

# WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

## Market Insights

*A periodic newsletter from Idaho Trust*

*The global financial markets have performed well so far this year. Moreover, volatility levels remain at very low levels. This seems at odds with a political landscape that appears to be filled with uncertainties around the world. Most central banks are maintaining an accommodative policy outlook. The U.S. central bank has increased interest rates twice this year as the domestic economy appears to be on a better footing than most other major economies.*

## Year to Date Recap

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, has surged almost 23% so far this year. The Dow Jones Industrial Average and S&P 500, which each contain a broader composition of companies, registered a more modest but still respectable gain of about 15%. International stock indices are outpacing the S&P 500 by a wide margin.

A strengthening of the corporate earnings outlook is likely the primary reason for the broad based rally in global equities. Other contributing factors, in our opinion, are an improving economic picture as well as continued support from most major central banks. Europe in particular has been the beneficiary of surprisingly stronger-than-expected economic conditions. Many sentiment indicators from Eurozone businesses and consumers have moved to some of its highest levels

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

## 2017 Market Returns

(Year to Date)

Broad Market Returns	
S&P 500	14.24%
Dow Jones Industrial Average	15.45%
Nasdaq	22.73%
Russell 2000 - small cap	10.93%
MSCI EAFE	19.96%
MSCI Emerging Markets	28.08%
US Bond Index	3.14%
Treasuries	2.26%
Corporate Bonds	5.22%
Municipal Bonds	4.28%
Foreign Bond Index	9.58%
Commodities	-2.87%
Domestic Stock Sectors	
Information Technology	27.36%
Financials	12.48%
Health Care	20.31%
Energy	-6.63%
Consumer Discretionary	11.93%
Consumer Staples	6.57%
Industrials	14.13%
Utilities	11.87%
Materials	15.82%
Telecommunication Services	-4.69%
Real Estate (REITs)	7.39%

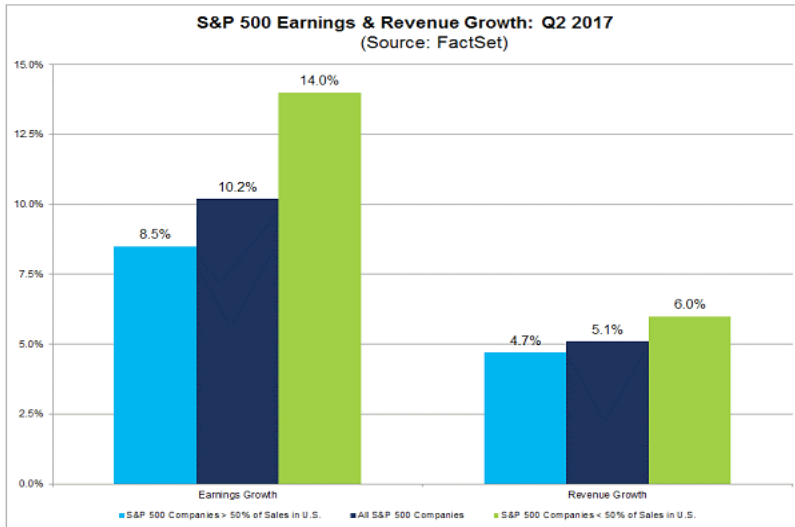
since before the financial crisis. In the U.S., strong earnings growth has been a crucial underpinning of the markets' performance. And a resilient tech sector led by U.S. and Chinese giants has had an increasing influence on markets domestically and in Asia.

Despite President Donald Trump's challenges with parts of his agenda, and political worries in countries from Brazil to Spain, stock markets have been unusually steady too. Measures of volatility in the year's first half were at or near multiyear lows not only in the U.S., but also in Europe and Asia. Volatility in the financial

markets, especially the U.S., has been exceptionally low in the first half of this year.

