

Last week's summary

- U.S. equities had seventh weekly gain; S&P 500 Index, Nasdaq-100 Index hit new highs
- U.S. GDP saw strongest consecutive quarterly growth in 3 years
- U.S. 10-Year Treasury yield rose to 2.4%
- Tech giants rallied on strong earnings
- U.S. Dollar rose to 3-month high on tax hopes
- Oil climbed to six-month high

To watch for this week

- M, 10/30/17 Personal Income, PCE Core
- W, 11/1/17 FOMC Rate Decision, ADP Employment Change, ISM Manufacturing, ISM New Orders
- Th, 11/2/17 BOE Policy Decision
- F, 11/3/17 Change in Nonfarm Payrolls, Unemployment Rate, Durable Goods Orders, Factory Orders.

Weekly market recap

The S&P Index hit another new high and the dollar rallied after the U.S. economy saw its strongest consecutive quarterly growth in 3 years. U.S. GDP expanded at an above forecast 3% in the third quarter, showing resilient demand from consumers and business. Global equities also rallied on strengthening recovery. In the third quarter, European companies are showing profit growth that's twice as high as their U.S. counterparts. Meanwhile, the Nikkei 225 stock average closed above 22,000 for the first time since July 1996. As stocks rallied, investment-grade bonds continued to decline. The U.S. 10-Year Treasury yield rose to 2.4% ahead of an upcoming rate decision and uncertainty surrounding the next Fed Chair, said to be selected by the end of the upcoming week.

WEEKLY MARKET DATA

Equities	Level	Index Returns (%)							
		1 Week	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Max DD
S&P 500	2,581.07	0.23	2.55	17.16	18.66	10.80	14.20	7.43	-55.22
Dow Jones Industrial Avg.	23,434.19	0.45	4.70	20.87	25.53	12.35	13.56	7.71	-51.78
Russell 2000	1,508.32	-0.06	1.22	12.28	20.78	12.16	13.77	7.82	-50.62
MSCI EAFE	1,990.66	-0.34	0.92	21.58	19.80	5.62	8.97	1.92	-60.08
MSCI ACWI ex USA	295.50	-0.54	1.24	23.12	20.26	5.25	7.52	1.81	-60.53
S&P High Dividend	5,743.68	-0.57	2.00	11.13	12.26	12.43	14.59	8.98	-52.74
S&P 500 Buy Backs	22,929.99	-0.18	2.00	14.06	18.97	9.56	16.86	10.70	-45.90
S&P 500 Low Volatility	7,536.33	-0.09	2.36	14.84	13.13	12.17	13.21	9.41	-43.48

Fixed Income	Yield*	Index Returns (%)							
		1 Week	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Max DD
Barclays U.S. Aggregate	2.64	-0.10	0.62	2.91	0.07	2.71	2.06	4.27	-5.08
IG U.S. Corporates	3.12	-0.08	1.37	5.11	1.96	3.87	3.23	5.53	-14.09
Municipals	2.96	-0.29	0.08	4.36	0.84	3.21	3.08	4.45	-15.11
High Yield Municipals	5.30	-0.26	0.19	7.93	1.44	4.56	4.73	4.74	-30.59
High Yield Corporates	5.43	-0.12	0.37	7.40	8.90	5.83	6.36	7.83	-35.34
S&P/LSTA Leveraged Loan	4.78	0.02	0.59	2.93	4.58	3.17	3.44	4.48	-33.03
S&P U.S. Preferred Stock	5.90	-0.64	-0.54	8.41	4.95	6.19	6.33	5.53	-65.75

Blended Benchmarks	Index Returns (%)							
	1 Week	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Max DD
20% MSCI ACWI/80% U.S. Aggregate	-0.11	2.02	6.21	3.70	3.70	3.77	4.60	-10.10
30% MSCI ACWI/70% U.S. Aggregate	-0.11	2.70	7.87	5.53	4.18	4.61	4.69	-14.89
40% MSCI ACWI/60% U.S. Aggregate	-0.12	3.37	9.52	7.37	4.66	5.44	4.75	-21.35
65% MSCI ACWI/35% U.S. Aggregate	-0.12	4.99	13.66	12.02	5.84	7.46	4.65	-36.37
80% MSCI ACWI/20% U.S. Aggregate	-0.13	5.93	16.14	14.84	6.53	8.65	4.42	-44.67

Index Characteristics

Div. Yld (%)	FCF Yld (%)	P/E	P/B
1.93	4.17	21.76	3.10
2.19	3.90	19.77	3.75
1.33	1.46	51.71	2.10
3.03	5.69	19.77	1.69
2.83	6.05	18.67	1.70
2.64	4.01	21.63	2.97
1.54	6.20	16.42	2.46
2.18	3.64	21.74	3.18

Levels

Currencies	10/27/17	12/31/16	12/31/15
\$ per €	1.16	1.05	1.09
¥ per \$	113.67	116.96	120.22
\$ per £	1.31	1.23	1.47

