

# Russell Quarterly Economic and Market Review

Volatility returns

THIRD QUARTER 2015

# Important information and disclosures

*Please remember that all investments carry some level of risk, including the potential loss of Principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.*

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# Economic Indicators Dashboard

## MARKET VOLATILITY

- › Volatility returned with a bang in August with VIX above 20 through quarter end

## INTEREST RATES

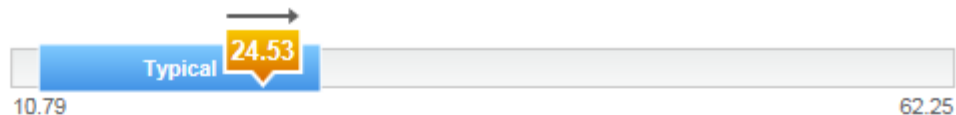
- › The 10-year U.S. Treasury yield dropped during 3Q 2015 as the Fed stayed on hold

## ECONOMIC EXPANSION

- › After a soft start to 2015, the U.S. economy reaccelerated

MOST RECENT  | 3-MO. TREND  | TYPICAL RANGE  | ACTUAL RANGE 

**Market Volatility (CBOE VIX)**  
[HISTORICAL DETAILS](#)



**10 Yr. U.S. Treasury Yield**  
[HISTORICAL DETAILS](#)



**Yield Spread**  
[HISTORICAL DETAILS](#)



**Home Prices (HPI)**  
[HISTORICAL DETAILS](#)



▲ MARKET INDICATORS

▼ ECONOMIC INDICATORS

**Inflation (CPI)**  
[HISTORICAL DETAILS](#)



**Unemployment**  
[HISTORICAL DETAILS](#)



**Economic Expansion (GDP)**  
[HISTORICAL DETAILS](#)



**Consumer Sentiment (CSI)**  
[HISTORICAL DETAILS](#)



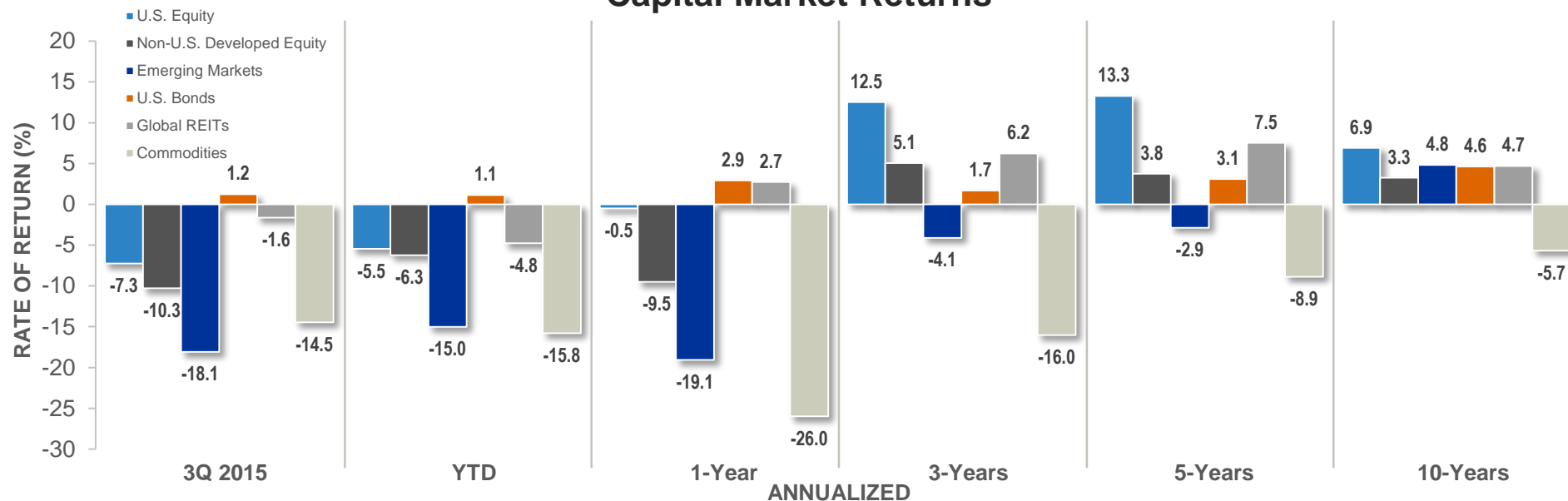
<http://www.russell.com>, current state as of 10/2/2015. *See appendix for category definitions.*

Russell's Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.

# Capital markets

PERIODS ENDING SEPTEMBER 30, 2015

## Capital Market Returns



**U.S. Equity:** (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

**Non-U.S. Developed Equity:** (Russell Developed ex-U.S. Large Cap Index) International market index that includes Western Europe, Japan, Australia and Canada

**Emerging Markets:** (Russell Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China

**U.S. Bonds:** (Barclays U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market

**Global REITs:** (FTSE EPRA/NAREIT Developed Real Estate Index) Index for global publicly traded real estate securities

**Commodities:** (Bloomberg Commodity Index Total Return) Broad index of common commodities

### Capital Markets:

- › Federal Reserve uncertainty and global growth concerns contributed to volatile U.S. equity markets
- › Developed non-U.S. equity markets, hurt by economic uncertainty and choppy growth, lagged U.S. markets
- › Emerging markets impacted by Chinese market volatility and slowing growth expectations
- › U.S. bonds buoyed by decrease in interest rates during the quarter
- › Global REITs finished down almost -1.6% with mixed regional returns
- › Commodities hurt by falling energy prices and global growth concerns

Source: Russell, Barclays, Bloomberg, and FTSE NAREIT.

