

## ECONOMIC OUTLOOK

### *Summary*

The August payroll report, released in early September, indicated that the economy is continuing to expand at a solid pace despite the current business cycle being one of the longest in history at nine years. Non-farm payrolls expanded by 201,000 jobs in August even with a small decline in the manufacturing sector, which had been a bright spot following the 2016 election. Payroll growth has averaged almost 200,000 per month over the past year, more than twice the level needed to absorb net new entrants into the labor force. Fortunately, enough workers have come off the sidelines and returned to the labor force to keep the unemployment rate from plunging below the current 3.9% rate. With the tightening labor market, wage gains accelerated to a cycle high of 2.9% on a year-over-year basis, but this is still well below previous cycles when they routinely increased by more than 4.0%.

Solid growth in corporate earnings should continue to support the labor market as well as fuel increases in capital expenditures. Nonresidential fixed investment, a proxy for business capital spending, increased by 8.5% in the second quarter which followed an 11.5% increase the previous quarter, making it the highest two quarter average in six years. The Institutes for Supply Management (ISM) surveys indicate continued growth on the horizon with both its manufacturing and non-manufacturing indices near record highs. Small business optimism is also near the highest on record.

With jobs readily available and gains in home and stock prices, consumer confidence is the highest since the Dot-Com bubble from 1998 to 2000. For the previous quarter (Q2) overall GDP was revised slightly upward to 4.2%, and now into the final month of the third quarter, the consensus expectation is that the economy is still growing at a rate just above 3.0%. If that number is accurate, this will be the best six-month period for the economy in four years.

Housing appears to have peaked and auto sales have stalled. More important to the overall economy are our trade relationships and the economic stability of our trading partners.

China remains in the crosshairs of the administration on the trade front and there are signs a prolonged dispute will be disruptive to both economies. Likewise, fears of a trade war and current accounts imbalances have hurt the financial markets of many of the world's emerging economies, with more than a few facing a recession in 2019. We will also continue to watch the yield curve for signs of an impending slowdown, whether by an overly aggressive Fed policy, or by a significant flight out of riskier markets into the U.S. Treasury market.

### *Positives*

ISM indices hit near record highs

Payroll growth remains solidly above the natural growth of the labor market

Invigorated capital expenditures should bolster productivity gains

### *Negatives*

Housing starts drop again this month, near the levels that existed in 2015

Auto and truck sales run about 16.6 million units (annualized), similar to 2014 levels

Retail sales numbers that roll into GDP calculations are revised lower from last month

### *Unknown*

Success in trade negotiations, particularly with Canada, Europe and China

Mid-term elections and the ability to pass further pro-growth legislation

## EQUITY OUTLOOK

---

### *Summary*

As earnings season wrapped up in August, the market's attention quickly pivoted back to tariffs and trade discussions. The S&P 500 added another 3.3% during the month bringing the year-to-date return to 9.9%. However, there was a significant dispersion in August between domestic and international stocks. With trade back in focus, investors worried about the impact of a trade war particularly related to foreign economies. The MSCI EAFE index of developing foreign markets fell 1.9% while the MSCI Emerging Markets index lost 2.7%. Regionally, the MSCI Europe index slumped 3.2% for the month and the MSCI China index similarly dropped 3.8%.

August also saw another reversal in the value vs. growth relationship. After outperforming in July, value stocks once again took a backseat to growth's continued leadership. The Russell 1000 Growth index soared 5.5% for the month improving the index's year-to-date gain to an impressive 16.4%. The Russell 1000 Value index added 1.5% in August and sits 3.7% higher for the year. The growth sectors of technology and consumer discretionary were the best performing over the month gaining 6.9% and 5.1% respectively, while energy and basic materials stocks were at the back of the pack losing 3.3% and 0.5%.

The markets will likely remain volatile in the near term as uncertainty regarding trade continues to dominate headlines and will be joined by increasing uncertainty

over the outcome of the mid-term elections. We continue to believe any pullback in equities represents a buying opportunity, as the current economic environment remains healthy for long-term equity investors. Small cap domestic stocks should be somewhat insulated from tariff disputes and we favor the risk reward characteristics of this asset class. International stocks will likely continue to struggle until the eventual resolution of the current trade dispute.

### *Positives*

Equity valuations reasonable following recent earning strength

---

High and generally escalating consumer and business sentiment

---

### *Negatives*

Rising wages and input costs

---

Inter-global economic relationships strained

---

### *Unknown*

Duration of the "trade war"

---

Outcome of the mid-term election

---

## FIXED INCOME OUTLOOK

---

### *Summary*

Even with the economy expanding faster than most estimates of its long-run potential and inflation finally reaching and surpassing the Fed's target level, the bond market's reaction remains relatively muted. The 10-year bond entered a 2.80 to 3.00% trading range in February, nearly seven months ago. With the exception of a few days in April when it moved a bit lower and a few days in May when it moved a bit higher, it has remained fairly well behaved within these bounds.

August saw both ends tested as the 10-year yield breached 3.00% for less than 24 hours on the first day of the month and then dropped to 2.81% over the subsequent three weeks. The rate ended the month at 2.86%, 10 basis points (bps) lower than it started. The 2-year yield has not been in a trading range as long as the 10-year, but seems to have found equilibrium in the 2.60 to 2.70% range. This rate ended August about four bps lower at 2.63%. Intermediate investment-grade corporate bond spreads moved a few bps wider, but the sector still delivered comparable returns to Treasury notes due to having a slightly longer maturity profile when interest rates declined.

For a while now, many economists, investment strategists and prominent portfolio managers have been cautioning the Fed about being too aggressive with their increases in the overnight rate and inverting the yield curve. Historical data shows that there is a high correlation between periods when short rates move higher than longer rates and a contraction in economic activity. More and more Federal Reserve officials appear to be paying attention to the yield curve, and this alone could keep the Fed from erring by raising rates too much. While some of the aforementioned managers have positioned their portfolios to benefit from policy errors, we believe the Fed can successfully balance the need to normalize policy without overly restricting financial conditions.

The past few months have confirmed our outlook as the market has held the trading range even with the June rate hike and the high likelihood of another in September. The removal of the last two or three rate hikes from investors' expectations has allowed the 2-year note to remain relatively anchored. As investors gain confidence in the Fed's ability to thread the monetary needle, longer rates should actually move a bit higher as some of the recessionary fears subside and investors again favor riskier positions. At that point, we could and should test the high end of the recent ranges, but the bond market bear should remain soundly asleep.

