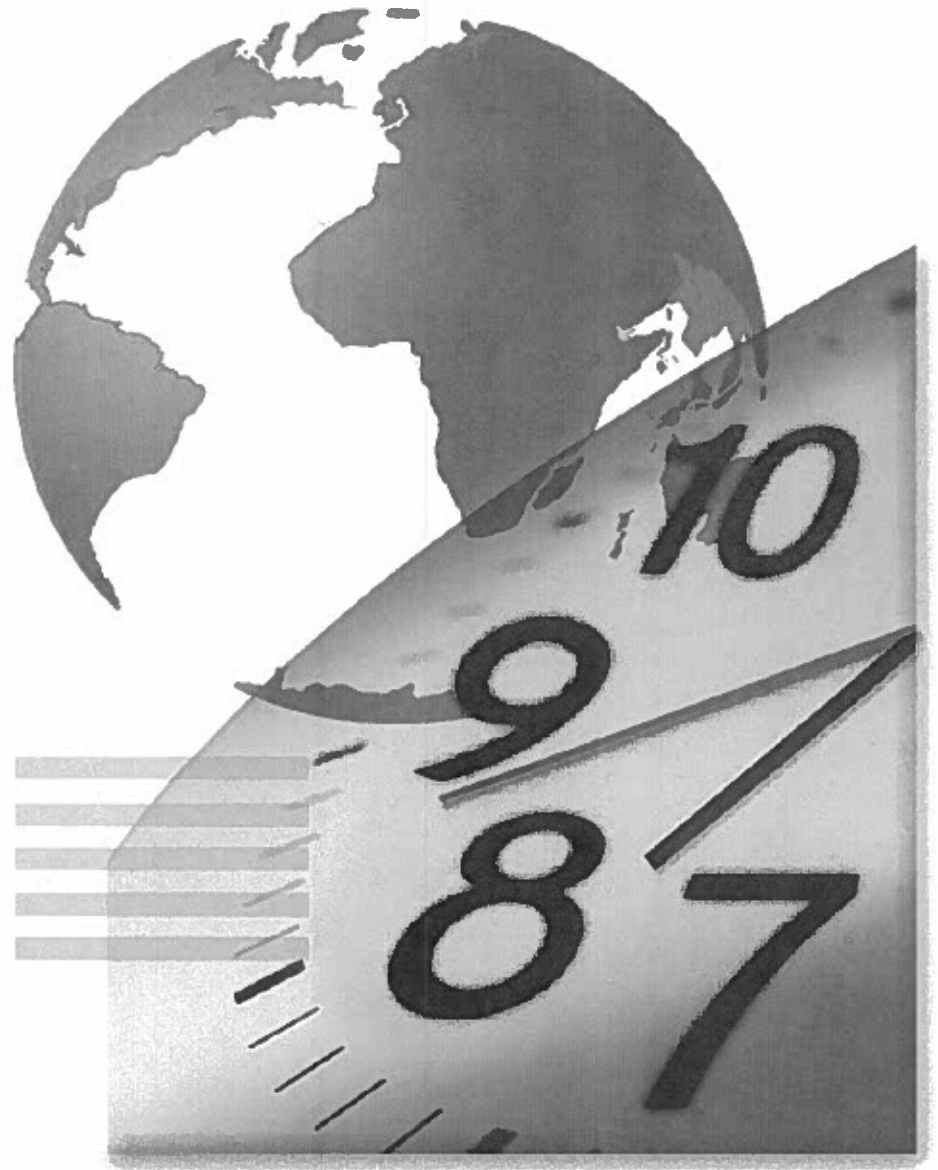


**Buena Vista
Investment Management**

**Interest Rates
&
The Economy**



\$UST2Y 2-Year US Treasury Yield (EOD) INDX

22-Dec-2017

© StockCharts.com

Open 1.91 High 1.91 Low 1.91 Close 1.91 Chg +0.02 (+1.06%) ▲

— \$UST2Y (Daily) 1.91 (22 Dec)



\$UST10Y 10-Year US Treasury Yield (EOD) INDX

22-Dec-2017

© StockCharts.com

Open 2.48 High 2.48 Low 2.48 Close 2.48 Chg +0.00 (+0.00%) -

— \$UST10Y (Daily) 2.48 (22 Dec)



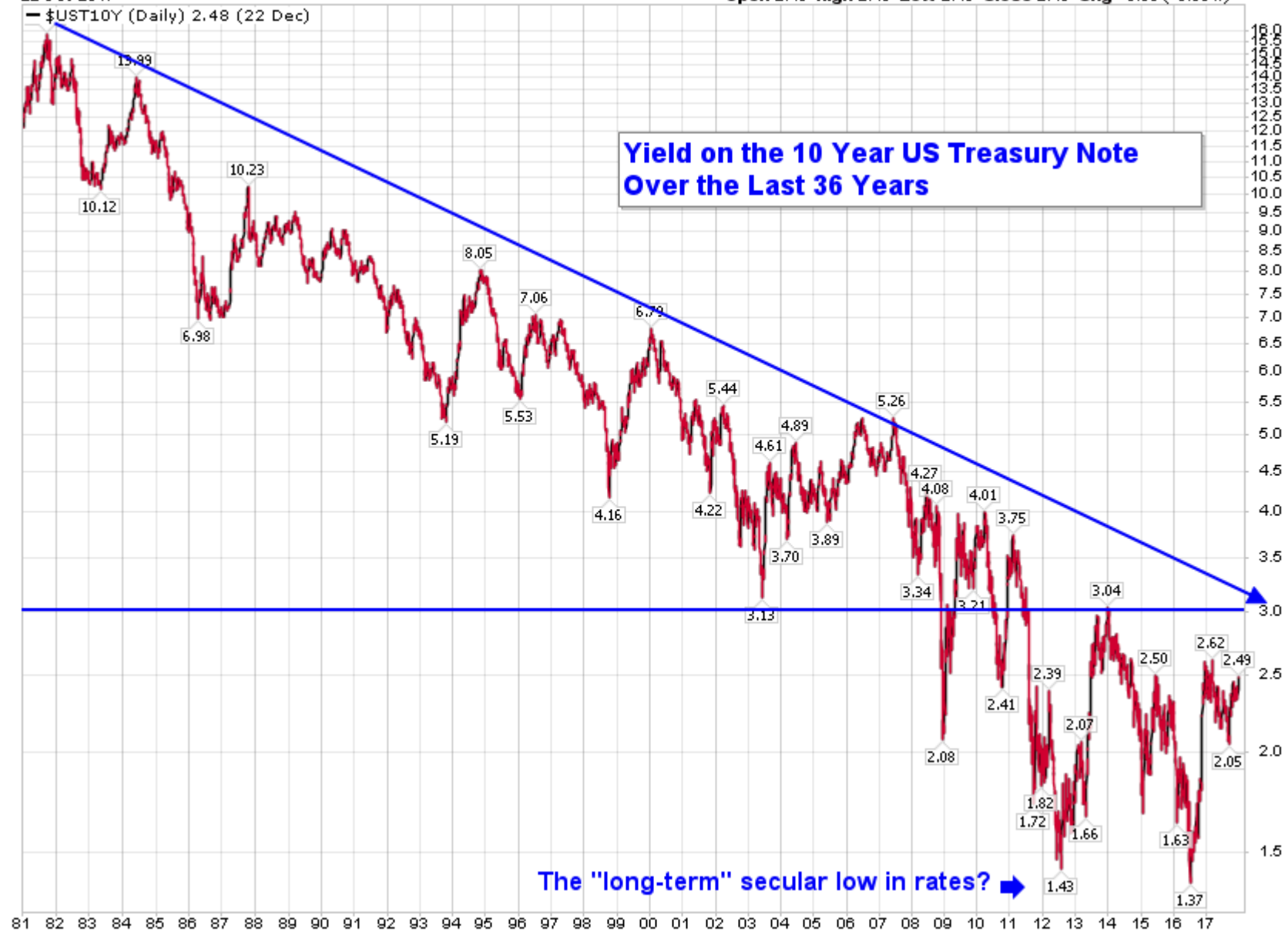
\$UST10Y 10-Year US Treasury Yield (EOD) INDX