Commodities

	10/27/17	12/31/16	12/31/15
Oil (WTI)	53.90	53.72	37.04
Natural Gas	2.75	3.72	2.34
Gold	1273.35	1147.50	1061.10
Silver	16.87	15.93	13.85
Copper	310.35	250.55	213.50

Net Flows (\$ Millions)

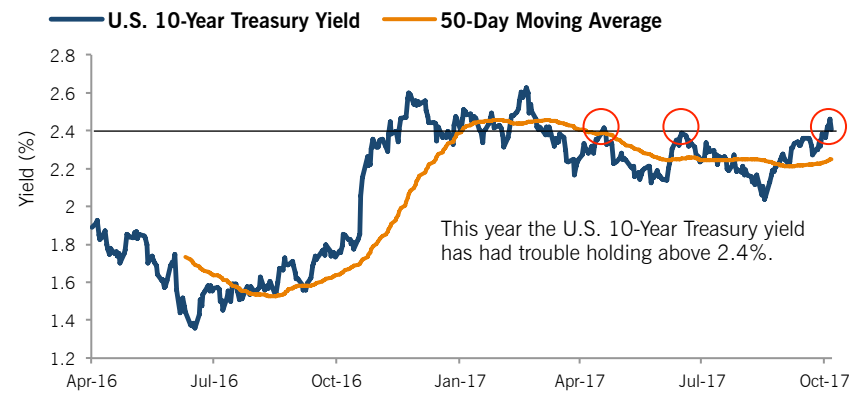
Fund Flows	1 Week	YTD	1 Year
Equities	12609	150123	171282
Fixed Income	9314	330056	326709
Commodities	-428	2899	-4360

Levels (%)

Key Rates	10/27/17	9/30/17	6/30/17	12/31/16	12/31/15	10/27/14
5 Year U.S. Treasuries	2.03	1.94	1.89	1.93	1.76	1.49
10-Year U.S. Treasuries	2.41	2.33	2.30	2.44	2.27	2.26
10-Year German Bund	0.38	0.46	0.47	0.21	0.63	0.87
6-mo. CD rate	1.60	1.53	1.45	1.50	0.85	0.37
3-mo. USD Libor	1.38	1.33	1.30	1.00	0.61	0.23
Prime Rate	4.25	4.25	4.25	3.75	3.50	3.25

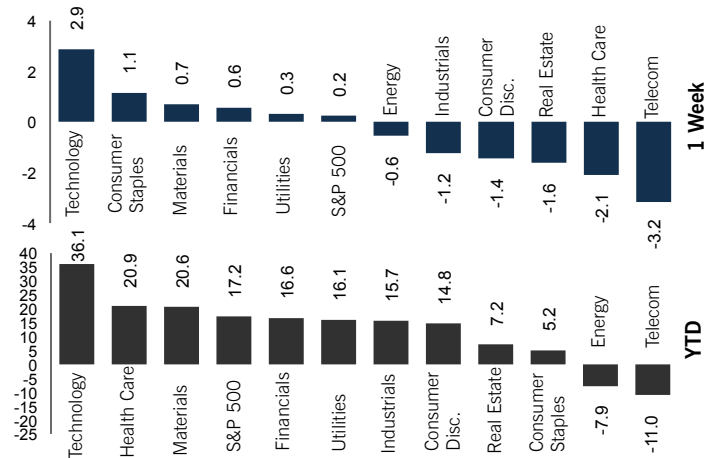
CHART OF THE WEEK

Are Yields Poised To Go Higher?



Source: Bloomberg. Data from 4/22/2016 to 10/27/2017.

S&P 500 SECTOR RETURNS (%)



Sources for all charts and tables: Bloomberg, S&P, Redwood. Data for all tables and charts is as of 10/27/17, excluding, 1 YR, 3 YR, 5 YR, 10 YR, MAX DD, which is as of 9/30/17. For illustration purposes only. Past performance is not a guarantee of future results. Please see disclosures on the next page for important additional information.



Definitions and Disclosures

Market Recap and Chart of the Week: Fed refers to the Federal Reserve, which is the central bank of the U.S. that is responsible for monetary policy, designed to expand a country's output and curb the effects of deflation. GDP is Gross Domestic Product, which is the monetary value of all finished goods and services produced within a country's borders in a specific time period; GDP is commonly used to gauge the health of the economy. A moving average is a calculation that takes a rolling average of a specified time period – a 50 day moving average calculates the rolling average of a series in 50 day increments. The Nasdaq 100 Index includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market. The Nikkei 225 Stock Average is a stock market index for the Tokyo Stock Exchange. For S&P 500 (S&P 500 Index), Dow Jones Avg (Dow Jones Industrial Average Index), U.S. 10-Year Treasury Yield, Oil, U.S. Dollar, please see definitions below.