### *Positives*

Significant slowing of growth in many developing economies

---

The rise of populism and discord within the European Union

---

### *Negatives*

Stronger than long-run potential economic growth

---

Core PCE inflation higher than the Fed's target for the past five months

---

### *Unknowns*

Uncertainties with trade negotiations and geopolitical relationships

---

Mid-term elections and control of Congress could impact further policies

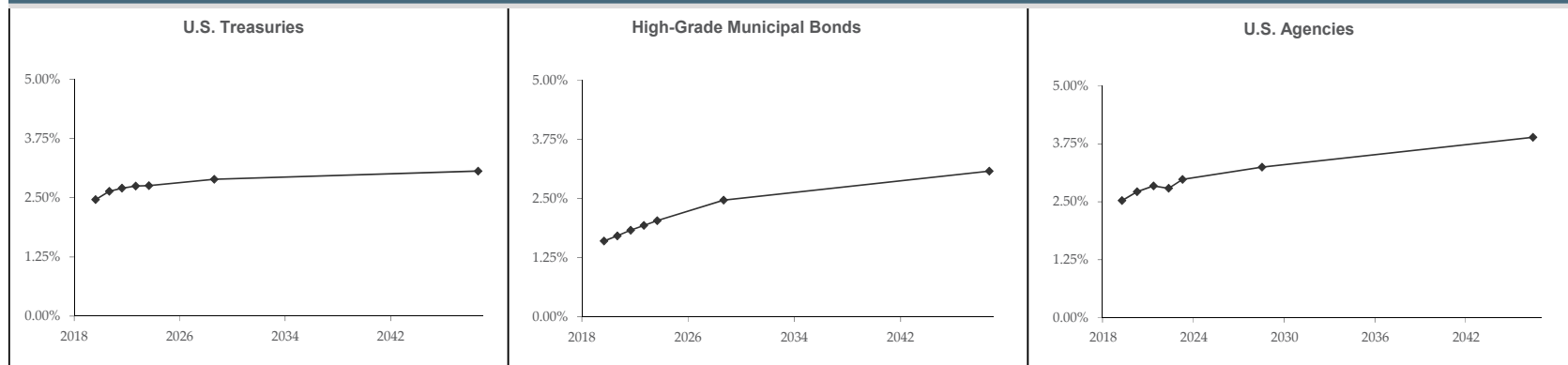
---

| U.S. Treasury Yields |          |       |
|----------------------|----------|-------|
| Coupon               | Maturity | YTM   |
| 0.000%               | 08/15/19 | 2.46% |
| 2.625%               | 08/31/20 | 2.64% |
| 2.750%               | 08/15/21 | 2.70% |
| 1.625%               | 08/31/22 | 2.75% |
| 2.750%               | 08/31/23 | 2.76% |
| 2.875%               | 08/15/28 | 2.89% |
| 3.000%               | 08/15/48 | 3.06% |

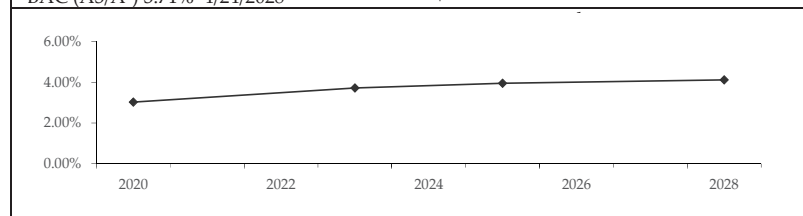
| Municipal Bond Yields <sup>1</sup> |       |                         |
|------------------------------------|-------|-------------------------|
| Maturity                           | YTM   | Tax-Equiv. <sup>2</sup> |
| 09/03/19                           | 1.60% | 2.29%                   |
| 09/03/20                           | 1.71% | 2.45%                   |
| 09/03/21                           | 1.83% | 2.61%                   |
| 09/03/22                           | 1.93% | 2.76%                   |
| 09/03/23                           | 2.03% | 2.90%                   |
| 09/03/28                           | 2.47% | 3.52%                   |
| 09/03/48                           | 3.08% | 4.40%                   |

| U.S. Agency Yields - Active Bonds |        |          |         |       |              |
|-----------------------------------|--------|----------|---------|-------|--------------|
| Agency                            | Coupon | Maturity | Price   | YTM   | To Muni (bp) |
| FHLB                              | 2.250% | 04/26/19 | \$99.81 | 2.52% | +23          |
| FHLB                              | 2.375% | 04/16/20 | \$99.44 | 2.72% | +27          |
| FFCB                              | 2.700% | 05/10/21 | \$99.61 | 2.84% | +23          |
| FFCB                              | 2.875% | 05/25/22 | \$99.72 | 2.79% | +3           |
| FFCB                              | 2.700% | 04/11/23 | \$98.75 | 2.98% | +8           |
| FFCB                              | 3.200% | 07/12/28 | \$99.54 | 3.25% | -28          |
| FFCB                              | 3.250% | 06/28/46 | \$89.07 | 3.89% | -51          |

### Current Yield Curves

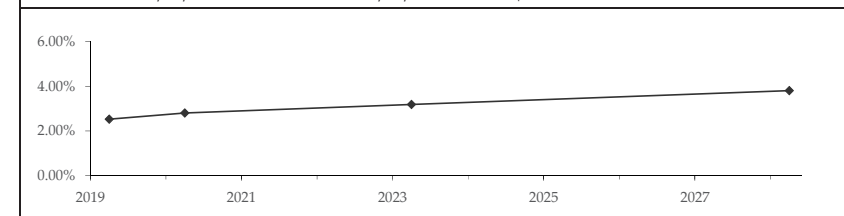


| Corporate Bond Yields            |          |       |                  |
|----------------------------------|----------|-------|------------------|
| Description                      | Price    | YTM   | To Treasury (bp) |
| C (Baa1/BBB+) 2.4% 2/18/2020     | \$99.12  | 3.03% | +39              |
| JPM (Baa1 */BBB+) 3.38% 5/1/2023 | \$98.53  | 3.72% | +97              |
| MS (A3/BBB+) 4% 7/23/2025        | \$100.27 | 3.95% | +120             |
| BAC (A3/A-) 3.71% 4/24/2028      | \$96.83  | 4.12% | +123             |



The graph shows the yield curve for corporate bonds from 2020 to 2028. The y-axis ranges from 0.00% to 6.00% in 2.00% increments. The x-axis shows years from 2020 to 2028. The yield starts at approximately 3.03% in 2020 and rises to about 4.12% by 2028.

| Bullet & Callable Agency Bond Yields <sup>3</sup> |           |         |       |       |
|---|-----------|---------|-------|-------|
| Description                                       | Call Date | Price   | YTM   | YTW   |
| FHLB 2.25% 4/26/2019                              | N/A       | \$99.81 | 2.52% | 2.52% |
| FFCB 2.5% 4/23/2020                               | 04/23/19  | \$99.47 | 2.80% | 2.80% |
| FHLB 3% 4/17/2023                                 | 04/17/19  | \$99.20 | 3.18% | 3.19% |
| FHLB 3.75% 4/24/2028                              | 04/24/19  | \$99.55 | 3.80% | 3.81% |



The graph shows the yield curve for bullet and callable agency bonds from 2019 to 2027. The y-axis ranges from 0.00% to 6.00% in 2.00% increments. The x-axis shows years from 2019 to 2027. The yield starts at approximately 2.52% in 2019 and rises to about 3.81% by 2027.