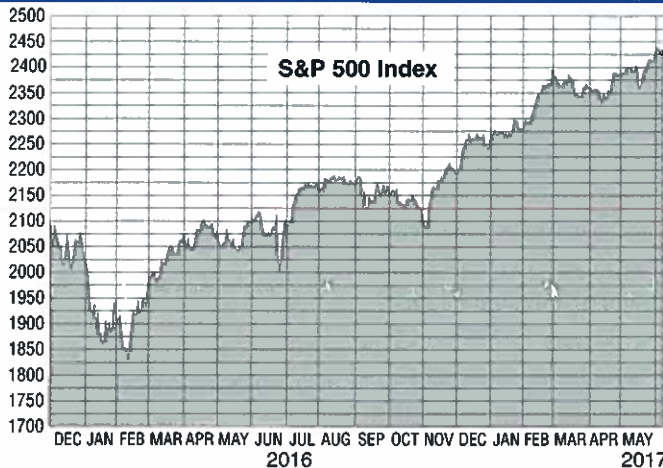
22-Dec-2017

© StockCharts.com

Open 2.48 High 2.48 Low 2.48 Close 2.48 Chg +0.00 (+0.00%) -

— \$UST10Y (Daily) 2.48 (22 Dec)





4 Weeks Ending June 9, 2017

	High	Low	Last
Federal Funds	0.94%	0.92%	0.93%
30yr T-Bonds	3.01%	2.81%	2.86%

Gold (London PM)	\$1293.50	\$1233.30	\$1266.55
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	High	Low	Last	200D M.A.
DJIA	21271.97	20606.93	21271.97	19749.25
DJUA	732.63	697.21	724.85	675.62
NASDAQ	6321.76	6011.24	6207.92	5614.29
S&P 500	2439.07	2357.03	2431.77	2273.84

S&P 500 P/E	Current: 25.7	89 yr Avg: 17.2
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Technical and Monetary Investment Analysis

An Inevitable Black Eye for Passive Investing & ETFs

This month, the U.S. economy celebrates its 8th birthday since the end of the Great Recession in June 2009. Headlines and attitudes today are strikingly different from the gloom and fear that dominated the depths of that recession, and even the first year of economic recovery:

Jan. 20, 2009: Economists predict continuing economic gloom for U.S. during next 4 years – *Chicago Tribune*

Apr. 2, 2009: FOX News Poll: Worst is Yet to Come on Economy – *FOX News*

Aug. 6, 2009: Is This The Biggest Bear Market Rally of All Time? – *CNBC*

May 17, 2010: Equities are overpriced; here's how the crash will unfold – *Fortune*

May 24, 2010: Don't Rule Out a Double Dip Recession – *Wall Street Journal*

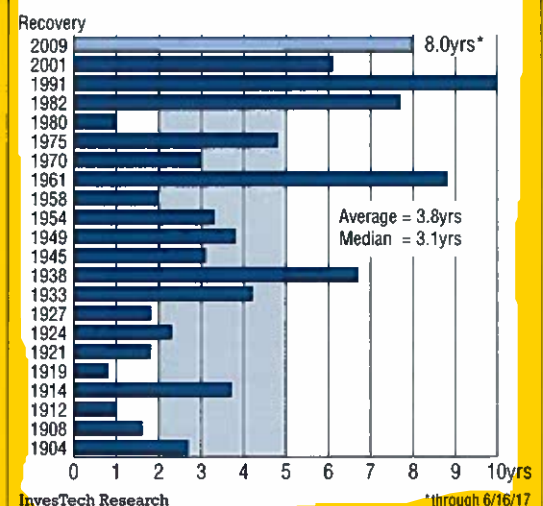


Long gone are memories about CMOs (Collateralized Mortgage Obligations), the collapse of Lehman Brothers, the \$80 billion bailout of GM, Ford, and Chrysler, and the depths to which stock prices inevitably fell. Like the Tech Bubble of the late 1990s, the Great Recession of 2007-09 is now viewed by most investors as a one-time, never-to-be-repeated event.

And that is what makes today's investing environment so ominous... and risky. As this third longest economic recovery in U.S. history grinds on, investors have started a mass migration toward passive investing, and into ETFs. In fact, last year 7 of the 10 most actively "traded securities" in the U.S. were not stocks – but ETFs. Their perceived value (low expense ratio) and supposedly instant liquidity have made the mass variety of ETFs a favorite vehicle for both investors and traders alike.

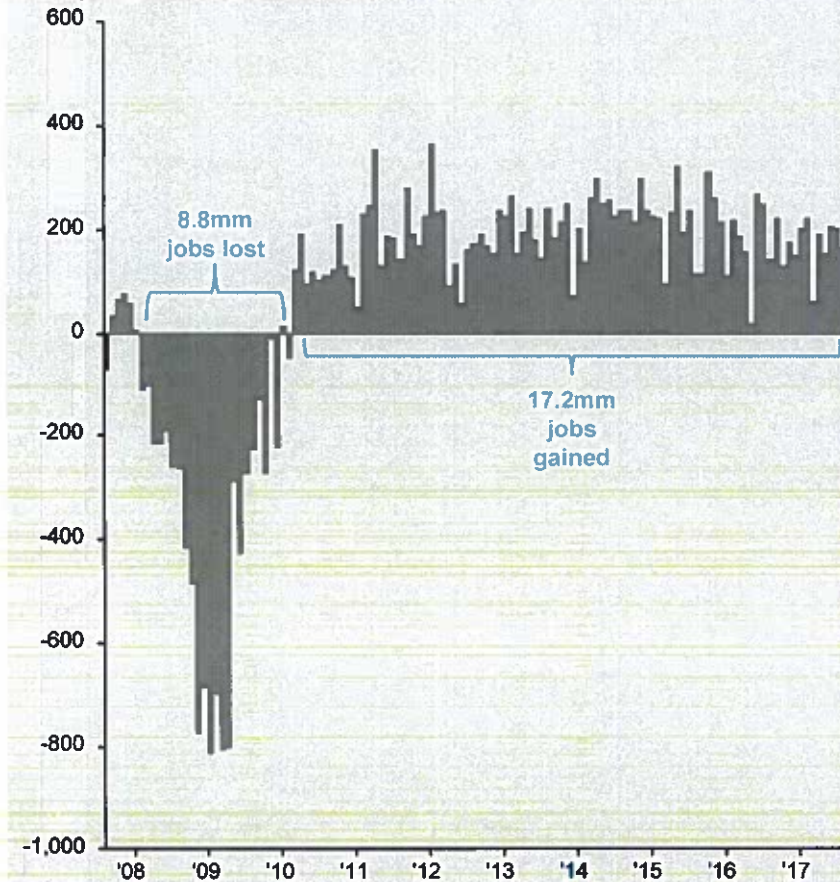
Inside this issue, we provide a valuable insight into the rude awakening that will come to passive investors in the next bear market. While ETFs are not inherently risky, the perceived safety and liquidity will turn out to be illusions as volatility increases and bear market losses mount. Although a bear market is not on the immediate horizon, it's not too early to run up these warning flags...