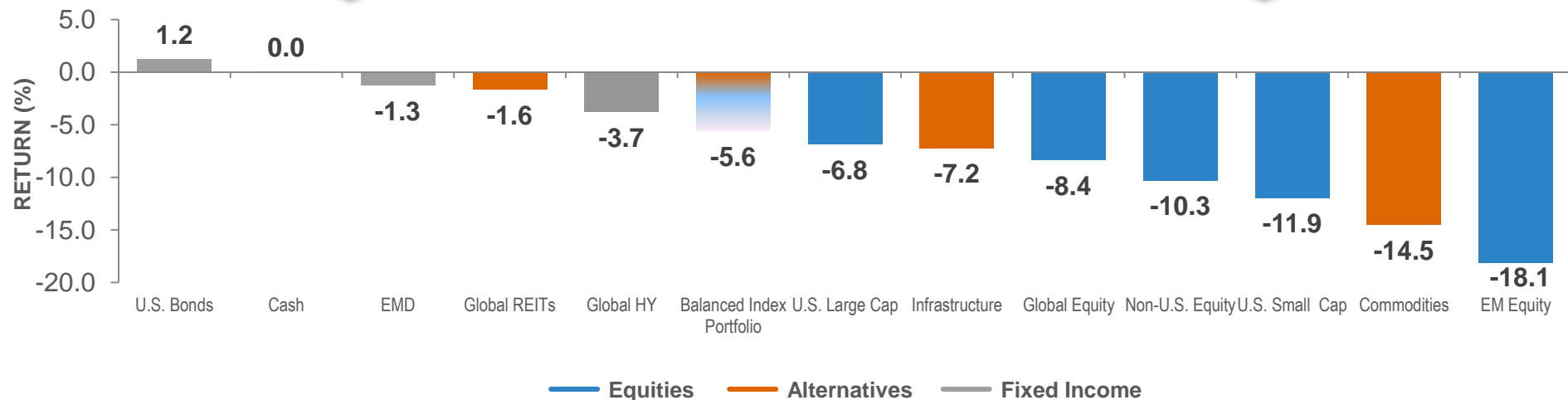
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# What worked and what didn't work in 3Q 2015

## What worked

## What didn't work

3Q 2015 Returns



### WHAT WORKED

- › U.S. Bonds only positive asset class
- › Cash holding steady at or near 0%
- › Emerging Market Debt
- › “Worked” was relative for quarter

### WHAT DIDN'T WORK

- › Emerging markets impacted by China and Brazil
- › Commodities hurt by energy
- › U.S. Small Cap impacted by energy and biotech

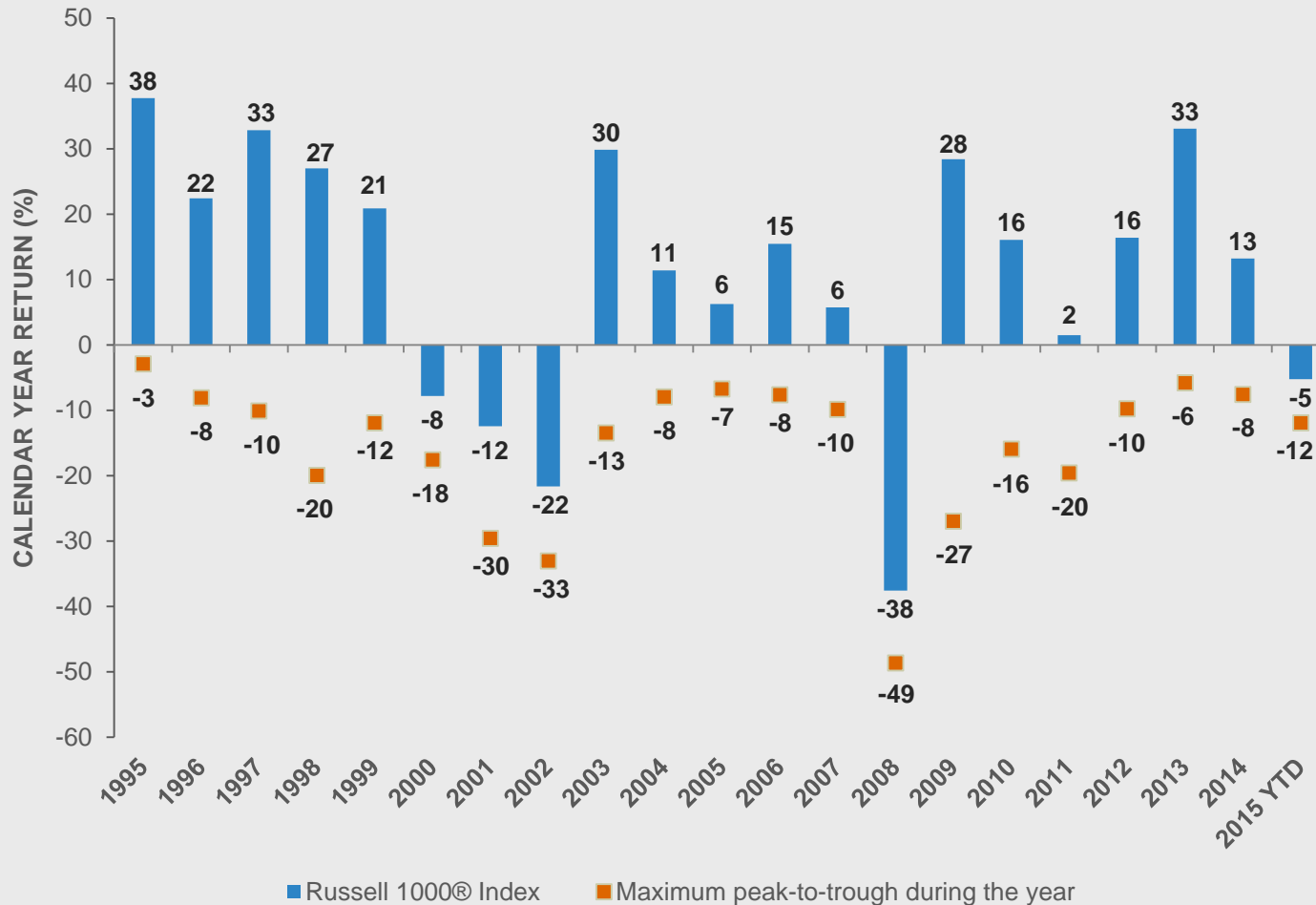
U.S. Small Cap: Russell 2000® Index; U.S. Large Cap: Russell 1000® Index; Global: Russell Developed Large Cap Index; Non-U.S.: Russell Developed ex-U.S. Large Cap Index; Infrastructure: S&P Global Infrastructure Index; Global High Yield: Barclays Global High Yield Index; Global REITs: FTSE EPRA/NAREIT Developed Index; Cash: Citigroup 1-3 Month T-Bill Index; EM Equity: Russell Emerging Markets Index; U.S. Bonds: Barclays U.S. Aggregate Bond Index; EMD: Barclays EM Bond Index Plus; Commodities: Bloomberg Commodity Index; Balanced Index: 5% U.S. Small Cap, 15% U.S. Large Cap, 10% Global, 12% Non-U.S., 4% Infrastructure, 5% Global High Yield, 4% Global REITs, 0% Cash, 6% EM Equity, 30% U.S. Bonds, 5% EMD and 4% Commodities.

Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# Every year has a pullback

AND SHOULD NOT DISTRACT THE LONG-TERM INVESTOR

## Calendar-year U.S. equity returns (%) and intra-year declines



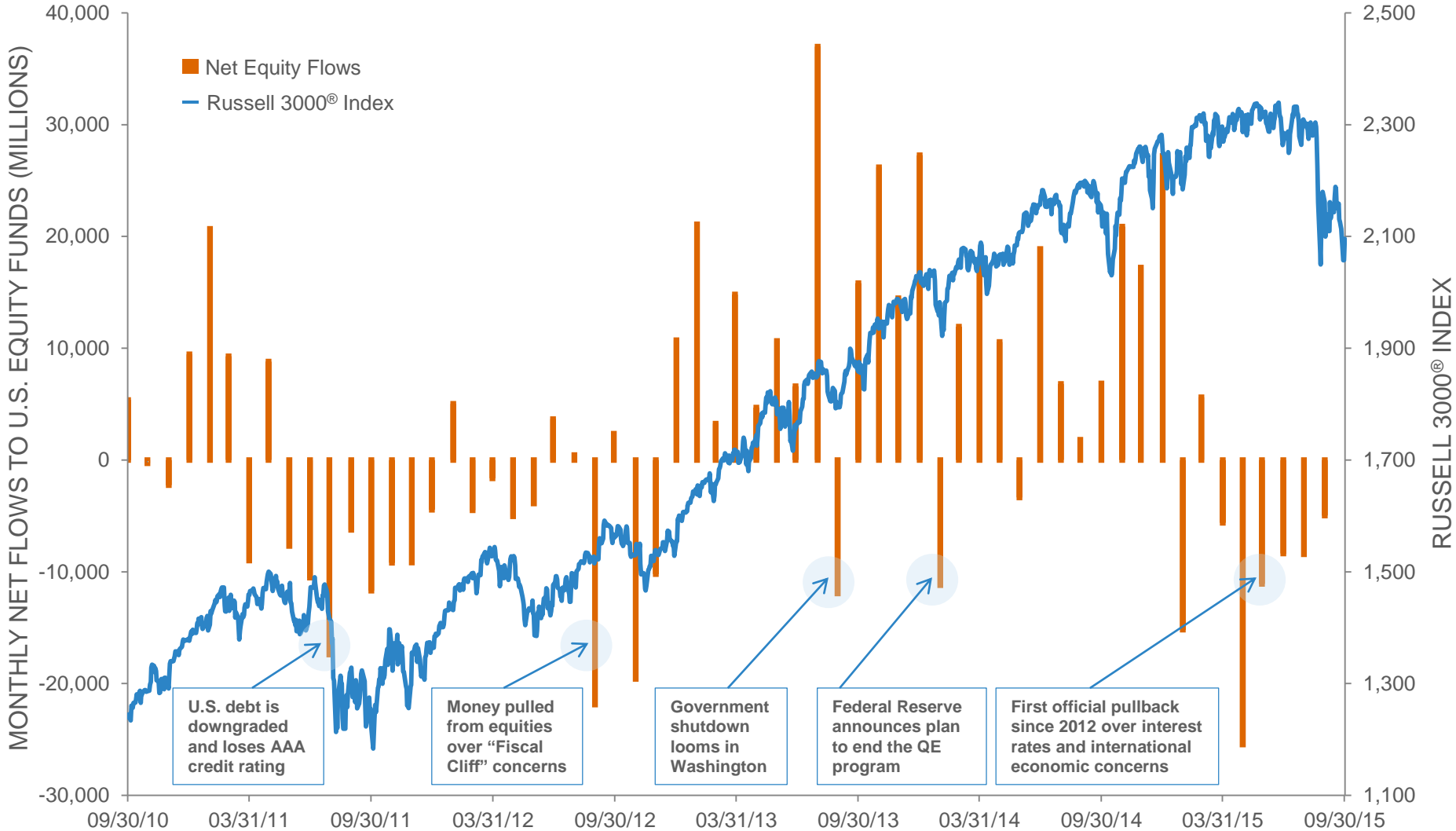
In 16 of the last 20 years, U.S. equity markets finished in positive territory

The average annual pullback (peak-to-trough) was 15.7%

When pullbacks were greater than 10%, 9 of those 13 years finished in positive territory

Source: Russell. Returns calculated with dividends included. Maximum peak-to-trough represents the return difference between the largest peak-to-trough of the calendar year. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# Uncertainty is not a reason to panic



Data shown is historical and not an indicator of future results.

Sources: Morningstar Direct "Asset Flows" for U.S. Equity Open End Mutual Funds and ETFs, ex Money Markets and Fund of Funds. Russell 3000® Index data from Factset.

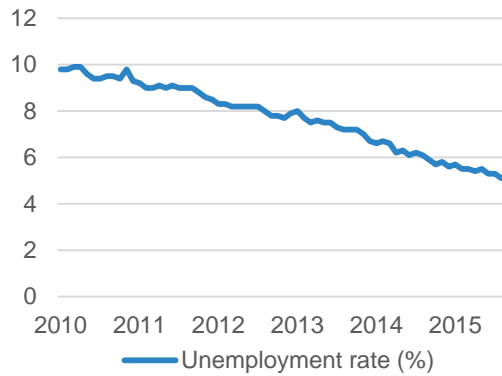
Russell 3000® Index returns through 9/30/2015, fund flows through 8/31/2015.

Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

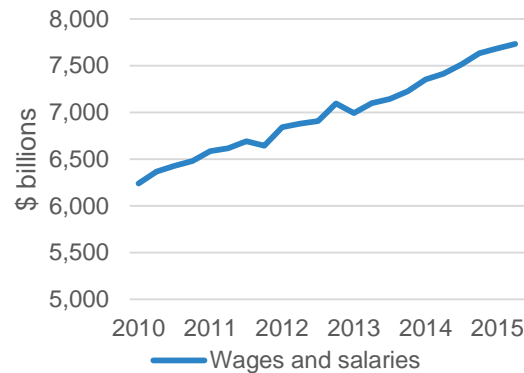


# Despite market jitters, U.S. economy remains sound

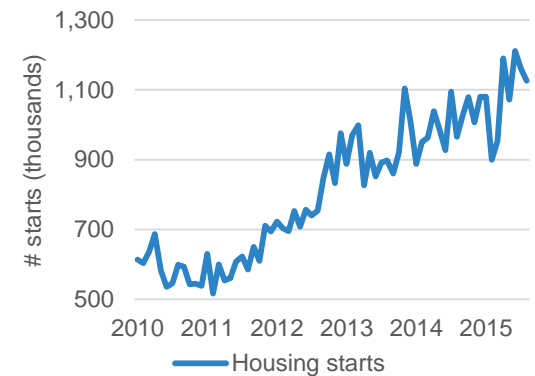
## 1. More people are working (lower unemployment)



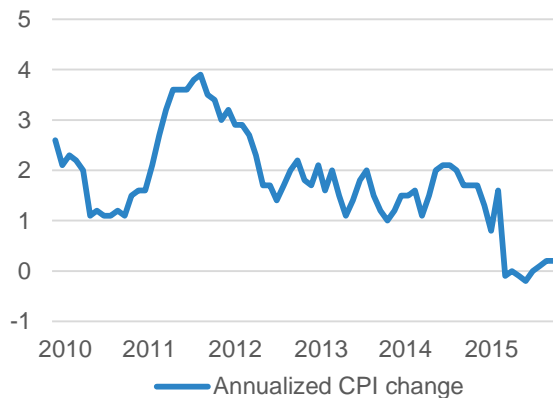
## 2. More personal income is entering the economy



## 3. They're making more large purchases (like new houses)



## 4. Meanwhile, inflation has been very modest



## 5. And Treasury rates are still at historical lows



- › Fed put off anticipated rate rise in September
- › A rate rise later this year seems unlikely to derail the economy

Source: Federal Reserve Bank of St. Louis, Bureau of Economic Analysis. Exhibits 1 & 3: August 2015. Exhibit 2: June 2015. Exhibit 5: September 2015.

# Inflection point

## RUSSELL 4Q 2015 STRATEGIST OUTLOOK

### UNITED STATES

Fed lift-off looms

### EUROZONE

Alive and well

### ASIA-PACIFIC

Taking a breather

### KEY POINTS

- › Forecast 2.5% GDP growth over next 12 months
- › December Fed interest rate hike anticipated
- › U.S. Dollar still room to move higher
- › U.S. stock and bond valuations above long-term averages
- › Low risk of economic recession

- › Forecast 1.5%–2% GDP growth
- › Continued monetary stimulus from European Central Bank
- › Expect 8%–10% corporate earnings growth
- › Valuations attractive relative to U.S.
- › Favored global equity market

- › China experiencing slowdown – but expected soft landing
- › Commodities tempering Australia and New Zealand growth
- › Unconvincing economic growth in Japan, perhaps more monetary stimulus

There is no guarantee the stated expectations will be met.

As of 10/1/2015

# China is slowing, not collapsing

## IMPORTANT DRIVER OF WORLD GROWTH

1<sup>st</sup>



WORLD POPULATION

- › 4x the size of U.S., 10x Japan, 15x Germany
- › Rural to urban, manufacturing to consumer driven
- › Remains “emerging” due to low GDP per capita

2<sup>nd</sup>



GLOBAL ECONOMY

- › 60% the size of U.S., 2x Japan's, 2.5x Germany's
- › Growth is slowing (~7%), not ending
- › Top export destination for:
  - › Australia, Japan, South Korea, Singapore, Philippines, Saudi Arabia, Nigeria, Brazil and Venezuela