(1) High-grade municipal bonds. (2) Based on a 30% marginal federal income tax bracket. (3) Graph displays yield to call.

Key: bp - basis points. One basis point is 1/100 of one percent. YTM - yield to maturity; YTC - yield to call.

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Part II of Form ADV is available upon request. For further information please contact FCI at (800) 615-2536.



September 7, 2018

## MARKET STATISTICS

### INDEX RETURNS

| EQUITIES (%)        |       |       |       |
|---------------------|-------|-------|-------|
|                     | WTD   | MTD   | YTD   |
| <i>S&amp;P 500</i>  | -1.03 | -0.98 | 8.86  |
| <i>DJIA</i>         | -0.19 | -0.14 | 6.58  |
| <i>Nasdaq</i>       | -2.55 | -2.53 | 15.34 |
| <i>Russell 1000</i> | -1.07 | -1.02 | 8.94  |
| <i>Russell 2000</i> | -1.58 | -1.57 | 12.47 |
| <i>Russell 3000</i> | -1.11 | -1.06 | 9.21  |

| FOREIGN (%)           |       |       |        |
|-----------------------|-------|-------|--------|
|                       | WTD   | MTD   | YTD    |
| <i>MSCI ACWI</i>      | -1.68 | -1.63 | 2.06   |
| <i>MSCI ACWI xUSA</i> | -2.70 | -2.64 | -5.73  |
| <i>MSCI EAFE</i>      | -2.43 | -2.38 | -4.21  |
| <i>MSCI EM</i>        | -3.57 | -3.50 | -10.25 |

| FIXED INCOME (%)                |       |       |       |
|---------------------------------|-------|-------|-------|
|                                 | WTD   | MTD   | YTD   |
| <i>US Intermediate Gov/Cred</i> | -0.01 | -0.01 | -0.37 |
| <i>U.S. Aggregate</i>           | -0.11 | -0.11 | -1.06 |
| <i>US Corp High Yield</i>       | -0.09 | -0.09 | 1.91  |
| <i>Municipal Bond</i>           | -0.12 | -0.12 | 0.13  |

| OTHERS (%)                          |       |       |      |
|-------------------------------------|-------|-------|------|
|                                     | WTD   | MTD   | YTD  |
| <i>DJ Eqty REIT TOT RE IDX</i>      | -1.21 | -1.21 | 3.40 |
| <i>Alerian MLP Index</i>            | -0.05 | -0.05 | 7.53 |
| <i>S&amp;P GSCI Index Spot Indx</i> | -1.90 | -1.90 | 3.92 |
| <i>Dollar Index Spot</i>            | 0.28  | 0.28  | 3.56 |

### RUSSELL STYLE

| RETURNS YTD (%) |       |       |        |
|-----------------|-------|-------|--------|
|                 | VALUE | CORE  | GROWTH |
| <i>Large</i>    | 3.23  | 8.94  | 14.60  |
| <i>Medium</i>   | 8.33  | 12.47 | 16.48  |
| <i>Small</i>    | 3.62  | 9.21  | 14.75  |

### ECONOMIC SCORECARD

| SELECTED RELEASES                  |          |          |            |
|------------------------------------|----------|----------|------------|
|                                    | ESTIMATE | ACTUAL   | DIFFERENCE |
| <i>Unemployment Rate</i>           | 3.8%     | 3.8%     | 0          |
| <i>Average Hourly Earnings YoY</i> | 2.7%     | 2.9%     | 0.2%       |
| <i>Change in Nonfarm Payrolls</i>  | 191k     | 201k     | 10k        |
| <i>ISM Manufacturing</i>           | 57.6     | 61.3     | 3.7        |
| <i>Trade Balance</i>               | -\$50.2b | -\$50.1b | \$1b       |
| <i>Durable Goods Orders</i>        | -1.7%    | -1.7%    | 0.0%       |

### COMMODITY PRICES

| ALTERNATIVES                    |            |            |            |
|---------------------------------|------------|------------|------------|
|                                 | 9/7/2018   | 8/31/2018  | 12/31/2017 |
| <i>Generic Crude Oil Future</i> | \$67.85    | \$69.80    | \$60.42    |
| <i>Generic Gold Future</i>      | \$1,196.30 | \$1,201.60 | \$1,309.30 |
| <i>Dollar Index Spot</i>        | \$95.41    | \$95.14    | \$92.12    |
| <i>Euro Spot</i>                | \$1.16     | \$1.16     | \$1.20     |