Length of Economic Recoveries



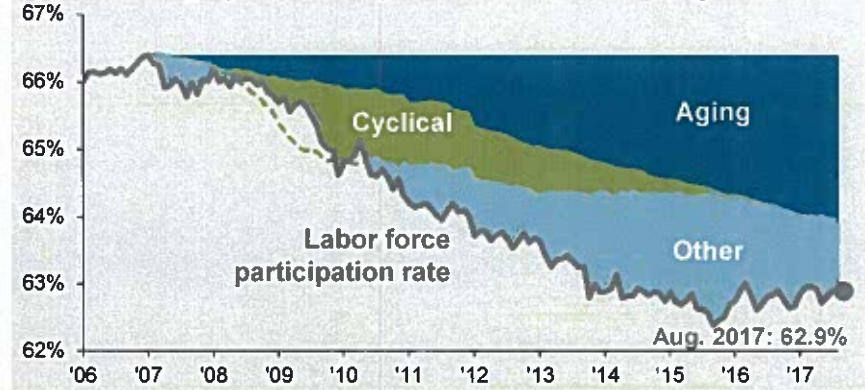
Employment – Total private payroll

Total job gain/loss, thousands



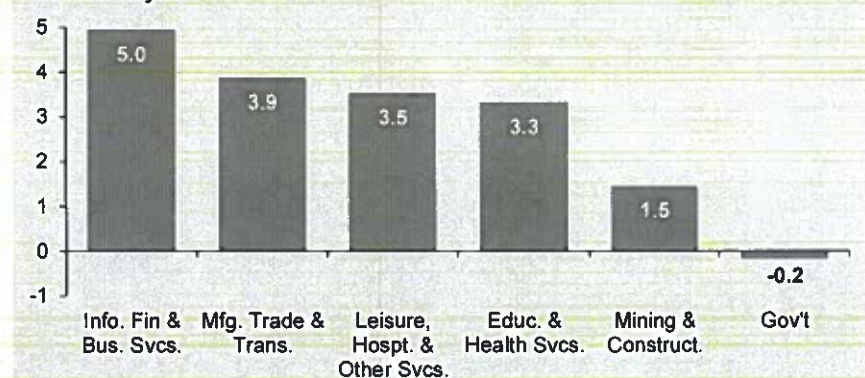
Labor force participation rate decline since 2007 peak*

Population employed or looking for work as a % of total, ages 16+



Net job creation since February 2010

Millions of jobs

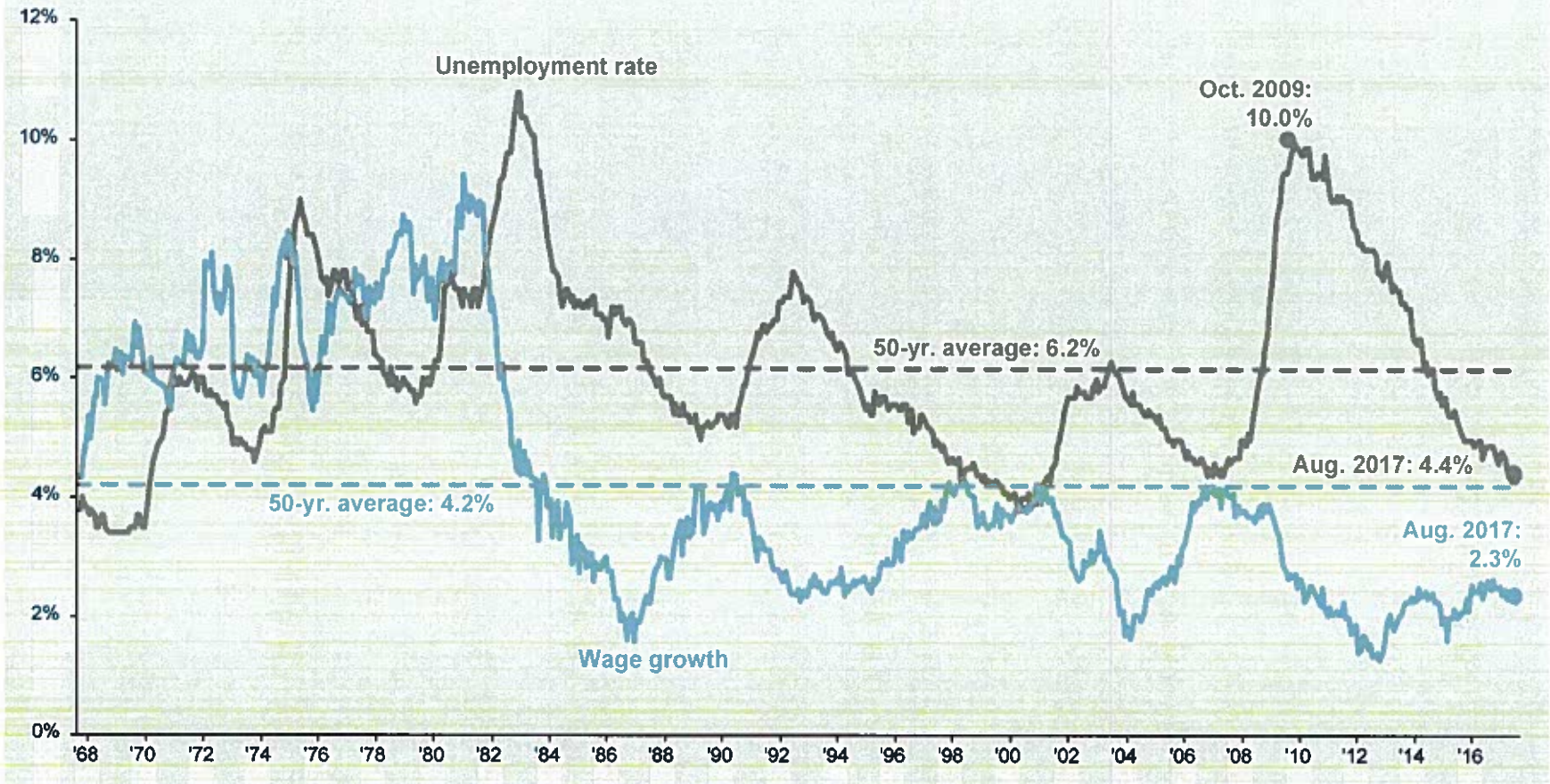


Source: BLS, FactSet, J.P. Morgan Asset Management. (Bottom right) Info. fin. & bus. svcs. = Information, financial activities and professional and business services; Mfg. trade & trans. = Manufacturing, trade, transportation and utilities; Leisure, hospt. & other svcs. = Leisure, hospitality and other services; Educ. & health svcs. = Education & health services; Mining and construct = Natural resources mining & construction; Gov't = Government.

*Aging effect on the labor force participation rate is the estimated number of people who are no longer employed or looking for work because they are retired. Cyclical effect is the estimated number of people who lose their jobs and stop looking for work or do not look for work because of the economic conditions. Other represents the drop in labor force participation from the prior expansion peak that cannot be explained by age or cyclical effects. Estimates for reason of decline in labor force participation rate are made by J.P. Morgan Asset Management.

Guide to the Markets – U.S. Data are as of September 30, 2017.

