed's Wage Growth Tracker is a measure of the nominal wage growth of individuals.

Consumer Price Index (CPI) is the most commonly used statistic to measure inflation in the U.S. economy. Sometimes referred to as headline CPI, it reflects price changes from the consumer's perspective. It's a U.S. government (Bureau of Labor Statistics) index derived from detailed consumer spending information. Changes in CPI measure price changes in a market basket of consumer goods and services such as gas, food, clothing, and cars. Core CPI excludes food and energy prices, which tend to be volatile.

Derivatives are securities whose performance and/or structure is derived from the performance and/or structure of other assets, interest rates, or indexes.

Duration is an important indicator of potential price volatility and interest rate risk in fixed income investments. It measures the price sensitivity of a fixed income investment to changes in interest rates. The longer the duration, the more a fixed income investment's price will change when interest rates change. Duration also reflects the effect caused by receiving fixed income cash flows sooner instead of later. Fixed income investments structured to potentially pay more to investors earlier (such as high-yield, mortgage, and callable securities) typically have shorter durations than those that return most of their capital at maturity (such as zero-coupon or low-yielding noncallable Treasury securities), assuming that they have similar maturities.

Federal funds rate (aka fed funds rate) The federal funds rate is an overnight interest rate banks charge each other for loans. More specifically, it's the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. It's an interest rate that's mentioned frequently within the context of the Federal Reserve's interest rate policies.

Gross Domestic Product (GDP) is a measure of the total economic output in goods and services for an economy.

ISM Services and Manufacturing Purchasing Manager Index represents business sentiment about the economy by showing trends in both manufacturing and service sectors.

National Federation of Independent Business (NFIB) Small Business Price Plans (adv. 12 months) provides price changes and planned changes by small businesses.

Price to earnings ratio (P/E) the price of a stock divided by its annual earnings per share. These earnings can be historical (the most recent 12 months) or forward-looking (an estimate of the next 12 months). A P/E ratio allows analysts to compare stocks on the basis of how much an investor is paying (in terms of price) for a dollar of recent or expected earnings. Higher P/E ratios imply that a stock's earnings are valued more highly, usually on the basis of higher expected earnings growth in the future or higher quality of earnings.

University of Michigan Index of Consumer Sentiment is a monthly survey of consumer confidence in the United States conducted by the university. It measures consumer expectations about the overall economy.

Revisions Earnings occur when analysts adjust a company's consensus earnings estimates (a combined estimate by all analysts covering the stock). They can be upgraded or downgraded.

Standard Deviation is a statistical measurement of variations from the average. In financial literature, it's often used to measure risk, when risk is measured or defined in terms of volatility. In general, more risk means more volatility, and more volatility means a higher standard deviation—there's more variation from the average of the data being measured. In this context, reducing risk means seeking lower standard deviation.