### S&P 500

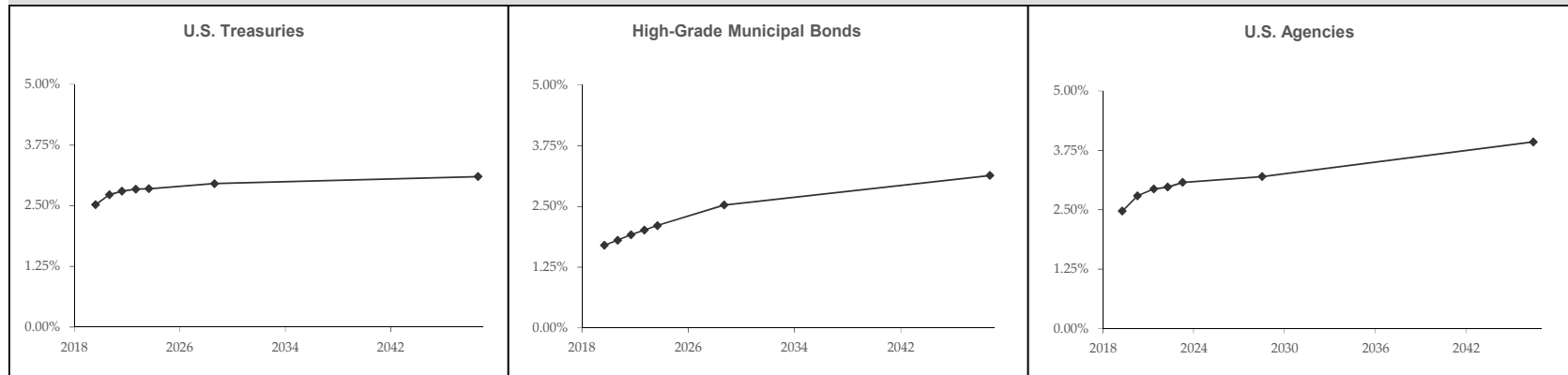
| SECTOR RETURNS (%)   |       |
|----------------------|-------|
|                      | YTD   |
| <i>Discretionary</i> | 17.95 |
| <i>Staples</i>       | -3.30 |
| <i>Energy</i>        | 2.47  |
| <i>Financials</i>    | 2.30  |
| <i>Health Care</i>   | 13.00 |
| <i>Industrials</i>   | 3.26  |
| <i>Info Tech</i>     | 17.50 |
| <i>Materials</i>     | -1.16 |
| <i>Real Estate</i>   | 3.16  |
| <i>Telecom</i>       | -3.29 |
| <i>Utilities</i>     | 4.51  |

| U.S. Treasury Yields |          |       |
|----------------------|----------|-------|
| Coupon               | Maturity | YTM   |
| 0.000%               | 08/15/19 | 2.52% |
| 2.625%               | 08/31/20 | 2.73% |
| 2.750%               | 08/15/21 | 2.80% |
| 1.625%               | 08/31/22 | 2.84% |
| 2.750%               | 08/31/23 | 2.85% |
| 2.875%               | 08/15/28 | 2.96% |
| 3.000%               | 08/15/48 | 3.10% |

| Municipal Bond Yields <sup>1</sup> |       |                         |
|------------------------------------|-------|-------------------------|
| Maturity                           | YTM   | Tax-Equiv. <sup>2</sup> |
| 09/10/19                           | 1.70% | 2.43%                   |
| 09/10/20                           | 1.81% | 2.58%                   |
| 09/10/21                           | 1.92% | 2.74%                   |
| 09/10/22                           | 2.01% | 2.88%                   |
| 09/10/23                           | 2.11% | 3.01%                   |
| 09/10/28                           | 2.53% | 3.62%                   |
| 09/10/48                           | 3.14% | 4.48%                   |

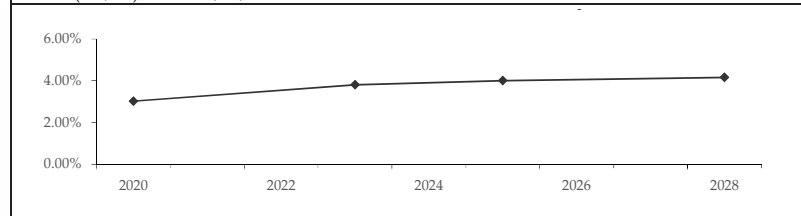
| U.S. Agency Yields - Active Bonds |        |          |          |       |              |
|-----------------------------------|--------|----------|----------|-------|--------------|
| Agency                            | Coupon | Maturity | Price    | YTM   | To Muni (bp) |
| FHLB                              | 2.250% | 04/26/19 | \$99.85  | 2.47% | +4           |
| FHLB                              | 2.375% | 04/16/20 | \$99.33  | 2.79% | +22          |
| FFCB                              | 2.700% | 05/10/21 | \$99.38  | 2.94% | +20          |
| FHLB                              | 2.700% | 04/26/22 | \$99.00  | 2.98% | +10          |
| FFCB                              | 2.700% | 04/11/23 | \$98.35  | 3.07% | +6           |
| FFCB                              | 3.200% | 07/12/28 | \$100.00 | 3.20% | -42          |
| FFCB                              | 3.250% | 06/28/46 | \$88.45  | 3.93% | -56          |

### Current Yield Curves



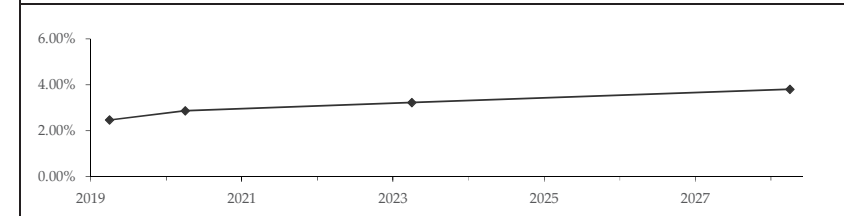
### Corporate Bond Yields

| Description                      | Price   | YTM   | To Treasury (bp) |
|----------------------------------|---------|-------|------------------|
| C (Baa1/BBB+) 2.4% 2/18/2020     | \$99.13 | 3.03% | +30              |
| JPM (Baa1 */BBB+) 3.38% 5/1/2023 | \$98.15 | 3.81% | +97              |
| MS (A3/BBB+) 4% 7/23/2025        | \$99.93 | 4.01% | +116             |
| BAC (A3/A-) 3.71% 4/24/2028      | \$96.49 | 4.16% | +121             |



### Bullet & Callable Agency Bond Yields <sup>3</sup>

| Description          | Call Date | Price   | YTM   | YTW   |
|----------------------|-----------|---------|-------|-------|
| FHLB 2.25% 4/26/2019 | N/A       | \$99.85 | 2.47% | 2.47% |
| FFCB 2.5% 4/23/2020  | 04/23/19  | \$99.38 | 2.87% | 2.87% |
| FHLB 3% 4/17/2023    | 04/17/19  | \$99.02 | 3.22% | 3.23% |
| FHLB 3.75% 4/24/2028 | 04/24/19  | \$99.52 | 3.80% | 3.81% |



(1) High-grade municipal bonds. (2) Based on a 30% marginal federal income tax bracket. (3) Graph displays yield to call.

Key: bp - basis points. One basis point is 1/100 of one percent. YTM - yield to maturity; YTC - yield to call.

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Part II of Form ADV is available upon request. For further information please contact FCI at (800) 615-2536.