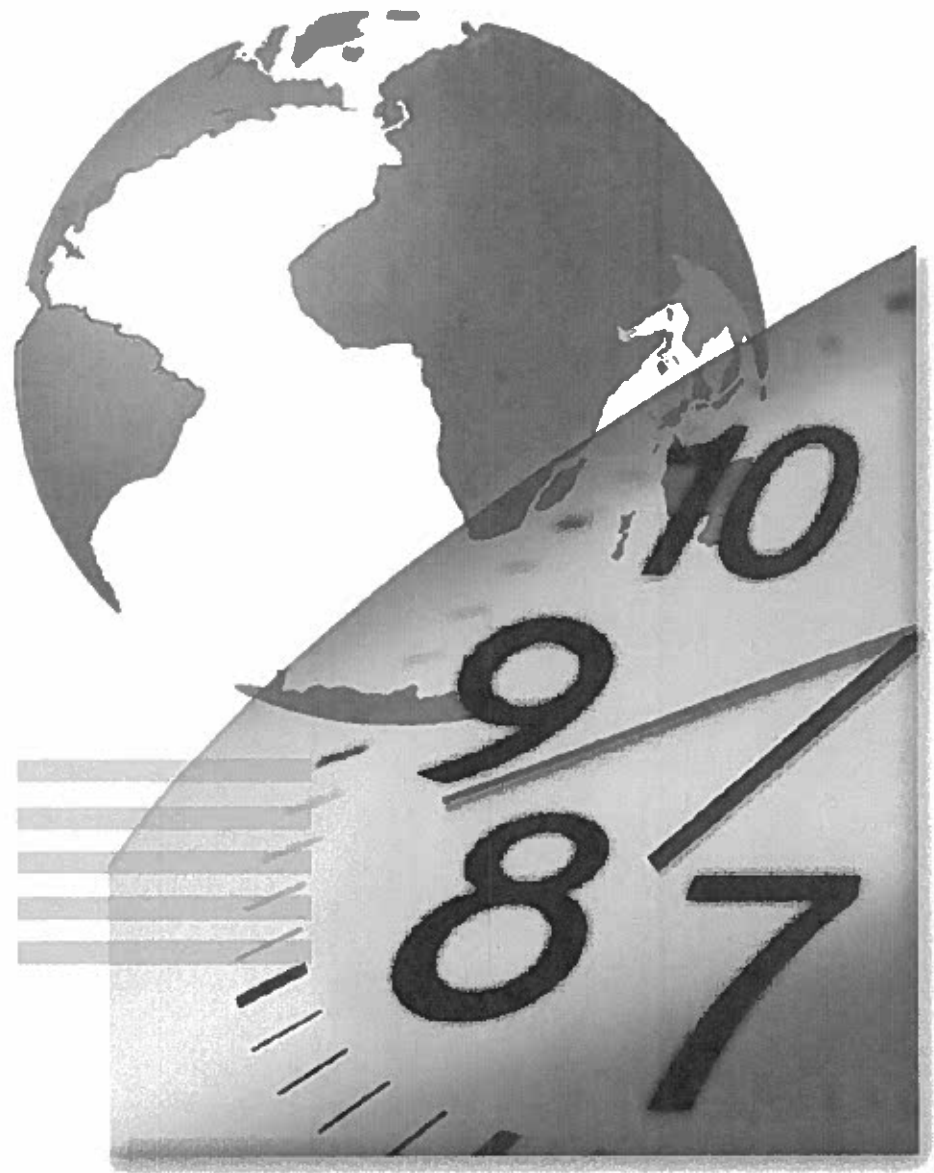
Civilian unemployment rate and year-over-year wage growth for private production and non-supervisory workers Seasonally adjusted, percent



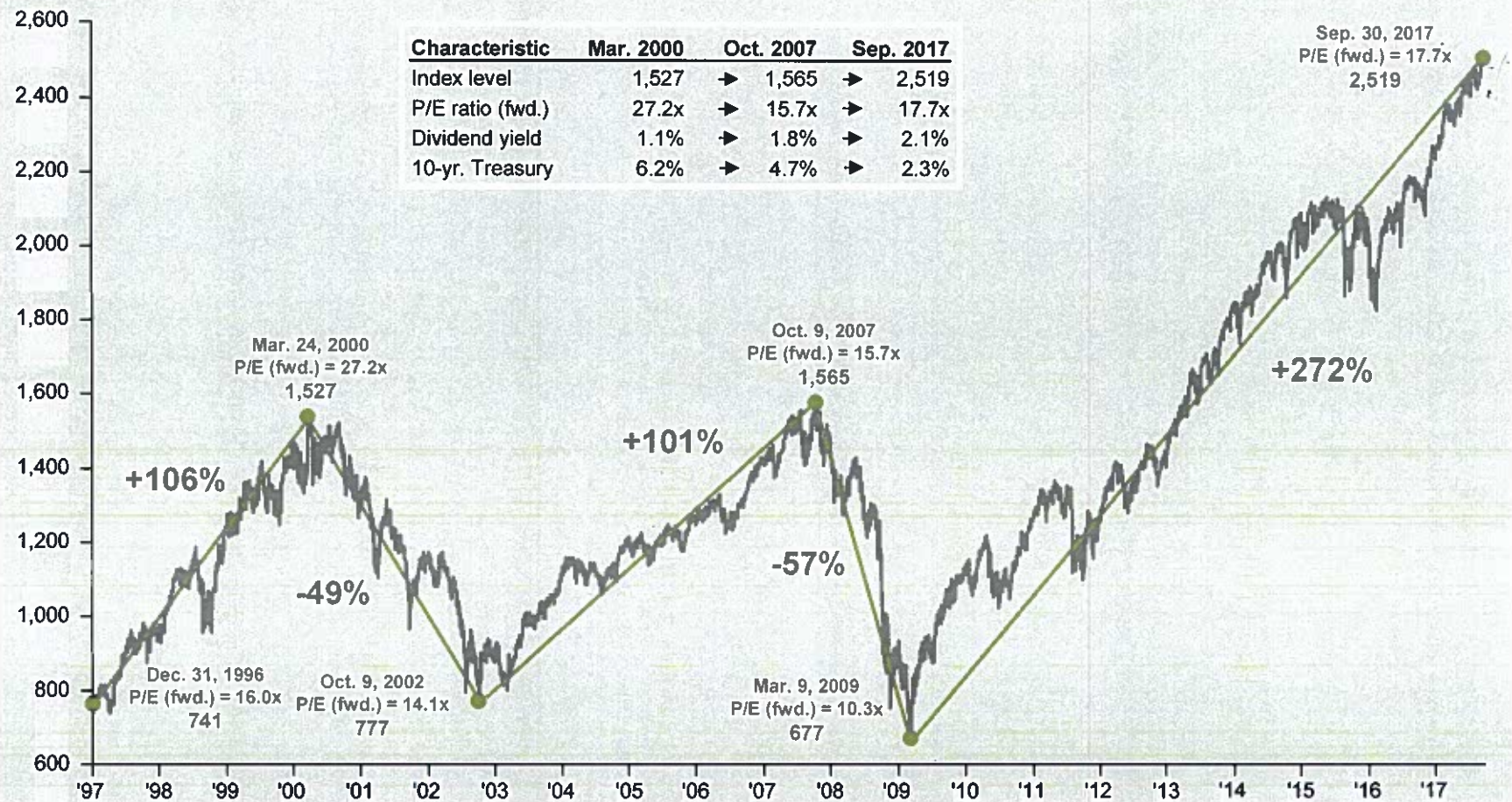
Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets - U.S. Data are as of September 30, 2017.

**Buena Vista
Investment Management**

**US Equity Market
Update**



S&P 500 Price Index



Source: Compustat, FactSet, Thomson Reuters, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets - U.S. Data are as of September 30, 2017.



4 Weeks Ending September 8, 2017

	High	Low	Last
Federal Funds	1.18%	1.09%	1.17%
30yr T-Bonds	2.85%	2.67%	2.67%

Gold (London PM)	\$1346.25	\$1270.30	\$1346.25
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	High	Low	Last	200D M.A.
DJIA	22024.87	21674.51	21797.79	20805.53
DJUA	748.16	734.26	746.94	696.49
NASDAQ	6435.33	6213.13	6360.19	5942.98
S&P 500	2476.55	2425.55	2461.43	2367.93

S&P 500 P/E	Current: 24.5	89 yr Avg: 17.2
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Technical and Monetary Investment Analysis

A Very Mature (but still intact) Bull Market

In recent days, this bull market has surpassed the decade of the 1950s in becoming the second largest bull market in Wall Street history. With a 269% rise in the S&P 500 Index since March 9, 2009, only the decade-long bull market of the 1990s has provided a larger gain in the Index (+417%).

Of course, bull markets do not die of old age or size alone. There have to be contributing factors that characteristically emerge in mature economic recoveries or overextended markets. And we are seeing a number of those developments today – including a tight labor market, rising interest rates, and extremes in market valuation.