The S&P 500 trades at about 18 times projected earnings over the next 12 months, around its highest level in 13 years. Still, this valuation metric is well below its forward multiple at the dot-com bubble's peak (of 26 times) in 2000. Valuations are more modest elsewhere around the globe. In Germany, the DAX trades at less than half its peak multiple in 2000. The forward earnings multiple for the Nikkei is around its 5 year average.

Strong performance from Technology companies has been a major contributor to this strong performance. During the first nine months of this year, the U.S Tech sector rose 27.4%. The Energy sector was the biggest loser so far this year, declining 6.6%. A sharp decline in oil prices was a major factor and had a negative impact on the Dow Jones Industrial Average.



### S&P 500 Index

3 Month	4.48%
Year-to-Date	14.24%
1 Year	18.60%
3 Year	10.80%
5 Year	14.20%

### MSCI EAFE Net Index

3 Month	5.40%
Year-to-Date	19.96%
1 Year	19.10%
3 Year	5.04%
5 Year	8.37%

### Barclays Aggregate Bond Index

3 Month	0.85%
Year-to-Date	3.14%
1 Year	0.07%
3 Year	2.71%
5 Year	2.06%

As of 9.29.2017

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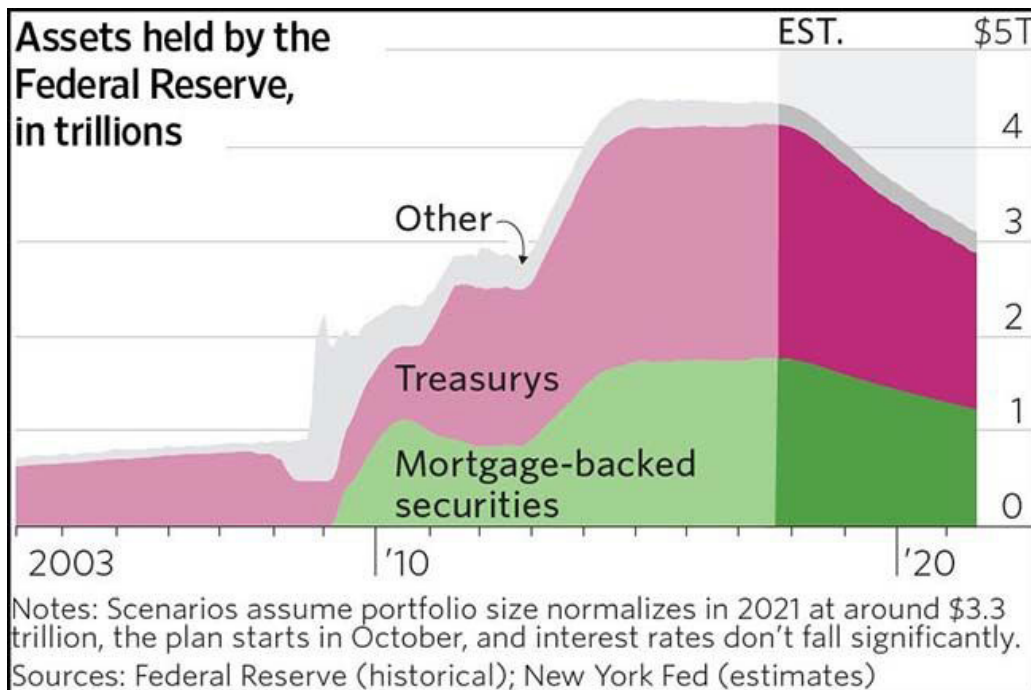
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## The Federal Reserve Bank

At the mid-September meeting, the Federal Reserve Bank (Fed) made no changes to the Fed Funds rate. In its policy statement, the Fed acknowledged that the economy is growing moderately and the job market continues to get better, with low inflation levels.

The Fed will begin reducing the size of its balance sheet beginning in October. The plan is to reduce securities holdings by \$6 billion per month for Treasuries and \$4 billion per month for agencies. These levels are expected



to gradually increase going forward to a maximum of \$30 billion per month for Treasuries and \$20 billion per month for agency securities. The plan is to continue until the size of the balance sheet is normalized.

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