8<sup>th</sup>

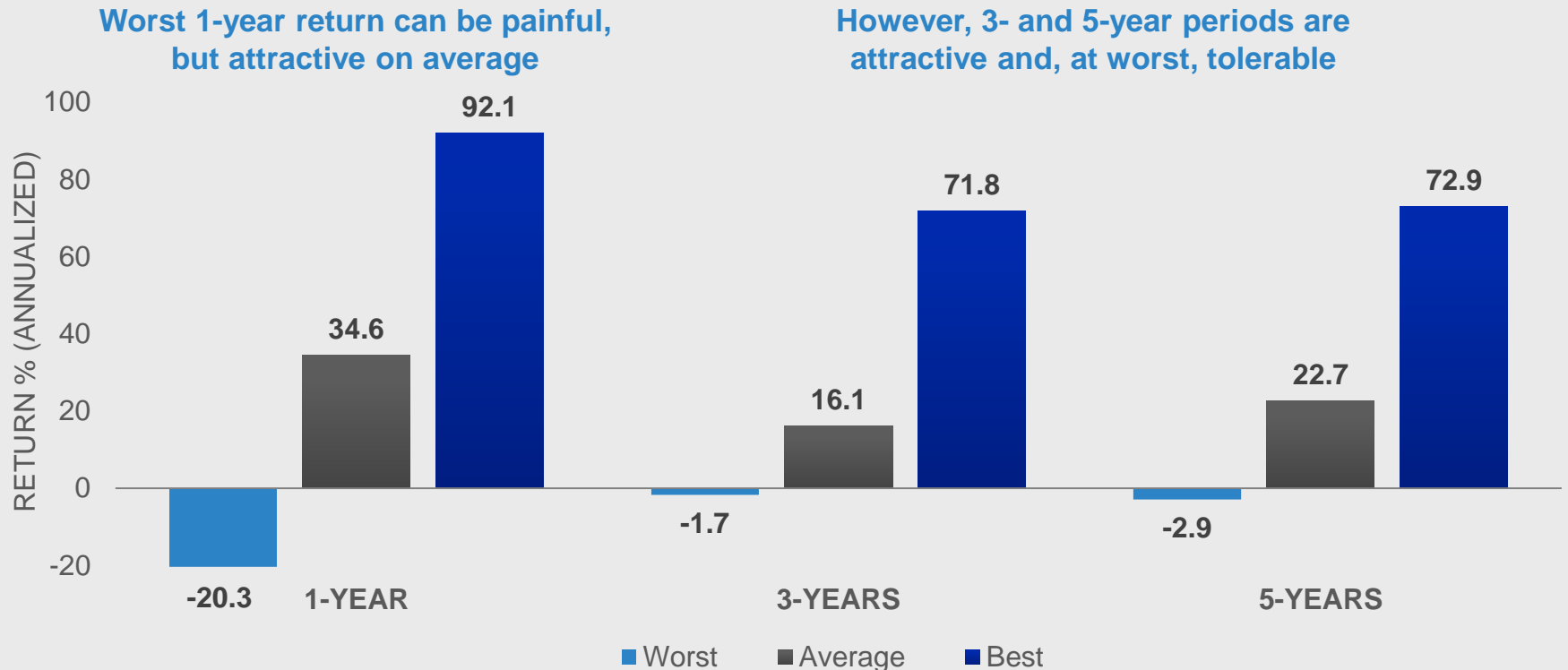


STOCK MARKET

- › 1/16<sup>th</sup> the size of U.S., 1/3<sup>rd</sup> Japan's, = Germany's
- › The largest emerging market at ~3% of world cap
- › Down 11% YTD, returned 0.0% over five years

# Emerging markets have rebounded from past 20% pullbacks

## Emerging market returns following historical 20% pullbacks (1998–Sept. 2015)



- › Since 1988, there have been 37 1-year periods with emerging market returns below -20%
- › Emerging markets were down 23% for the 12-months ending August 2015
- › Valuations becoming attractive, but uncertainty remains

Source: Emerging Markets – MSCI Emerging Market Index.

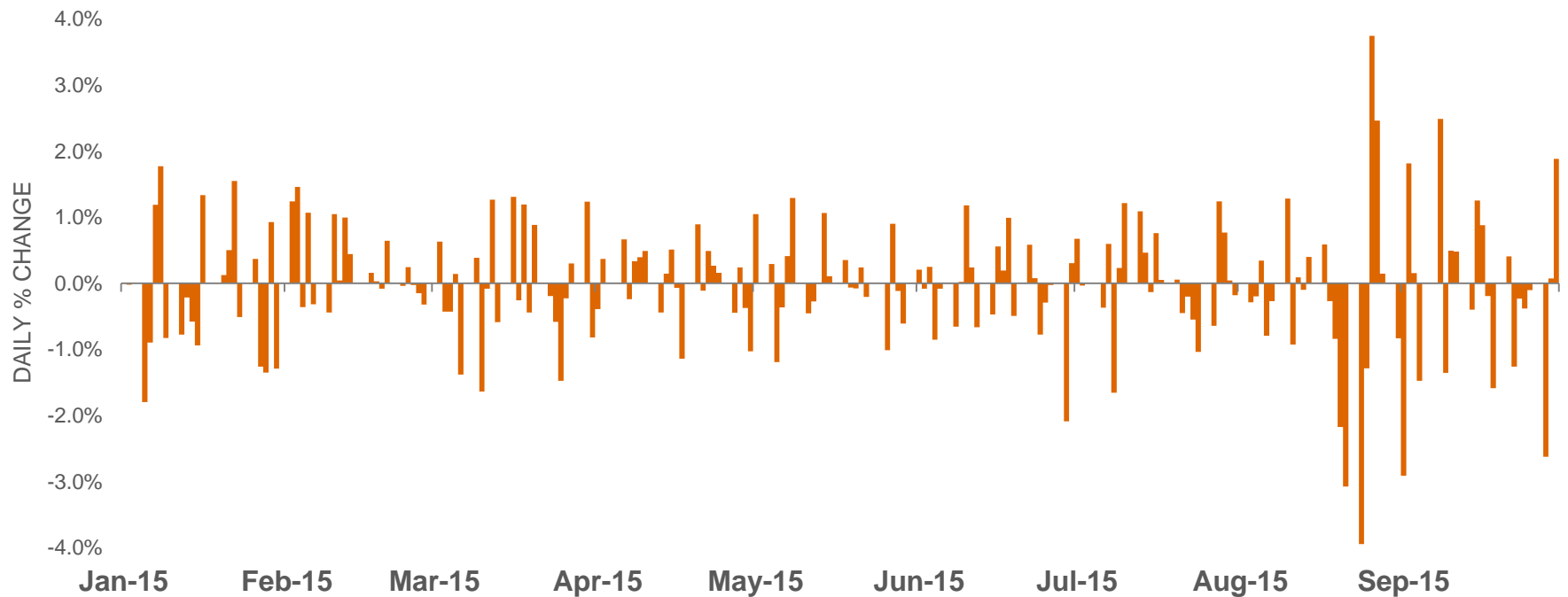
Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# Turning stock volatility into tax assets

- › Market pullbacks can create opportunities to recognize (or harvest) losses
- › Loss harvesting defers recognition of capital gains

## Daily Volatility of U.S. Equities

(January – September 2015)