Another more dangerous development that often appears in extended economic recoveries is the presence or creation of excess debt and leverage. Without the cleansing effect of periodic recessions, both investors and consumers inevitably get carried away in borrowing and spending. In other words, there is a notable absence or lack of respect for downside risk if or when things do go wrong. *And they do eventually go wrong when markets fall and liquidity disappears in the next recession.*

The Fed's reluctance to normalize interest rates is clearly contributing to these excesses, and may have gotten another boost from Harvey and Irma:

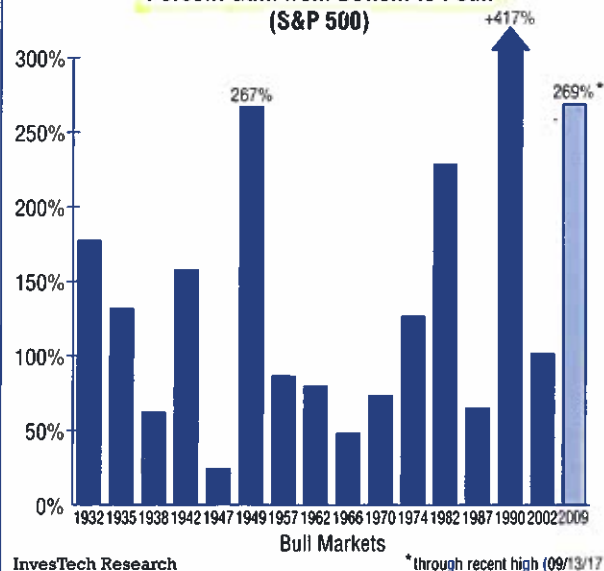
Hurricanes Push Fed Off Course

Economic slowdown caused by Harvey and Irma will be enough to keep central bank from raising rates in December – *Wall Street Journal*, 9/6/17

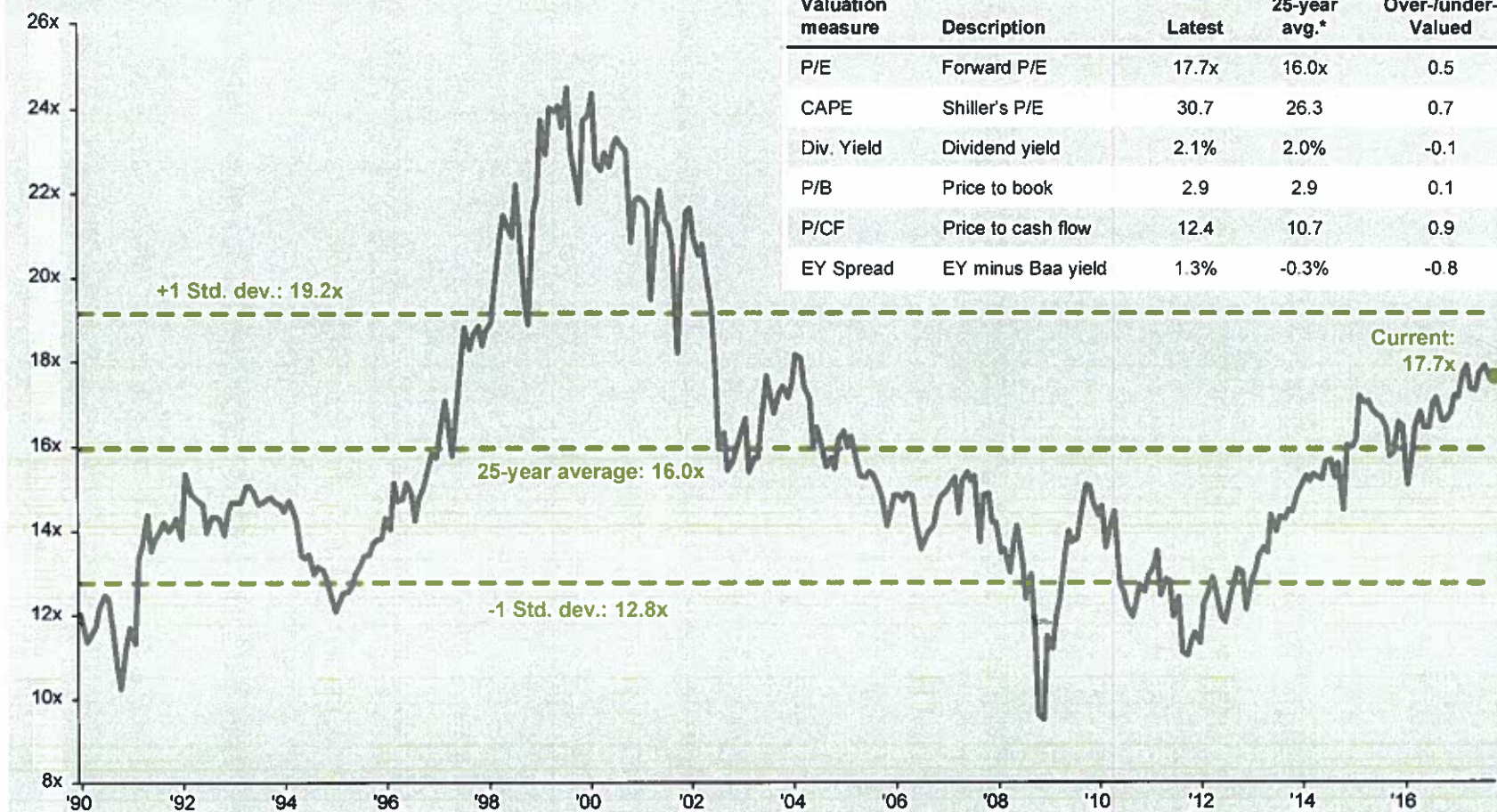
Inside this issue, we update some of the important leading economic and technical indicators, and also examine the potential residual effects of back-to-back Category 4 hurricanes. But first, we visit one of those current (and new) "excesses" that will most certainly become an Achilles heel once the next bear market begins.

Size of Bull Markets

Percent Gain from Bottom to Peak
(S&P 500)



S&P 500 Index: Forward P/E ratio



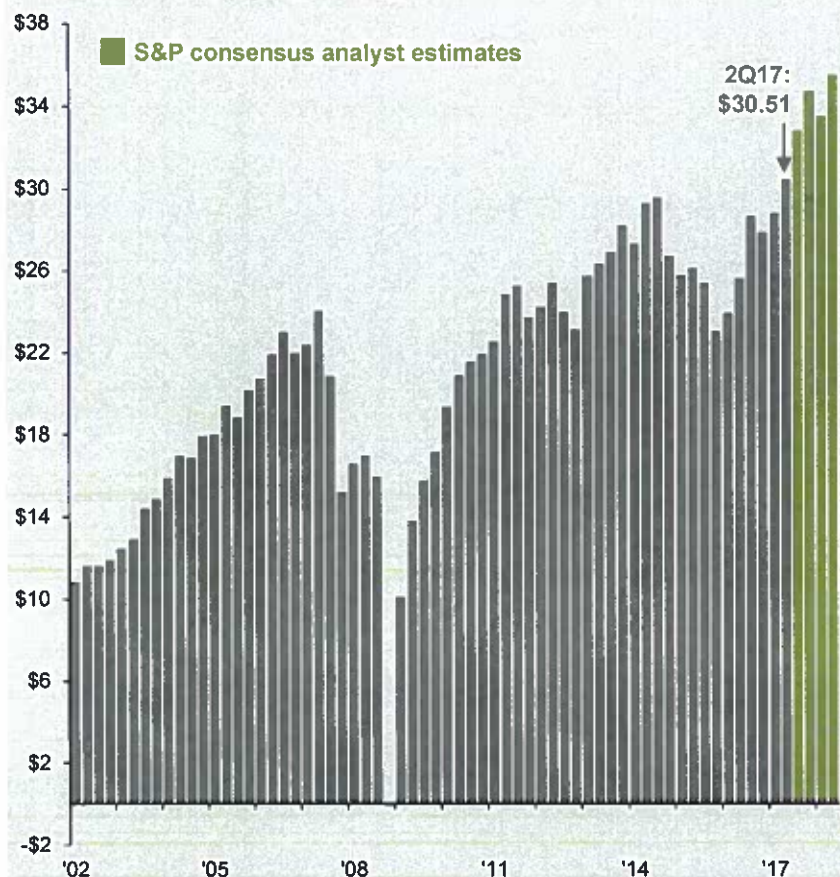
Source: FactSet, FRB, Thomson Reuters, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1989, and FactSet for September 30, 2017. Average P/E and standard deviations are calculated using 25 years of FactSet history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow data availability.