September 14, 2018

## MARKET STATISTICS

### INDEX RETURNS

| EQUITIES (%) |      |       |       |
|--------------|------|-------|-------|
|              | WTD  | MTD   | YTD   |
| S&P 500      | 1.16 | 0.22  | 10.17 |
| DJIA         | 0.92 | 0.80  | 7.59  |
| Nasdaq       | 1.36 | -1.17 | 16.93 |
| Russell 1000 | 1.19 | 0.20  | 10.29 |
| Russell 2000 | 0.50 | -1.03 | 13.08 |
| Russell 3000 | 1.13 | 0.11  | 10.50 |

| FOREIGN (%)    |       |       |        |
|----------------|-------|-------|--------|
|                | WTD   | MTD   | YTD    |
| MSCI ACWI      | 0.99  | -0.84 | 2.89   |
| MSCI ACWI xUSA | 0.78  | -2.03 | -5.14  |
| MSCI EAFE      | 1.28  | -1.56 | -3.41  |
| MSCI EM        | -0.52 | -3.51 | -10.25 |

| FIXED INCOME (%)         |       |       |       |
|--------------------------|-------|-------|-------|
|                          | WTD   | MTD   | YTD   |
| US Intermediate Gov/Cred | -0.04 | -0.30 | -0.66 |
| U.S. Aggregate           | 0.04  | -0.41 | -1.36 |
| US Corp High Yield       | 0.41  | 0.28  | 2.28  |
| Municipal Bond           | -0.11 | -0.38 | -0.13 |

| OTHERS (%)               |       |       |      |
|--------------------------|-------|-------|------|
|                          | WTD   | MTD   | YTD  |
| DJ Eqty REIT TOT RE IDX  | 0.22  | -0.99 | 3.63 |
| Alerian MLP Index        | 0.36  | 0.32  | 7.92 |
| S&P GSCI Index Spot Indx | 0.70  | -0.94 | 4.94 |
| Dollar Index Spot        | -0.44 | -0.20 | 3.06 |

### RUSSELL STYLE

| RETURNS YTD (%) |       |       |        |
|-----------------|-------|-------|--------|
|                 | VALUE | CORE  | GROWTH |
| Large           | 4.16  | 10.29 | 16.39  |
| Medium          | 8.55  | 13.08 | 17.49  |
| Small           | 4.50  | 10.50 | 16.48  |

### ECONOMIC SCORECARD

| SELECTED RELEASES         |          |        |            |
|---------------------------|----------|--------|------------|
|                           | ESTIMATE | ACTUAL | DIFFERENCE |
| Retail Sales Advance MoM  | 0.4%     | 0.1%   | -0.3%      |
| CPI MoM                   | 0.3%     | 0.2%   | -0.1%      |
| PPI Final Demand MoM      | 0.2%     | -0.1%  | -0.3%      |
| U. of Mich. Sentiment     | 96.6     | 100.8  | 4.2        |
| Industrial Production MoM | 0.3%     | 0.40%  | 0.1%       |
| Initial Jobless Claims    | 210k     | 204k   | -6k        |

### COMMODITY PRICES

| ALTERNATIVES             |            |            |            |
|--------------------------|------------|------------|------------|
|                          | 9/14/2018  | 8/31/2018  | 12/31/2017 |
| Generic Crude Oil Future | \$68.96    | \$69.80    | \$60.42    |
| Generic Gold Future      | \$1,194.20 | \$1,201.60 | \$1,309.30 |
| Dollar Index Spot        | \$94.95    | \$95.14    | \$92.12    |
| Euro Spot                | \$1.16     | \$1.16     | \$1.20     |

### S&P 500

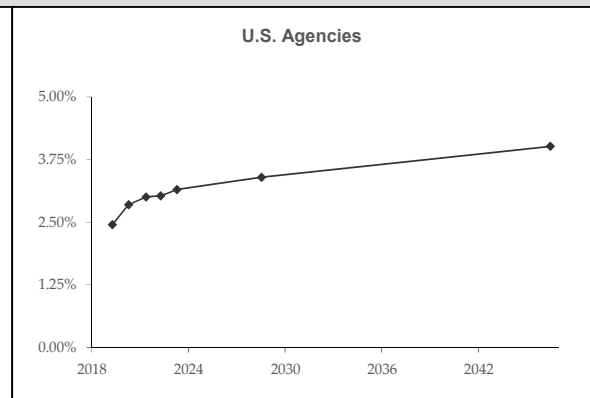
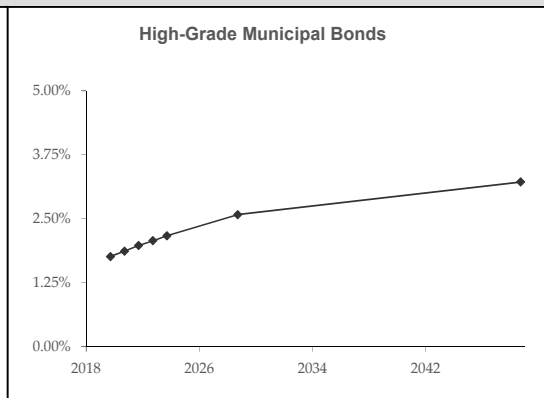
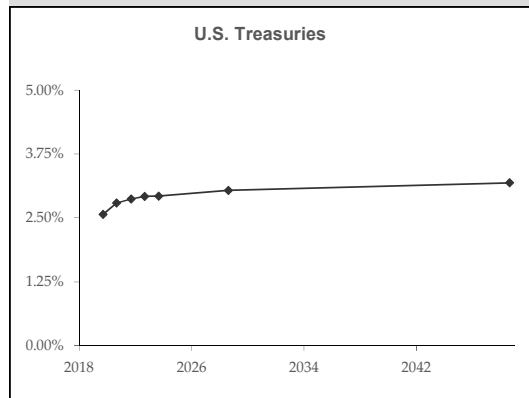
| SECTOR RETURNS (%) |       |
|--------------------|-------|
|                    | YTD   |
| Discretionary      | 19.37 |
| Staples            | -2.51 |
| Energy             | 4.58  |
| Financials         | 1.97  |
| Health Care        | 14.22 |
| Industrials        | 5.25  |
| Info Tech          | 19.68 |
| Materials          | -0.55 |
| Real Estate        | 3.59  |
| Telecom            | -0.50 |
| Utilities          | 4.97  |

| U.S. Treasury Yields |          |       |
|----------------------|----------|-------|
| Coupon               | Maturity | YTM   |
| 0.000%               | 09/12/19 | 2.57% |
| 2.625%               | 08/31/20 | 2.79% |
| 2.750%               | 09/15/21 | 2.87% |
| 1.625%               | 08/31/22 | 2.92% |
| 2.750%               | 08/31/23 | 2.93% |
| 2.875%               | 08/15/28 | 3.04% |
| 3.000%               | 08/15/48 | 3.18% |

| Municipal Bond Yields <sup>1</sup> |       |                         |
|------------------------------------|-------|-------------------------|
| Maturity                           | YTM   | Tax-Equiv. <sup>2</sup> |
| 09/17/19                           | 1.76% | 2.52%                   |
| 09/17/20                           | 1.87% | 2.67%                   |
| 09/17/21                           | 1.98% | 2.83%                   |
| 09/17/22                           | 2.07% | 2.96%                   |
| 09/17/23                           | 2.17% | 3.09%                   |
| 09/17/28                           | 2.58% | 3.69%                   |
| 09/17/48                           | 3.22% | 4.60%                   |

