

# Market Commentary

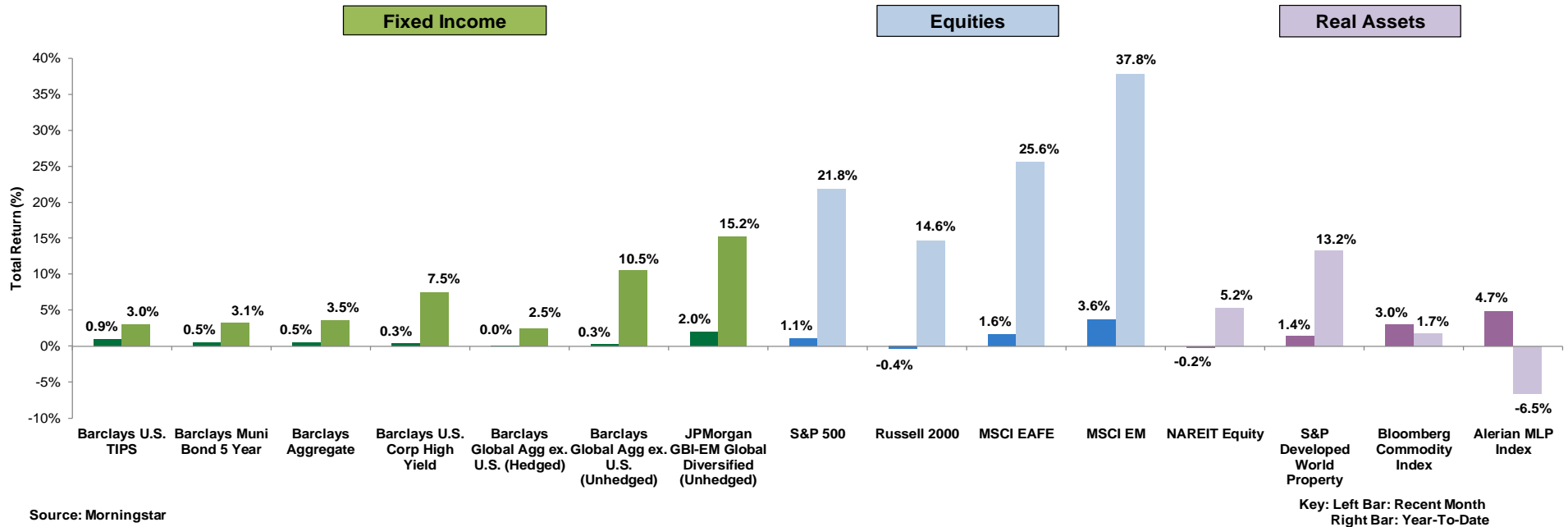
## December 2017

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# Global Markets Summary

## December 2017

### Asset Class Returns



### Fixed Income

- Fixed income markets were positive during the last month of the year across domestic and international markets.
- Emerging markets debt was the best performing fixed income asset class for the year and capped the positive year by being the best performer in December.
- Despite three rate hikes over the course of 2017, the 10-Year U.S. Treasury yield ended the year at 2.41%, just 0.03% lower than where it started.