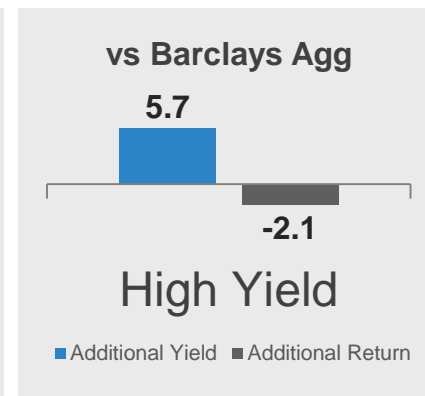
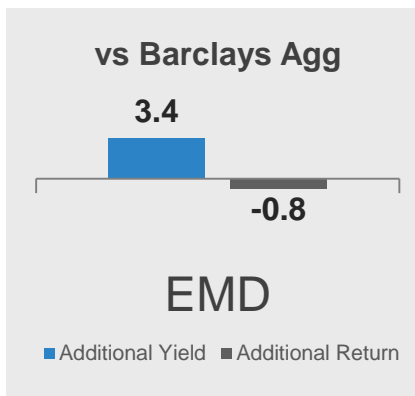
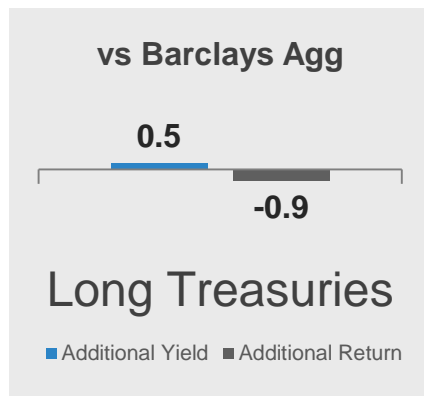
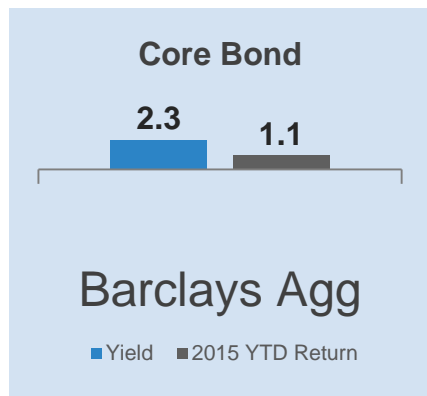


Unlike traditional or passive approaches, active, tax-aware approaches can evaluate volatility throughout entire year – not just at year-end.

Source: U.S. Equity Market: Russell 1000® Index.

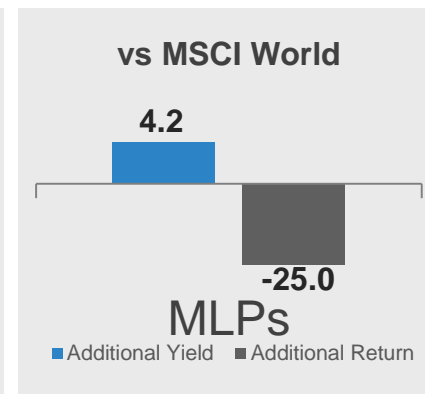
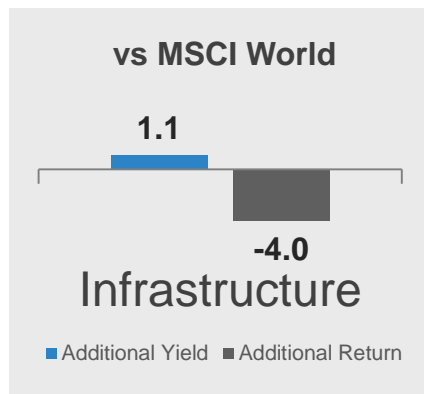
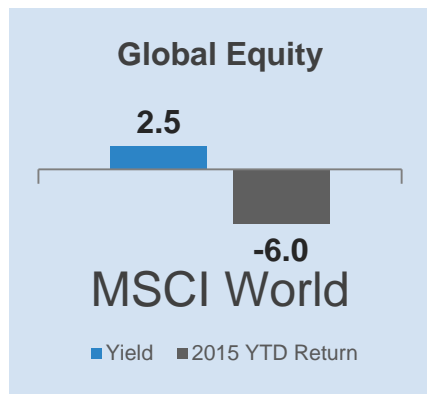
# 2015 has tested yield seeking investors