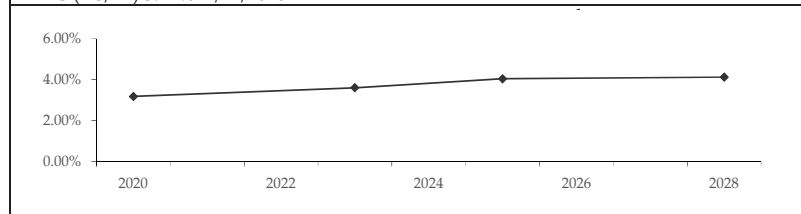
| U.S. Agency Yields - Active Bonds |        |          |         |       |              |
|-----------------------------------|--------|----------|---------|-------|--------------|
| Agency                            | Coupon | Maturity | Price   | YTM   | To Muni (bp) |
| FHLB                              | 2.250% | 04/26/19 | \$99.87 | 2.45% | -6           |
| FHLB                              | 2.375% | 04/16/20 | \$99.26 | 2.85% | +18          |
| FFCB                              | 2.700% | 05/10/21 | \$99.22 | 3.00% | +17          |
| FHLB                              | 2.700% | 04/26/22 | \$98.85 | 3.03% | +7           |
| FFCB                              | 2.700% | 04/11/23 | \$98.05 | 3.15% | +6           |
| FFCB                              | 3.200% | 07/12/28 | \$98.30 | 3.40% | -29          |
| FFCB                              | 3.250% | 06/28/46 | \$87.14 | 4.01% | -58          |

### Current Yield Curves



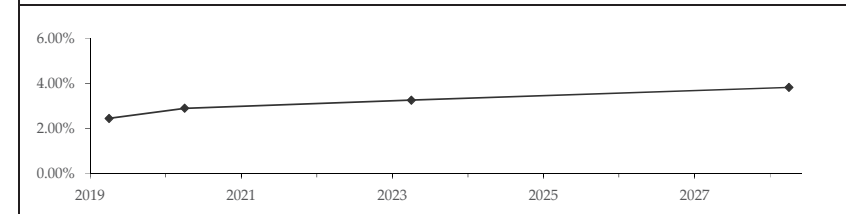
### Corporate Bond Yields

| Description                      | Price   | YTM   | To Treasury (bp) |
|----------------------------------|---------|-------|------------------|
| C (Baa1/BBB+) 2.4% 2/18/2020     | \$98.93 | 3.18% | +39              |
| JPM (Baa1 */BBB+) 3.38% 5/1/2023 | \$99.05 | 3.60% | +68              |
| MS (A3/BBB+) 4% 7/23/2025        | \$99.78 | 4.04% | +111             |
| BAC (A3/A-) 3.71% 4/24/2028      | \$96.85 | 4.12% | +108             |



### Bullet & Callable Agency Bond Yields <sup>3</sup>

| Description          | Call Date | Price   | YTM   | YTW   |
|----------------------|-----------|---------|-------|-------|
| FHLB 2.25% 4/26/2019 | N/A       | \$99.87 | 2.45% | 2.45% |
| FFCB 2.5% 4/23/2020  | 04/23/19  | \$99.33 | 2.90% | 2.90% |
| FHLB 3% 4/17/2023    | 04/17/19  | \$98.88 | 3.25% | 3.26% |
| FHLB 3.75% 4/24/2028 | 04/24/19  | \$99.35 | 3.83% | 3.83% |



(1) High-grade municipal bonds. (2) Based on a 30% marginal federal income tax bracket. (3) Graph displays yield to call.

Key: bp - basis points. One basis point is 1/100 of one percent. YTM - yield to maturity; YTC - yield to call.

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Part II of Form ADV is available upon request. For further information please contact FCI at (800) 615-2536.





September 21, 2018

## MARKET STATISTICS

### INDEX RETURNS

| EQUITIES (%) |       |       |       |
|--------------|-------|-------|-------|
|              | WTD   | MTD   | YTD   |
| S&P 500      | 0.85  | 1.08  | 11.12 |
| DJIA         | 2.25  | 3.07  | 10.01 |
| Nasdaq       | -0.29 | -1.45 | 16.61 |
| Russell 1000 | 0.68  | 0.89  | 11.05 |
| Russell 2000 | -0.55 | -1.56 | 12.48 |
| Russell 3000 | 0.58  | 0.70  | 11.16 |

| FOREIGN (%)    |      |       |       |
|----------------|------|-------|-------|
|                | WTD  | MTD   | YTD   |
| MSCI ACWI      | 1.29 | 0.74  | 4.52  |
| MSCI ACWI xUSA | 1.88 | 0.41  | -2.78 |
| MSCI EAFE      | 2.21 | 1.11  | -0.79 |
| MSCI EM        | 0.82 | -1.63 | -8.51 |

| FIXED INCOME (%)         |       |       |       |
|--------------------------|-------|-------|-------|
|                          | WTD   | MTD   | YTD   |
| US Intermediate Gov/Cred | -0.17 | -0.56 | -0.93 |
| U.S. Aggregate           | -0.34 | -0.89 | -1.84 |
| US Corp High Yield       | 0.05  | 0.37  | 2.38  |
| Municipal Bond           | -0.36 | -0.82 | -0.57 |

| OTHERS (%)               |       |       |      |
|--------------------------|-------|-------|------|
|                          | WTD   | MTD   | YTD  |
| DJ Eqty REIT TOT RE IDX  | -0.39 | -1.38 | 3.23 |
| Alerian MLP Index        | -0.55 | -0.23 | 7.33 |
| S&P GSCI Index Spot Indx | 1.48  | 0.55  | 6.52 |
| Dollar Index Spot        | -0.77 | -0.99 | 2.25 |