### Equities

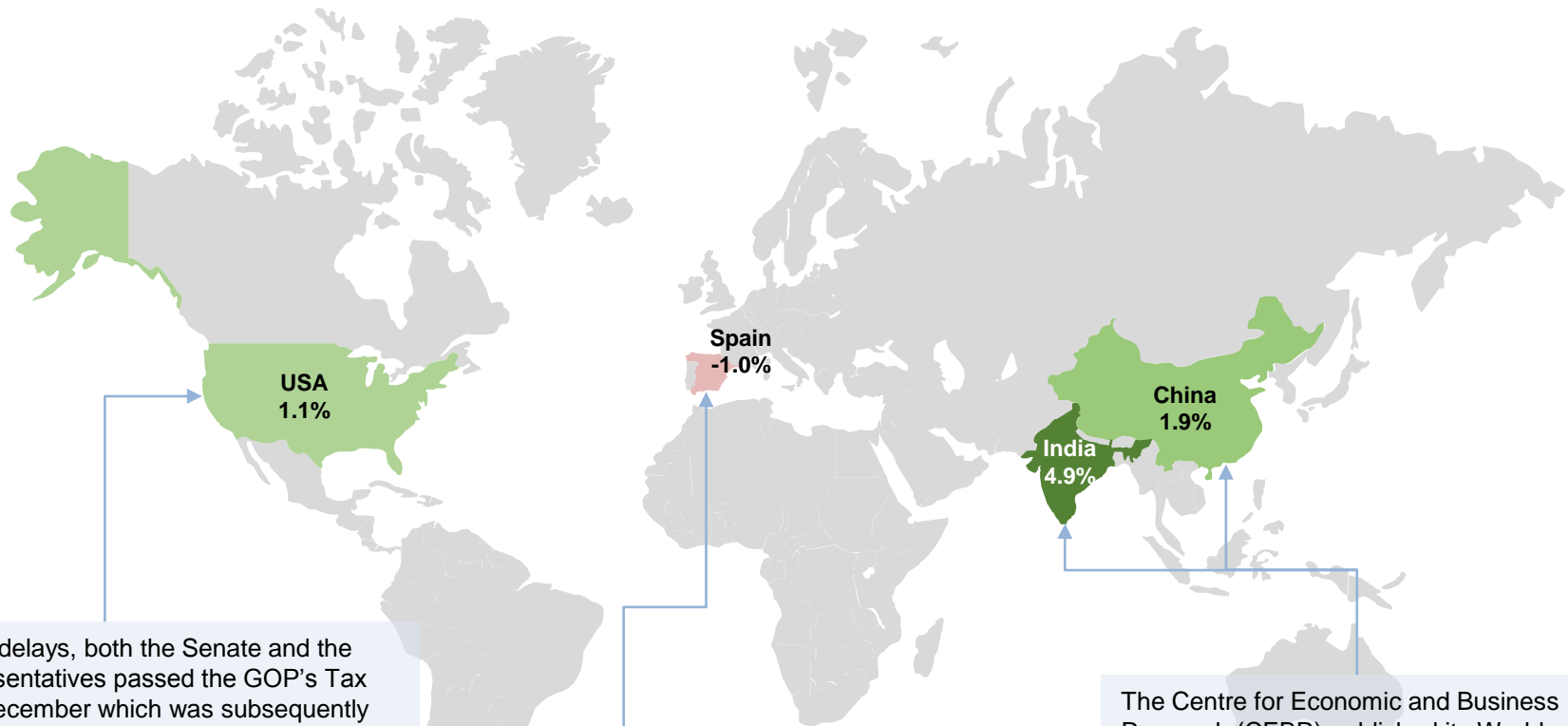
- Domestic and international markets were mostly higher during the month. Emerging markets equities, similar to their fixed income counterpart, was the best performer for the month and the year.
- Energy and telecom were the top performing sectors in December as energy prices recovered into the end of the year.
- Internationally, the United Kingdom had a notably strong end to the year while Brazil and India led the charge in emerging markets.

### Real Assets

- MLPs were the top performer in real assets during the month of December but the worst performer for the full year. Commodities were higher while real estate finished December mixed.
- International real estate outperformed domestic benefiting global allocations as Europe and Asia rose.
- Commodities rose as oil pushed higher, benefiting the energy space as a whole. Industrial metals were also higher while agriculture fell.

# Global Highlights

December 2017



Following a few delays, both the Senate and the House of Representatives passed the GOP's Tax Reform Bill in December which was subsequently signed into law by President Trump.

U.S. oil prices hit their highest point since mid-2015 closing above \$60 to end the year. This was in part due to a fall in output and a drop in commercial stockpiles.

The Federal Open Market Committee (FOMC) met in December and decided to raise the target range for the federal funds rate by a quarter point to 1.25% to 1.50%.

Despite the Spanish government's attempt to suppress the separatist movement in Catalonia with an early election, the three separatist parties together took the majority of seats in the 135-seat Parliament.

The Centre for Economic and Business Research (CEBR) published its World Economic League Table with predictions that China will overtake the U.S. as the world's number one economy by 2032. The report also noted India's likelihood to overtake both the UK and France in 2018.

Despite the United Nations sanctions, it appears that China has been secretly selling oil to North Korea. This could add stress to Chinese relations with other UN parties.