## FIXED INCOME



Reaching for yield has hurt total returns

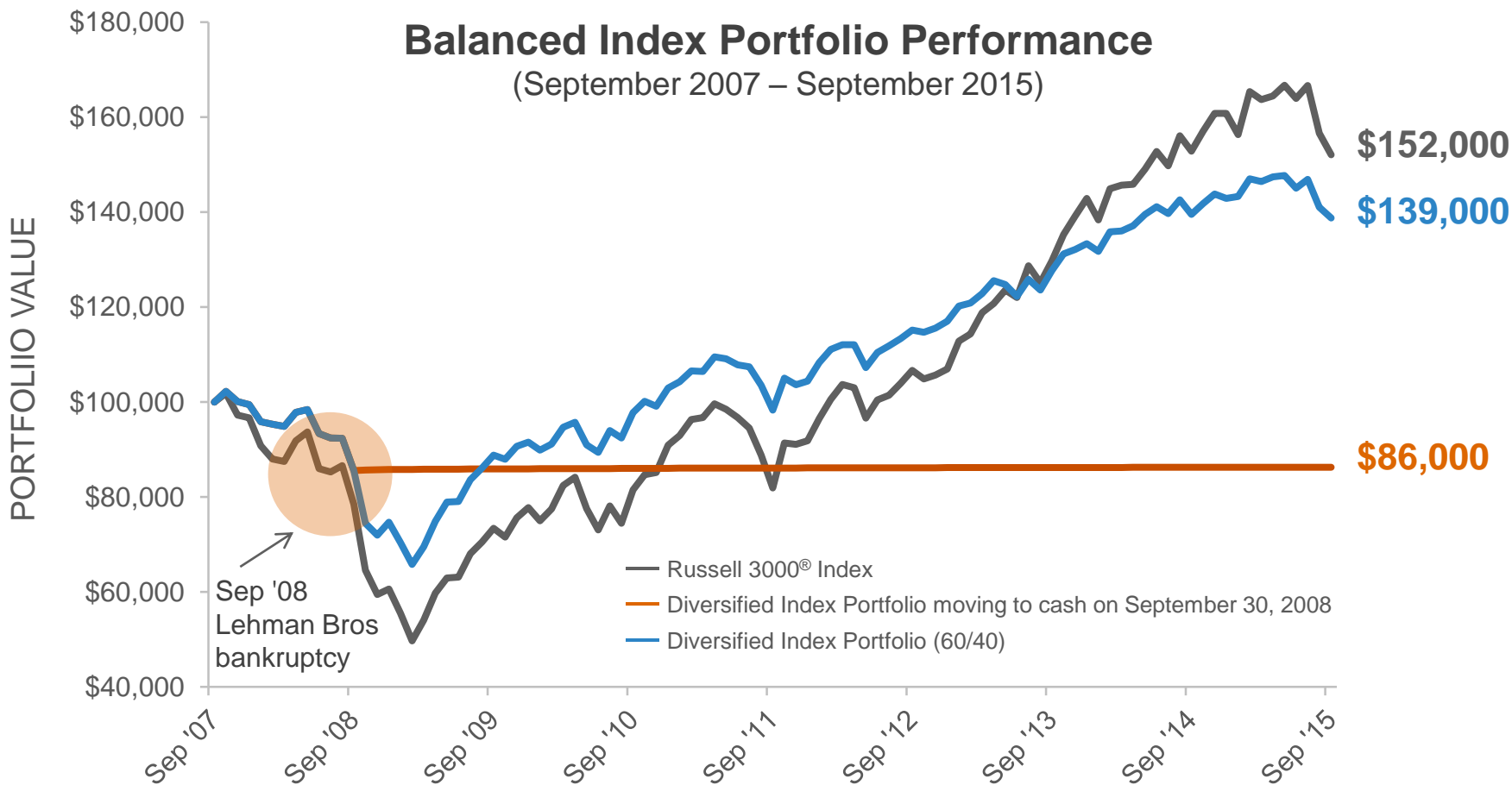
## EQUITY



Sources: Core Bond – Barclays U.S. Aggregate Bond Index; Long Treasuries – Barclays Long Treasury Index; High Yield – Barclays High Yield Index; EMD – Barclays Emerging Markets Debt Index; Global Equity – MSCI World Index; Infrastructure – S&P Global Infrastructure Index; Utilities – S&P 500 Utilities Index; MLPs – Alerian MLP Index. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# Putting recent volatility in perspective

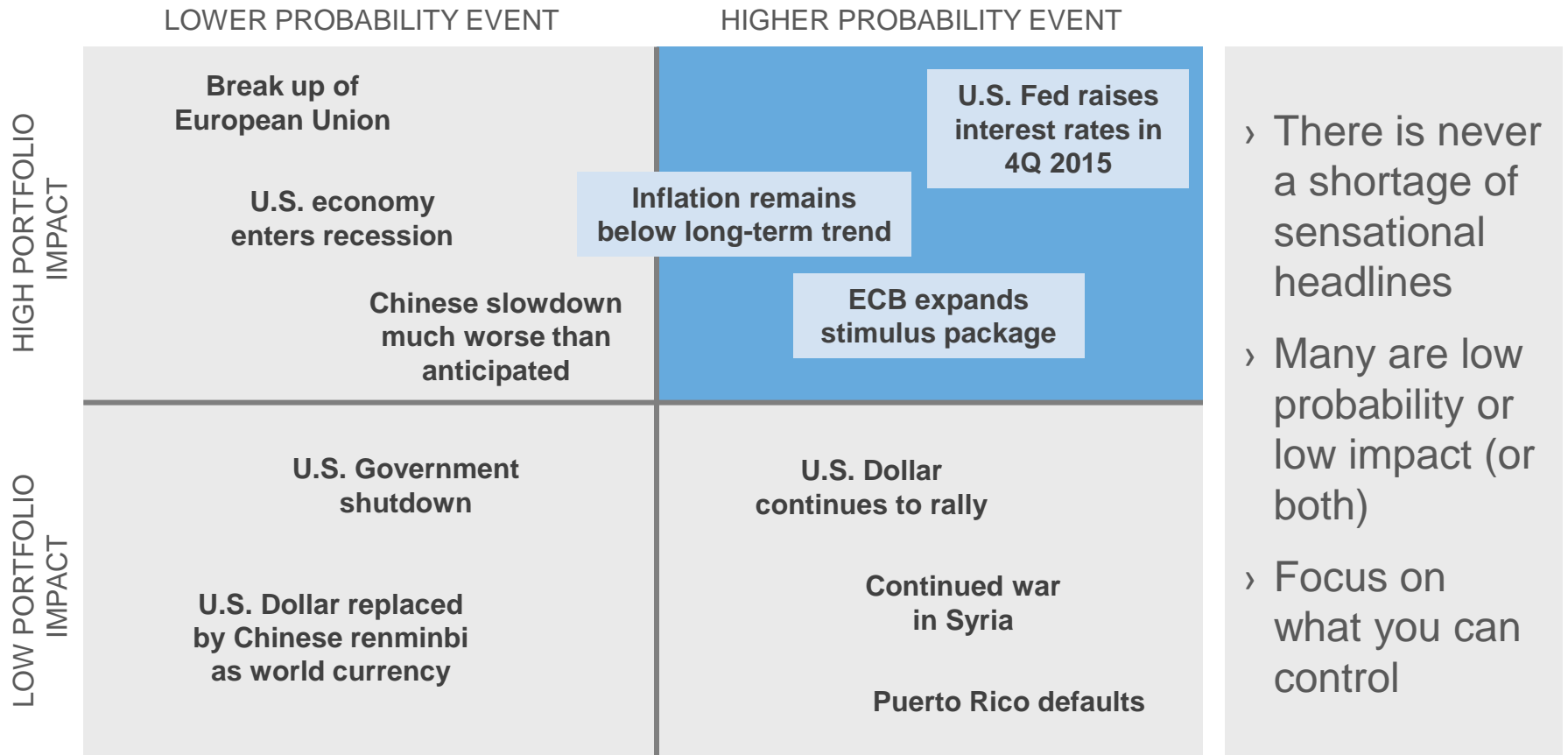
A NOT-SO-DISTANT HISTORICAL EXAMPLE



Source: Russell Investments. 60%/40% Index Portfolio is a mix of 35% Russell 3000® Index, 17% MSCI EAFE, 3% MSCI EM, 40% Barclays Agg, and 5% FTSE NAREIT Index; Cash is 100% Citigroup 3-month T-Bill Index; Diversified portfolio moving to cash – 60/40 portfolio until September 30, 2008 and then moves to 100% cash through September 30, 2015.