### RUSSELL STYLE

| RETURNS YTD (%) |       |       |        |
|-----------------|-------|-------|--------|
|                 | VALUE | CORE  | GROWTH |
| Large           | 5.67  | 11.05 | 16.33  |
| Medium          | 8.82  | 12.48 | 16.00  |
| Small           | 5.91  | 11.16 | 16.30  |

### ECONOMIC SCORECARD

| SELECTED RELEASES           |          |        |            |
|-----------------------------|----------|--------|------------|
|                             | ESTIMATE | ACTUAL | DIFFERENCE |
| Markit US Manufacturing PMI | 55.0     | 55.6   | 0.6        |
| Housing Starts              | 1240k    | 1282k  | 42k        |
| Building Permits            | 1310k    | 1229k  | -81k       |
| Initial Jobless Claims      | 210k     | 201k   | -9k        |
| Leading Index               | 0.5%     | 0.4%   | -0.1%      |
| Empire Manufacturing        | 23.0     | 19.0   | -4.0       |

### COMMODITY PRICES

| ALTERNATIVES             |            |            |            |
|--------------------------|------------|------------|------------|
|                          | 9/21/2018  | 8/31/2018  | 12/31/2017 |
| Generic Crude Oil Future | \$70.83    | \$69.80    | \$60.42    |
| Generic Gold Future      | \$1,199.00 | \$1,201.60 | \$1,309.30 |
| Dollar Index Spot        | \$94.20    | \$95.14    | \$92.12    |
| Euro Spot                | \$1.17     | \$1.16     | \$1.20     |

### S&P 500

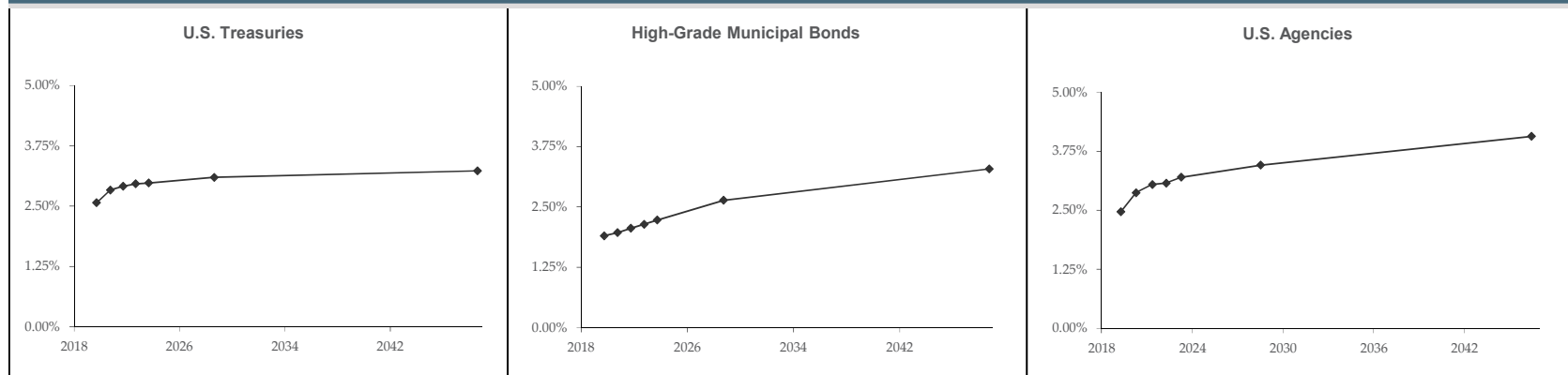
| SECTOR RETURNS (%) |       |
|--------------------|-------|
|                    | YTD   |
| Discretionary      | 19.86 |
| Staples            | -1.36 |
| Energy             | 6.59  |
| Financials         | 4.29  |
| Health Care        | 15.60 |
| Industrials        | 6.63  |
| Info Tech          | 19.63 |
| Materials          | 1.76  |
| Real Estate        | 3.23  |
| Telecom            | -0.31 |
| Utilities          | 3.42  |

| U.S. Treasury Yields |          |       |
|----------------------|----------|-------|
| Coupon               | Maturity | YTM   |
| 0.000%               | 09/12/19 | 2.57% |
| 2.750%               | 09/30/20 | 2.84% |
| 2.750%               | 09/15/21 | 2.91% |
| 1.625%               | 08/31/22 | 2.96% |
| 2.750%               | 08/31/23 | 2.98% |
| 2.875%               | 08/15/28 | 3.10% |
| 3.000%               | 08/15/48 | 3.23% |

| Municipal Bond Yields <sup>1</sup> |       |                         |
|------------------------------------|-------|-------------------------|
| Maturity                           | YTM   | Tax-Equiv. <sup>2</sup> |
| 09/24/19                           | 1.90% | 2.72%                   |
| 09/24/20                           | 1.97% | 2.81%                   |
| 09/24/21                           | 2.06% | 2.94%                   |
| 09/24/22                           | 2.14% | 3.06%                   |
| 09/24/23                           | 2.23% | 3.19%                   |
| 09/24/28                           | 2.64% | 3.77%                   |
| 09/24/48                           | 3.29% | 4.70%                   |

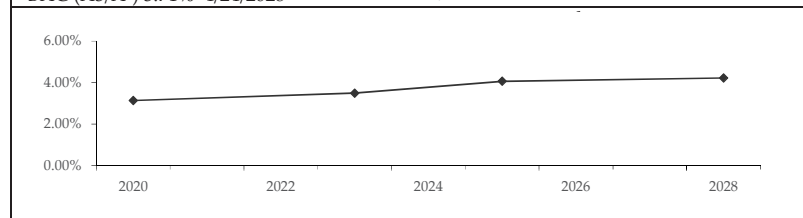
| U.S. Agency Yields - Active Bonds |        |          |         |       |              |
|-----------------------------------|--------|----------|---------|-------|--------------|
| Agency                            | Coupon | Maturity | Price   | YTM   | To Muni (bp) |
| FHLB                              | 2.250% | 04/26/19 | \$99.86 | 2.47% | -25          |
| FHLB                              | 2.375% | 04/16/20 | \$99.23 | 2.87% | +6           |
| FFCB                              | 2.700% | 05/10/21 | \$99.11 | 3.04% | +10          |
| FFCB                              | 2.800% | 04/27/22 | \$99.03 | 3.07% | +1           |
| FFCB                              | 2.700% | 04/11/23 | \$97.85 | 3.20% | +1           |
| FFCB                              | 3.200% | 07/12/28 | \$97.82 | 3.45% | -32          |
| FFCB                              | 3.250% | 06/28/46 | \$86.40 | 4.06% | -63          |