*Stated returns reflect each country's MSCI Gross Country Index in U.S. Dollars*

## Financial Markets Performance

Total Returns as of December 31, 2017  
 Periods greater than one year are annualized  
 All returns are in U.S. dollar terms

Global Fixed Income Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg Barclays 1-3-Month T-Bill	0.1%	0.3%	0.8%	0.8%	0.4%	0.2%	0.2%	0.3%	1.2%
Bloomberg Barclays US TIPS	0.9%	1.3%	3.0%	3.0%	2.1%	0.1%	2.9%	3.5%	4.4%
Bloomberg Barclays Municipal Bond (5 Year)	0.5%	(0.7%)	3.1%	3.1%	1.7%	1.8%	2.7%	3.5%	3.4%
Bloomberg Barclays HY Muni	1.3%	1.8%	9.7%	9.7%	4.8%	4.3%	6.9%	5.2%	6.2%
Bloomberg Barclays US Aggregate	0.5%	0.4%	3.5%	3.5%	2.2%	2.1%	3.2%	4.0%	4.1%
Bloomberg Barclays U.S. Corporate High Yield	0.3%	0.5%	7.5%	7.5%	6.4%	5.8%	7.0%	8.0%	9.0%
Bloomberg Barclays Global Aggregate ex-US Hedged	0.0%	1.1%	2.5%	2.5%	2.9%	3.7%	4.1%	4.2%	4.2%
Bloomberg Barclays Global Aggregate ex-US Unhedged	0.3%	1.6%	10.5%	10.5%	1.8%	(0.2%)	1.0%	2.4%	4.3%
Bloomberg Barclays U.S. Long Gov / Credit	1.9%	2.8%	10.7%	10.7%	4.5%	4.4%	7.5%	7.3%	6.8%
JPMorgan GBI-EM Global Diversified	2.0%	0.8%	15.2%	15.2%	2.5%	(1.5%)	0.8%	3.6%	7.5%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	1.1%	6.6%	21.8%	21.8%	11.4%	15.8%	13.8%	8.5%	9.9%
Dow Jones Industrial Average	1.9%	11.0%	28.1%	28.1%	14.4%	16.4%	14.3%	9.3%	10.3%
NASDAQ Composite	0.5%	6.5%	29.6%	29.6%	14.7%	19.4%	16.0%	11.3%	12.6%
Russell 3000	1.0%	6.3%	21.1%	21.1%	11.1%	15.6%	13.5%	8.6%	10.3%
Russell 1000	1.1%	6.6%	21.7%	21.7%	11.2%	15.7%	13.7%	8.6%	10.2%
Russell 1000 Growth	0.8%	7.9%	30.2%	30.2%	13.8%	17.3%	14.8%	10.0%	10.7%
Russell 1000 Value	1.5%	5.3%	13.7%	13.7%	8.7%	14.0%	12.5%	7.1%	9.6%
Russell Mid Cap	0.9%	6.1%	18.5%	18.5%	9.6%	15.0%	12.8%	9.1%	12.1%
Russell Mid Cap Growth	0.5%	6.8%	25.3%	25.3%	10.3%	15.3%	12.8%	9.1%	12.0%
Russell Mid Cap Value	1.2%	5.5%	13.3%	13.3%	9.0%	14.7%	12.8%	9.1%	12.0%
Russell 2000	(0.4%)	3.3%	14.6%	14.6%	10.0%	14.1%	11.6%	8.7%	11.2%
Russell 2000 Growth	0.1%	4.6%	22.2%	22.2%	10.3%	15.2%	12.3%	9.2%	11.6%
Russell 2000 Value	(1.0%)	2.0%	7.8%	7.8%	9.5%	13.0%	10.8%	8.2%	10.7%
MSCI ACWI	1.6%	5.8%	24.6%	24.6%	9.9%	11.4%	9.3%	5.2%	9.6%
MSCI ACWI ex. U.S.	2.3%	5.1%	27.8%	27.8%	8.3%	7.3%	5.4%	2.3%	9.2%
MSCI EAFE	1.6%	4.3%	25.6%	25.6%	8.3%	8.4%	6.5%	2.4%	8.6%
MSCI EAFE Growth	1.7%	5.3%	29.3%	29.3%	9.6%	9.2%	7.0%	3.0%	8.5%
MSCI EAFE Value	1.6%	3.3%	22.1%	22.1%	6.9%	7.5%	6.0%	1.7%	8.6%
MSCI EAFE Small Cap	2.7%	6.1%	33.5%	33.5%	14.6%	13.2%	9.5%	6.1%	12.6%
MSCI Emerging Markets	3.6%	7.5%	37.8%	37.8%	9.5%	4.7%	2.9%	2.0%	12.7%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	(0.2%)	1.5%	5.2%	5.2%	5.6%	9.5%	10.5%	7.4%	10.9%
S&P Developed World Property ex-US	3.0%	6.5%	22.9%	22.9%	7.7%	7.0%	7.5%	3.0%	10.7%
S&P Developed World Property	1.4%	3.9%	13.2%	13.2%	6.4%	8.0%	8.6%	4.6%	10.6%
Bloomberg Commodity Total Return	3.0%	4.7%	1.7%	1.7%	(5.0%)	(8.5%)	(8.1%)	(6.8%)	(0.3%)
Alerian MLP	4.7%	(0.9%)	(6.5%)	(6.5%)	(9.3%)	(0.1%)	2.5%	6.0%	10.7%

