

Summary

US economy is strong and steady – this has been the case for several years now. Corporate profits are expected to be up over 20% in 2018. Housing is relatively strong and should remain strong as starts are just approaching the long-term average. Jobs are widely available (openings exceed the number of unemployed) and wages are rising. Inflation is picking up as the economy grows – maybe too fast? Consumer confidence remains elevated. Key to future growth will be slowly rising rates, averting a trade war, manageable exchange rates and manageable energy prices. It is reasonable to expect further corporate profit growth with this backdrop. 2018 growth aided by tax cuts will be strong, in the 20% range. 2019 will have difficult comps, however, ~9% is forecast and seems reasonable. With the correction in the first half of October, P/E multiples are back to their 25-year average. Especially in light of a ~3.2% ten-year treasury environment, stock prices appear reasonable.

Asset Class	View	Comments
US Equities	Positive	Low levels of unemployment and rising wages should continue to fuel economic growth. GDP growth is accelerating. Job openings are near highs. Continuing unemployment claims at 50 year lows. Low interest rates and average p/e and cash flow multiples.
Non-US Equities	Neutral	The rest of the world is being dragged higher by US growth. The same catalysts fueling the US are helping overseas – declining unemployment and low rates. Interest rates are very low relative to history.
US Fixed Income - Total	Neutral	Rates are likely to creep higher. The Fed will most likely raise rates as a response to GDP growth rather focusing on inflation.
US Govt's	Negative	Very little return offered for the duration risk.
US Corporate	Neutral	Spreads are tight, however, corporate financial health continues to improve.
US Variable Rate	Positive	Short duration or adjustable rate should improve as rates creep higher. ANIX underlying credit risk will diminish as housing prices stay strong and principal is paid down.
High Yield	Neutral	Spreads are historically tight. However, improving corporate health is a positive.
Global Fixed Income	Neutral	For the first time in many years, yields are turning positive. Any normalcy should be a positive.
Commodities	Negative to Neutral	Energy supplies are plentiful – not a lot to move oil/natural gas. Aside from North Korea, the world is relatively peaceful – no meaningful gold catalyst. Also, Bitcoin may displace gold as a seeming “store of value”. There appears to be no natural resource shortages anywhere.
REITS	Negative	Rate sensitive. Rates likely to rise steadily. Tax reform may impact as well. Valuations are relatively high.