### Current Yield Curves



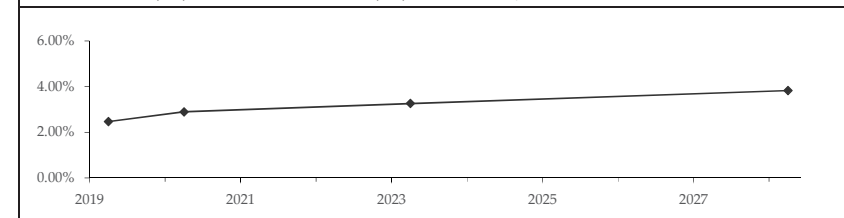
### Corporate Bond Yields

| Description                      | Price   | YTM   | To Treasury (bp) |
|----------------------------------|---------|-------|------------------|
| C (Baa1/BBB+) 2.4% 2/18/2020     | \$99.00 | 3.14% | +30              |
| JPM (Baa1 */BBB+) 3.38% 5/1/2023 | \$99.50 | 3.49% | +53              |
| MS (A3/BBB+) 4% 7/23/2025        | \$99.61 | 4.07% | +108             |
| BAC (A3/A-) 3.71% 4/24/2028      | \$96.06 | 4.23% | +113             |



### Bullet & Callable Agency Bond Yields <sup>3</sup>

| Description          | Call Date | Price   | YTM   | YTW   |
|----------------------|-----------|---------|-------|-------|
| FHLB 2.25% 4/26/2019 | N/A       | \$99.86 | 2.47% | 2.47% |
| FFCB 2.5% 4/23/2020  | 04/23/19  | \$99.35 | 2.90% | 2.90% |
| FHLB 3% 4/17/2023    | 04/17/19  | \$98.90 | 3.25% | 3.26% |
| FHLB 3.75% 4/24/2028 | 04/24/19  | \$99.36 | 3.82% | 3.83% |



(1) High-grade municipal bonds. (2) Based on a 30% marginal federal income tax bracket. (3) Graph displays yield to call.

Key: bp - basis points. One basis point is 1/100 of one percent. YTM - yield to maturity; YTC - yield to call.

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Part II of Form ADV is available upon request. For further information please contact FCI at (800) 615-2536.



## MARKET STATISTICS

### INDEX RETURNS

| EQUITIES (%) |       |       |       |
|--------------|-------|-------|-------|
|              | WTD   | MTD   | YTD   |
| S&P 500      | -0.54 | 0.57  | 10.56 |
| DJIA         | -1.07 | 1.97  | 8.83  |
| Nasdaq       | 0.74  | -0.70 | 17.49 |
| Russell 1000 | -0.54 | 0.38  | 10.48 |
| Russell 2000 | -0.92 | -2.40 | 11.52 |
| Russell 3000 | -0.57 | 0.17  | 10.57 |

| FOREIGN (%)    |       |       |       |
|----------------|-------|-------|-------|
|                | WTD   | MTD   | YTD   |
| MSCI ACWI      | -0.46 | 0.69  | 4.48  |
| MSCI ACWI xUSA | -0.40 | 0.97  | -2.22 |
| MSCI EAFE      | -0.45 | 1.51  | -0.38 |
| MSCI EM        | -0.01 | -0.22 | -7.19 |

| FIXED INCOME (%)         |      |       |       |
|--------------------------|------|-------|-------|
|                          | WTD  | MTD   | YTD   |
| US Intermediate Gov/Cred | 0.07 | -0.45 | -0.81 |
| U.S. Aggregate           | 0.15 | -0.67 | -1.62 |
| US Corp High Yield       | 0.08 | 0.46  | 2.47  |
| Municipal Bond           | 0.07 | -0.75 | -0.50 |

| OTHERS (%)               |       |       |      |
|--------------------------|-------|-------|------|
|                          | WTD   | MTD   | YTD  |
| DJ Eqty REIT TOT RE IDX  | -1.12 | -2.49 | 2.07 |
| Alerian MLP Index        | -1.34 | -1.57 | 5.90 |
| S&P GSCI Index Spot Indx | 1.56  | 2.68  | 8.77 |
| Dollar Index Spot        | 1.00  | 0.02  | 3.30 |

### RUSSELL STYLE

| RETURNS YTD (%) |       |       |        |
|-----------------|-------|-------|--------|
|                 | VALUE | CORE  | GROWTH |
| Large           | 3.91  | 10.48 | 17.09  |
| Medium          | 7.18  | 11.52 | 15.72  |
| Small           | 4.17  | 10.57 | 16.98  |

### ECONOMIC SCORECARD

| SELECTED RELEASES            |          |        |            |
|------------------------------|----------|--------|------------|
|                              | ESTIMATE | ACTUAL | DIFFERENCE |
| FOMC Rate Decision (Upper)   | 2.25%    | 2.25%  | 0.0%       |
| Personal Income              | 0.4%     | 0.3%   | -0.1%      |
| Personal Spending            | 0.3%     | 0.3%   | 0.0%       |
| Conf. Board Cons. Confidence | 132.1    | 138.4  | 6.3        |
| GDP Annualized QoQ           | 4.2%     | 4.2%   | 0.0%       |
| Initial Jobless Claims       | 210k     | 214K   | 4k         |

### COMMODITY PRICES

| ALTERNATIVES             |            |            |            |
|--------------------------|------------|------------|------------|
|                          | 9/28/2018  | 8/31/2018  | 12/31/2017 |
| Generic Crude Oil Future | \$73.49    | \$69.80    | \$60.42    |
| Generic Gold Future      | \$1,191.50 | \$1,201.60 | \$1,309.30 |
| Dollar Index Spot        | \$95.16    | \$95.14    | \$92.12    |
| Euro Spot                | \$1.16     | \$1.16     | \$1.20     |

### S&P 500

| SECTOR RETURNS (%) |       |
|--------------------|-------|
|                    | YTD   |
| Discretionary      | 20.62 |
| Staples            | -3.35 |
| Energy             | 7.46  |
| Financials         | 0.09  |
| Health Care        | 16.63 |
| Industrials        | 4.84  |
| Info Tech          | 20.62 |
| Materials          | -2.74 |
| Real Estate        | 1.68  |
| Telecom            | 0.76  |
| Utilities          | 2.72  |