Source: Morningstar

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash – Citigroup 90 Day T-Bill; TIPS – Bloomberg Barclays US Treasury TIPS; Aggregate Bond – Bloomberg Barclays US Aggregate Bond Index; Municipal Bond – Bloomberg Barclays Municipal 5-Year Bond, High Yield – Bloomberg Barclays US Corporate High Yield; Foreign Bond – Bloomberg Barclays Global Aggregate Ex USD; Local Currency Denominated Emerging Markets Debt – JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value – Russell 1000 Value; Large Blend – S&P 500; Large Growth – Russell 1000 Growth; Small Value – Russell 2000 Value; Small Blend – Russell 2000; Small Growth – Russell 2000 Growth; International – MSCI EAFE; Emerging Markets – MSCI EM; REITs – FTSE NAREIT Equity REITs; Commodities – Bloomberg Commodity Index; MLP – Alerian MLP; Hedge Funds – HFRI Fund of Funds Composite Index; Balanced – 5% Bloomberg Barclays US Treasury TIPS, 10% Bloomberg Barclays US Aggregate Bond Index, 4.5% Bloomberg Barclays Global Aggregate Ex USD, 4.5% Bloomberg Barclays Global Aggregate Ex USD (Hedged), 9% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index; Domestic Equity Indices – Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Mid-Cap, Russell Mid Cap Growth, Russell Mid-Cap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value; International Developed Markets – MSCI EAFE; US Dollar – US Dollar Index; Unhedged Developed Fixed Income – Bloomberg Barclays Global Aggregate Ex USD (Hedged); Real Assets – Bloomberg Commodity Index; Materials, Financials, Energy, Oil & Gas, Healthcare, Information Technology, Consumer Related Sectors – Dow Jones Sector Indices; Small Cap Securities – Russell 2000, Russell 2000 Growth, Russell 2000 Value; Large Cap Securities – Russell 1000, Russell 1000 Growth, Russell 1000 Value; Mid Cap Securities – Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value; Growth; Russell 1000 Growth, Russell Mid Cap Growth, Russell Small Cap Growth; Value – Russell 1000 Value, Russell Mid Cap Value, Russell 2000 Value; Fixed Income Markets – Bloomberg Barclays US Treasury TIPS, Bloomberg Barclays Municipal 5-Year Bond, Bloomberg Barclays Aggregate; Investment Grade Corporate Securities – Bloomberg Barclays US Credit; Long Maturity Treasuries – Bloomberg Barclays US Treasury 20+ Year; Shorter Dated Issues – Bloomberg Barclays US Treasury 1-3 Year; Industrial-, Financial- and Utility-Related Credits – Bloomberg Barclays Fixed Income Sector Indices; BB-Rated, B-Rated and CCC-Rated – Bloomberg Barclays Fixed Income Credit Quality Indices; MBS – Bloomberg Barclays US MBS; ABS – Bloomberg Barclays ABS; Crude Oil – Bloomberg Composite Crude Oil; Australia, New Zealand, Japan, China, India, Taiwan, South Korea, Brazil, Mexico, Chile, South Africa, Turkey, Egypt, Hungary, Poland, Russia, Canada, United Kingdom, Spain, Germany, Italy, France – MSCI Country Index Gross return USD; Natural Gas – Bloomberg Natural Gas