*Diversification does not assure profit or protect against loss in declining markets. This hypothetical example is for illustration only and is not intended to reflect the return of any actual investment. Investments do not typically grow at an even rate of return and may experience negative growth. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.*

# Consider investment decisions based on probabilities – not possibilities



**PORTFOLIO IMPACT = Probability x Importance**



# Important information and disclosures

## Risks of asset classes discussed in this presentation:

Global, International and Emerging markets return may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than in more developed countries.

## Real Asset risks:

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Defensive style emphasizes investments in equity securities of companies that are believed to have lower than average stock price volatility, characteristics indicating high financial quality, (which may include lower financial leverage) and/or stable business fundamentals.

Dynamic style emphasizes investments in equity securities of companies that are believed to be currently undergoing or are expected to undergo positive change that will lead to stock price appreciation. Dynamic stocks typically have higher than average stock price volatility, characteristics indicating lower financial quality, (which may include greater financial leverage) and/or less business stability.

Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

An Investment Grade is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

## Bonds:

With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage backed securities, especially mortgage backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

## Growth:

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock's value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

## Value:

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks' intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

# Index definitions

**Alerian MLP Index:** the leading gauge of large- and mid-cap energy Master Limited Partnerships (MLPs).

**Barclays Emerging Markets Bond Index:** Includes fixed- and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P, and Fitch.

**Barclays Global High-Yield Index:** An index which provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices.

**Barclays Long Treasury Index:** Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value.

**Barclays U.S. Aggregate Bond Index:** An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

**Barclays U.S. High Yield Index:** Measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

**Bloomberg Commodity Index Family:** Represents the major commodity sectors within the broad index: Energy (including petroleum and natural gas), Petroleum (including crude oil, heating oil and unleaded gasoline), Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy. Also available are individual commodity sub-indexes on the 19 components currently included in the DJ-UBSCI™, plus Brent crude, cocoa, feeder cattle, gas oil, lead, orange juice, platinum, soybean meal and tin.

**Bloomberg Commodity Index Total Return:** Composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position.

**Citigroup 1-3 Month T-Bill Index:** An unmanaged index that tracks short-term U.S. government debt instruments.

**Citigroup 3-Month T-Bill Index:** An unmanaged index that tracks short-term U.S. government debt instruments.

**FTSE NAREIT:** An Index designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the U.S. economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

**FTSE NAREIT all Equity Index:** Measures the performance of the commercial real estate space across the U.S. economy offering exposure to all investment and property sectors.

**FTSE EPRA/NAREIT Developed Index:** A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

**MSCI country indices:** Indices which include securities that are classified in that country according to the MSCI Global Investable Market Index Methodology, together with companies that are headquartered or listed in that country and carry out the majority of their operations in that country.

**MSCI EAFE (Europe, Australasia, Far East) Index:** A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

**MSCI Emerging Markets Index:** A float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

**MSCI World Index:** Captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,643 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Russell 1000® Index:** Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

**Russell 1000® Growth Index:** Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000® Value Index:** Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

**Russell 1000® Defensive Index:** Subset of top 1000 U.S. equities with companies that demonstrate less than average exposure to certain risk. (lower stock price volatility, higher quality balance sheets, stronger earnings profile).

**Russell 1000® Dynamic Index:** Subset of top 1000 U.S. equities with companies that demonstrate more than average exposure to certain risks. (higher stock price volatility, lower quality balance sheets, uneven earnings profile).

**Russell 2000® Index:** 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 2000 of the smallest securities based on a combination of their market cap and current index membership.

**Russell 2000® Growth Index:** Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 2000® Value Index:** Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

**Russell 3000® Index:** Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**Russell Developed Large Cap Index:** Offers investors access to the large-cap segment of the developed equity universe. Constructed to provide a comprehensive and unbiased barometer for the large-cap segment of this market and is completely reconstituted annually to accurately reflect the changes in the market over time.

**Russell Developed ex-U.S. Large Cap Index:** Offers investors access to the large-cap segment of the developed equity universe, excluding companies assigned to the U.S. Constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

**Russell Emerging Markets Index:** Measures the performance of the investable securities in emerging countries globally. Constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

**Russell Global Index:** Measures the performance of the global equity market based on all investable equity securities. All securities in the Russell Global Index are classified according to size, region, country, and sector, as a result the Index can be segmented into thousands of distinct benchmarks.

**The S&P 500® Index** is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

**The S&P Global Infrastructure Index:** Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

# Index definitions (cont'd)

**U.S. Energy:** Within the Russell 3000<sup>®</sup>, those energy-related businesses, such as oil companies involved in the exploration, production, servicing, drilling and refining processes, and companies primarily involved in the production and mining of coal and other fuels used in the generation of consumable energy. Gas extraction, distribution and pipeline companies classify into this Sector.

**U.S. Health Care:** Within the Russell 3000<sup>®</sup>, those companies that manufacture health care equipment and supplies or provide health care-related services such as lab services, in-home medical care and health care facilities. Also included are companies involved in research, development and production of pharmaceuticals and biotechnology.

**U.S. Material & Processing:** Within the Russell 3000<sup>®</sup>, those companies that extract or process raw materials, and companies that manufacture chemicals, construction materials, glass, paper, plastic, forest products and related packaging products. Metals and minerals miners, metal alloy producers, and metal fabricators are included.

**U.S. Technology:** Within the Russell 3000<sup>®</sup>, those companies that serve the information technology, telecommunications technology and electronics industries.

# Economic Indicators Dashboard definitions

## ***Market Indicators***

**MARKET VOLATILITY(VIX)** – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

**10 YR. U.S. TREASURY YIELD** – The yield on the 10 year U.S. Treasury note issued by the U.S. Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

**YIELD SPREAD** – The spread between 3 month Treasury bill yields and 10 year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

**HOME PRICES** – The S&P/Case-Shiller Home Price Index is a measurement of U.S. residential real estate prices, tracking changes in top 20 metropolitan regions. This indicator value represents the trailing year over year % change in the home prices index as of last month-end. Residential real estate represents a large portion of the US economy and the Home Price index helps us monitor the value of real estate.

## ***Economic Indicators***

**INFLATION** – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

**UNEMPLOYMENT** – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.

**ECONOMIC EXPANSION (GDP)** – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

**CONSUMER SENTIMENT** – The University of Michigan Survey of Consumer Sentiment Index is an economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