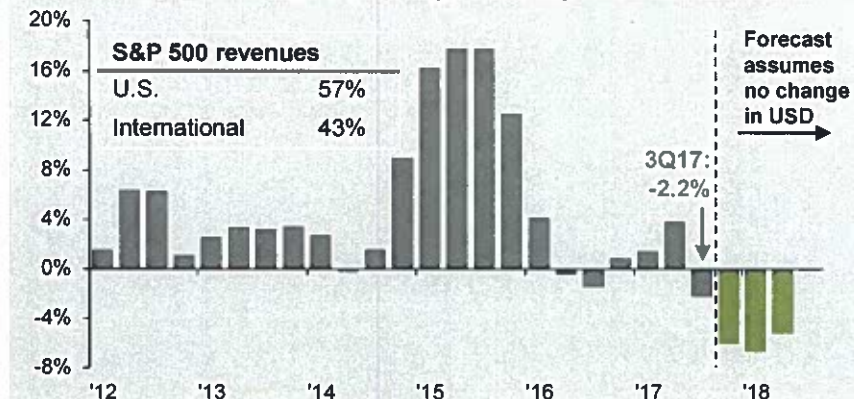
Guide to the Markets – U.S. Data are as of September 30, 2017.

S&P 500 earnings per share

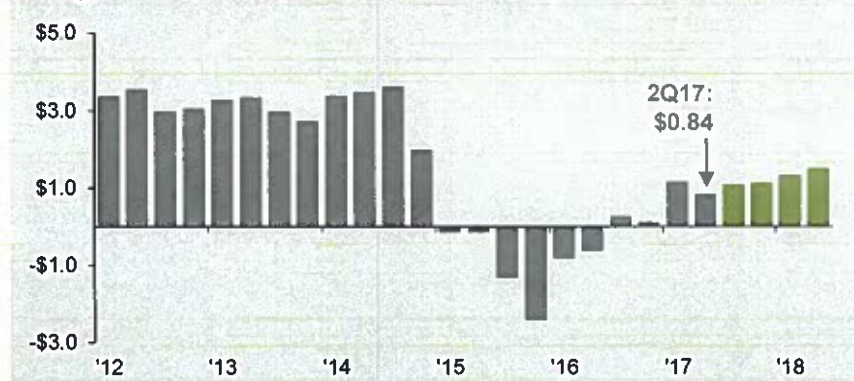
Index quarterly operating earnings

**U.S. dollar**

Year-over-year % change*, quarterly, USD major currencies index

**Energy sector earnings**

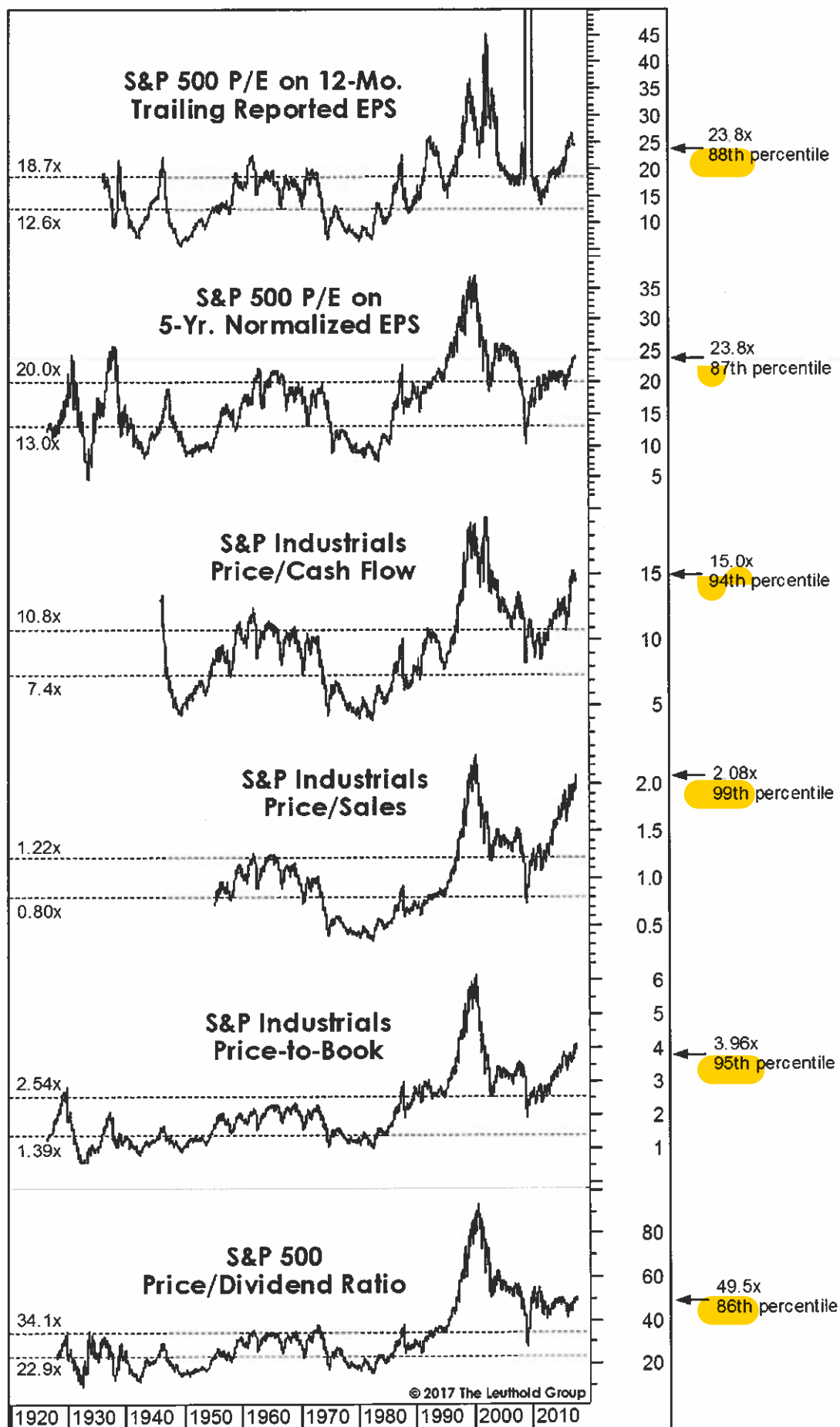
Energy sector contribution to S&P 500 EPS, quarterly



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Top right) Federal Reserve, S&P 500 individual company 10k filings, S&P Index Alert.

EPS levels are based on operating earnings per share. Earnings estimates are Standard & Poor's consensus analyst expectations. Past performance is not indicative of future returns. Currencies in the Trade Weighted U.S. Dollar Major Currencies Index are: British pound, euro, Swedish krona, Australian dollar, Canadian dollar, Japanese yen and Swiss franc. *Year-over-year change is calculated using the quarterly average for each period. USD forecast assumes no change in the U.S. dollar from its September 30, 2017 level. S&P 500 revenue breakdown comes from Standard & Poor's S&P 500 2016: Global Sales report as of June 2017.

Guide to the Markets – U.S. Data are as of September 30, 2017.



Dashed lines represent 30th and 70th historical percentile readings.
Valuation levels associated with these percentiles are shown at far left.

