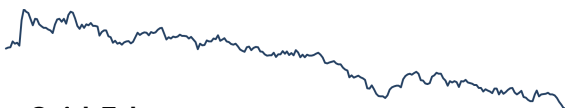


## Look Back

- UST curve flattened on lackluster CPI growth, continued commitment from FOMC to remove monetary policy accomodation
- The USD fell with benchmark rates (-0.76%)
- Uncertainty looms as President Trump issues healthcare executive order and North Korean threats continue

Sell 2Y/Buy 30Y | 1Y



## Quick Take

Friday's CPI data delivered yet another inflation-related disappointment. Although the U.S. Federal Reserve should recognize recent inflation misses for what they are – persistent and troubling – many Fed officials still foresee a rate increase at the December meeting. We believe the Fed should delay further rate increases until core inflation readings exhibit more pep. The central bank executed the first four rate increases since the financial crisis with aplomb. U.S. equities extended their rally through tightening monetary policy, thanks to the Fed's assured decision-making and cooperative U.S. economic data. However, price measures are stalling. Further rate increases in the very near-term risks misaligning monetary policy with U.S. fundamentals. That could jeopardize the market's risk-on mindset and restrict already-tepid growth.

-Chip Hughey, CFA

Head of Retail Fixed Income Strategy & Services



Scott & Stringfellow

Equity	Level	Index Returns %				
		1w	QTD	YTD	1Y	Δ-1w
S&P 500	2558	0.52	1.60	16.07	22.39	
Dow Jones	22957	0.86	2.52	18.36	29.74	
Nasdaq	6624	0.67	2.00	24.16	28.57	
Russell 2000	1503	-0.05	0.82	11.84	25.60	
MSCI EAFE	2005	1.46	1.60	22.40	24.31	
MSCI EM	1132	2.87	4.67	34.06	29.46	

Fixed Income	Yield %	Index Returns %				
		1w	QTD	YTD	1Y	
US Aggregate	2.56	0.35	0.20	3.35	0.95	
US Credit	3.14	0.47	0.44	5.65	3.27	
Global HY	5.05	0.34	0.38	9.91	9.92	
Municipals	2.18	0.46	0.48	5.17	2.41	

Benchmark Rates	Levels				1Y Trend
	10/16/17	10/09/17	09/18/17	10/19/16	
Fed Fuds	1.16	1.16	1.16	0.40	
3-Month Libor	1.35	1.36	1.33	0.88	
2Y US Treasury	1.36	1.50	1.39	0.80	
5Y US Treasury	1.95	1.96	1.83	1.22	
10Y US Treasury	2.30	2.36	2.23	1.74	
30Y US Treasury	2.82	2.89	2.80	2.51	
10Y Breakevens	1.85	1.87	1.88	1.68	
Prime Rate	4.25	4.25	4.25	3.50	
30Y Fixed Mtg	3.77	3.85	3.78	3.47	

Commodites	Levels				1Y Trend
	10/16/17	10/09/17	09/18/17	10/19/16	
WTI Crude	51.87	50.92	49.90	54.03	
Gold	1295.07	1283.86	1307.53	1262.45	

Currency	Levels				1Y Trend
	10/16/17	10/09/17	09/18/17	10/19/16	
\$   USD Index	93.31	93.68	92.05	97.90	
¥   JPY	112.19	112.68	111.57	103.87	
€   EUR	1.18	1.17	1.20	1.10	
£   GBP	1.33	1.31	1.35	1.23	

U.S. Eco Data	Levels				1Y Trend
	Latest	Previous	1Y Trend	1Y Trend	
GDP	3.10	06/30/17	1.20	03/31/17	
Core PCE	1.29	08/31/17	1.42	07/31/17	
NFP	-33K	09/30/17	169K	08/31/17	
Avg Hrly Earn	2.90	09/30/17	2.70	08/31/17	
ECI	2.40	06/30/17	2.40	03/31/17	

## Look Ahead

- Given light US economic data calendar, markets will remain sensitive to Fed speak
- Major bank earnings wrap up; first round of releases look healthy
- Strong commodities rally sparked by resilient China demand (PPI), a key indicator of global growth

BBG Commodity | 1Y