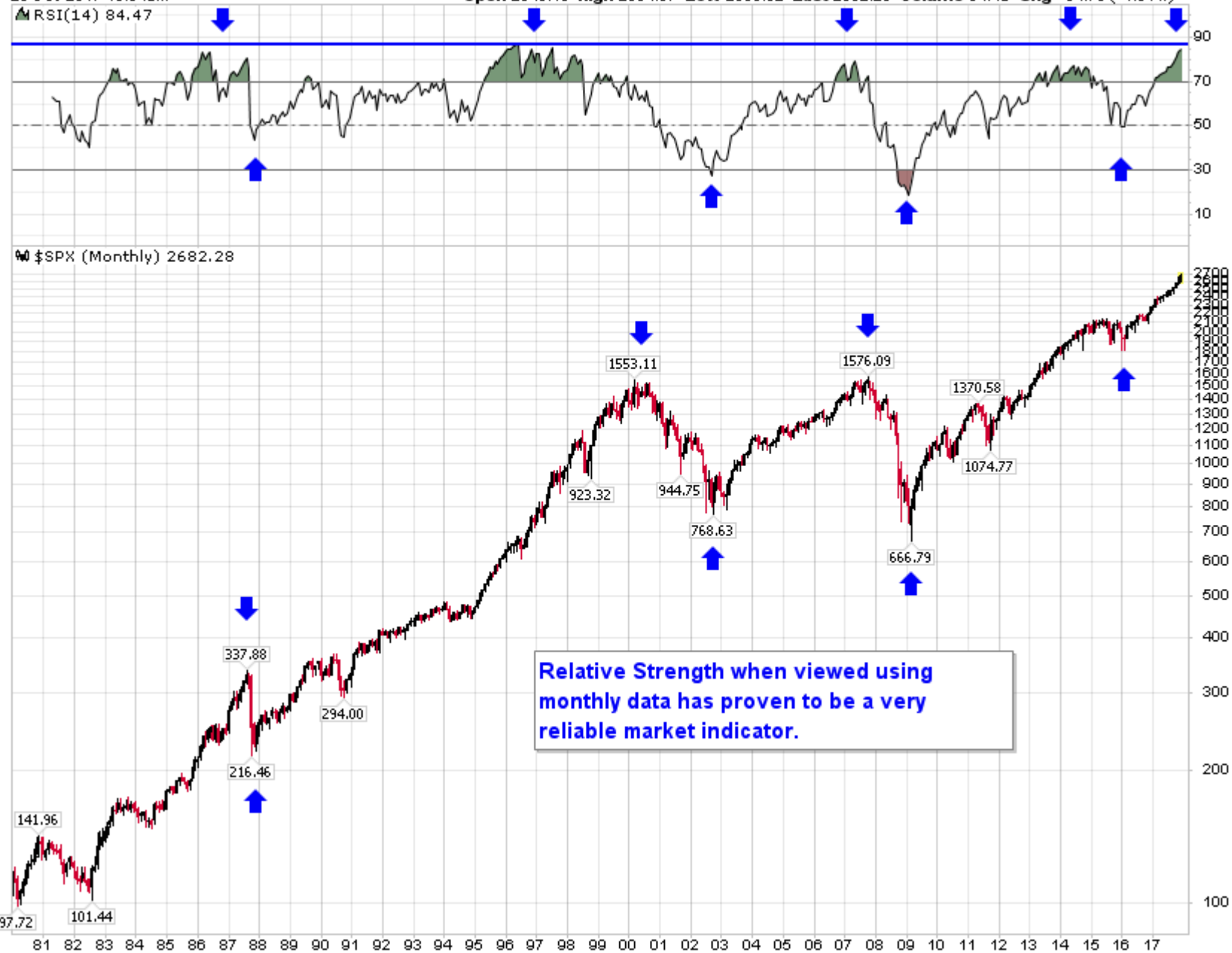
\$SPX S&P 500 Large Cap Index INDX

26-Dec-2017 10:34am

▲ RSI(14) 84.47

Open 2645.10 High 2694.97 Low 2605.52 Last 2682.28 Volume 34.4B Chg +34.70 (+1.31%) ▲

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\$SPX S&P 500 Large Cap Index INDX

26-Dec-2017 10:41am

© StockCharts.com

Open 2679.09 High 2682.74 Low 2678.48 Last 2682.31 Chg -1.03 (-0.04%) ▼

▲ RSI(14) 83.57



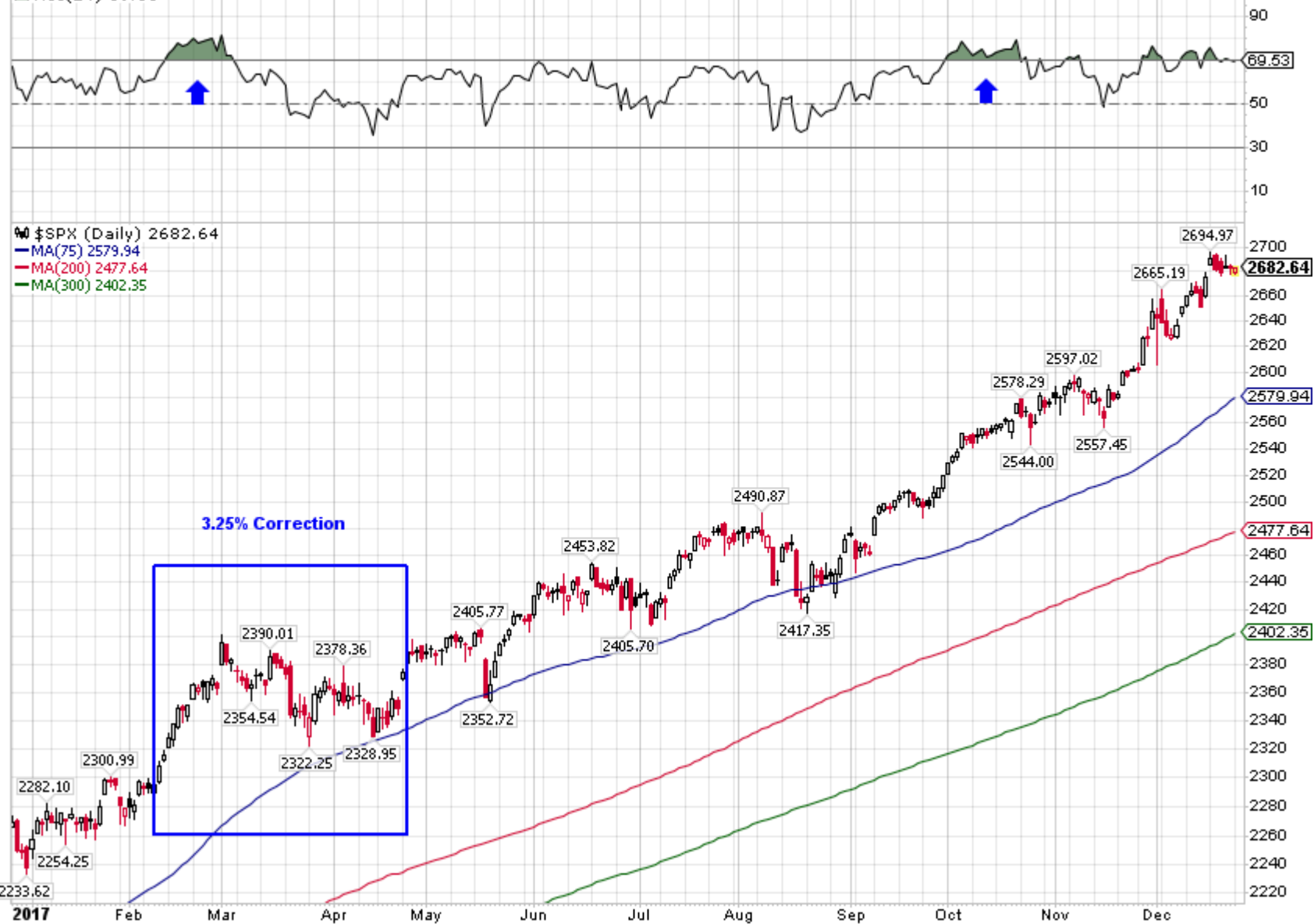
\$SPX S&P 500 Large Cap Index INDX

26-Dec-2017 10:35am

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Open 2679.09 High 2682.73 Low 2678.48 Last 2682.64 Chg -0.70 (-0.03%) ▼

▲ RSI(14) 69.53



**Buena Vista
Investment Management**

**US Dollar
&
International Investments**



\$USD US Dollar Index - Cash Settle (EOD) ICE

29-Nov-2017

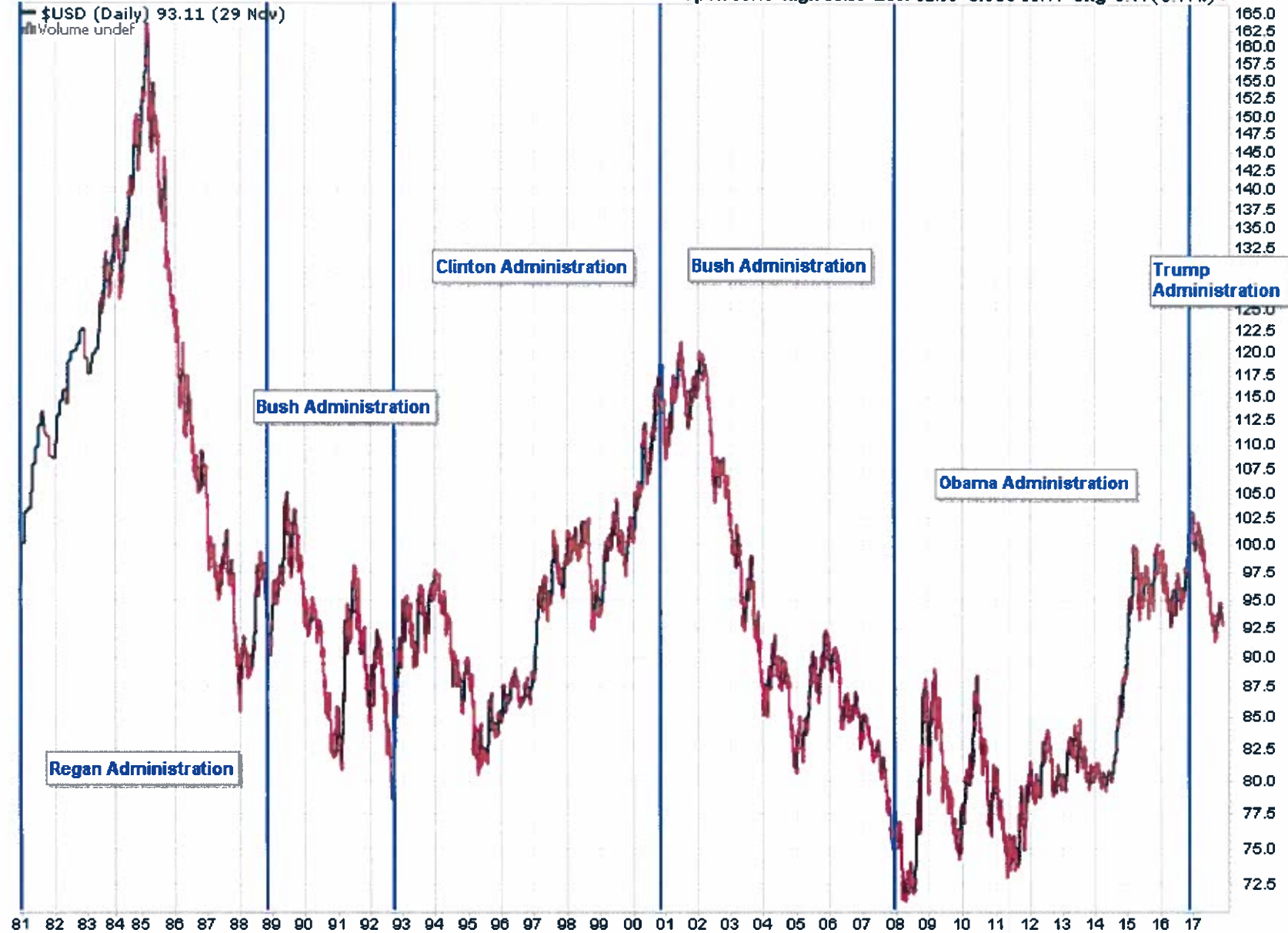
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\$USD (Daily) 93.11 (29 Nov)
Volume undef

Open 93.18 High 93.38 Low 92.93 Close 93.11 Chg -0.11 (-0.11%)

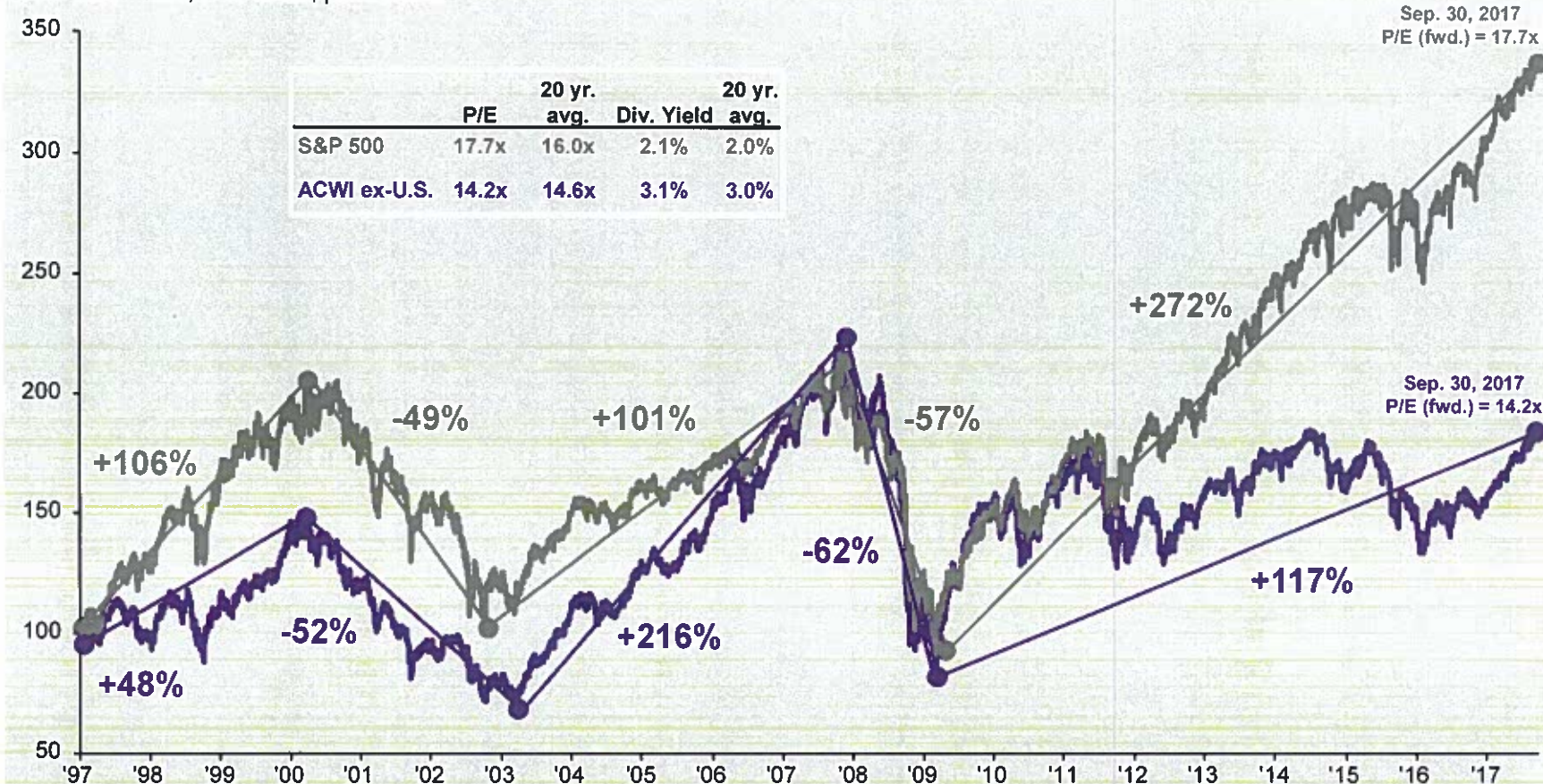
165.0
162.5
160.0
157.5
155.0
152.5
150.0
147.5
145.0
142.5
140.0
137.5
135.0
132.5

125.0
122.5
120.0
117.5
115.0
112.5
110.0
107.5
105.0
102.5
100.0
97.5
95.0
92.5
90.0
87.5
85.0
82.5
80.0
77.5
75.0
72.5



MSCI All Country World ex-U.S. and S&P 500 Index

Dec. 1996 = 100, U.S. dollar, price return



Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Dividend yield is calculated as consensus estimates of dividends for the next twelve months, divided by most recent price, as provided by FactSet Market Aggregates.

Guide to the Markets - U.S. Data are as of September 30, 2017.