Abbreviations: MAX DD refers to Maximum Drawdown of the last 10 years ending with the as of data date indicated. A drawdown is a measure of peak to trough loss in a given period; maximum drawdown is a measure of the maximum peak to trough percentage loss in any given period. YTD refers to year to date and QTD refers to quarter to date.

Indices and Data: *Equities:* S&P 500 refers to the S&P 500 Index which is a stock market index based on the market capitalization of 500 leading companies publicly traded in the U.S. stock market, as determined by Standard & Poor's. Dow Jones Industrial Avg. (Average) is an index by Standard & Poor's that tracks 30 widely-traded blue chip stocks with large market capitalization. Russell 2000 Index is an index that measures the performance of the small-cap segment of the U.S. equity universe, including approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. MSCI EAFE refers to the Morgan Stanley Capital International Index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada and includes Europe, Australia, and the Far East. MSCI ACWI ex USA refers to the Morgan Stanley Capital International All Country World Index, which is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets; the MSCI ACWI ex USA Index does not include the U.S. S&P High Dividend refers to the S&P High Yield Dividend Aristocrats Index and is designed to measure the performance of the S&P 500 Index constituents that have followed a policy of consistently increasing dividends every year for at least 25 years. S&P 500 Buy Backs refers to the S&P 500 Buyback Index, which is designed to measure the performance of the top 100 stocks with the highest buyback ratios in the S&P 500. S&P 500 Low Volatility refers to the S&P 500 Low Volatility Index, which is designed to measure the performance of the 100 least volatile stocks in the S&P 500 Index. *Equities Characteristics:* Calculations and data for characteristics for indices are supplied by Bloomberg. Div. Yld refers to Dividend Yield and is the annual dividends per share divided by the price per share, expressed as a percentage. FCF Yld refers to Free Cash Flow Yield and is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share; this ratio is calculated by taking the free cash flow per share divided by the share price. P/E refers to the Price-Earnings Ratio, which is a valuation ratio of a company's current share price compared to its per-share earnings. P/B refers to the Price/Book, which is a ratio of a stock's price divided by the book value per share; for indices, the price-to book value ratio is the average of the index member's capitalization divided by their book value. *Fixed Income:* Performance of these indices reflect total-return, which includes both price and dividends and reinvestments of dividends. "Yield" shown may represent different yield types and calculations and varies from index (or asset class) to index determined by availability of data. Barclays U.S. Aggregate refers to the Barclays U.S. Capital Aggregate Bond Index, which is an index that consists of investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities, and asset-backed securities. It is often considered representative of the U.S. investment-grade fixed rate bond market. IG ("Investment Grade") U.S. Corporates is represented by the Barclays U.S. Aggregate Credit Total Return Index, which measures performance from corporate bonds within the Barclays U.S. Aggregate Bond Index. Municipals is represented by the S&P Municipal Bond Index, which is a broad, comprehensive, market value-weighted index that tracks bond issues that are exempt from U.S. federal income taxes or subject to the alternative minimum tax. High Yield Municipals is represented by the Barclays Municipal High Yield Index, which is an index that seeks to track the performance of non-investment grade municipals. High Yield Corporates is represented by the Barclays High Yield Corporate Bond Index, which is an index that consists of U.S. corporate debt that are non-investment grade to reflect the performance of U.S. dollar denominated non-investment grade debt. The S&P/LSTA Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market. S&P U.S. Preferred Stock Index is an index designed to represent the U.S. preferred stock market. Yield shown for Barclays U.S. Aggregate and IG Corporates, High Yield Municipal, and High Yield Corporates is Yield To Worst as provided by Bloomberg. Yield shown for Municipals and S&P/LSTA Leveraged Loan is Yield To Maturity as provided by S&P. Yield shown for S&P U.S. Preferred Stock is the Dividend Yield as provided by S&P on a monthly basis – data shown is as of the last day of the previous month this piece is dated. *Blended Benchmarks:* Benchmarks shown reflect the total return of two indices with the weights indicated and rebalanced annually. Blend returns are calculated and are hypothetical with data supplied by Bloomberg. For example, 20% MSCI ACWI/ 80% U.S. Aggregate is a blend of 20%: MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets; 80%: U.S. Aggregate refers to the Barclays U.S. Aggregate Bond Index (see above). *Key Rates:* Key rate data are provided by Bloomberg. 5-Year, 10-Year U.S. Treasuries are the yield of a debt obligation by the United States government that matures at the year indicated. 10-Year German Bund is a debt obligation issued by the German government that matures in 10-years. A 6-mo CD is a certificate of deposit with a 6 month maturity, 3-mo. USD LIBOR is the "London Inter-Bank Offered Rate, often used as a benchmark for borrowing between banks. The Prime Rate is the lowest rate of interest at which money may be borrowed commercially. *Currencies and Commodities:* \$ per € is the Dollar per Euro and ¥ per \$ is the Yen per Euro, calculated using spot prices. For commodities, the spot price is per common unit (barrel for WTI (West Texas Intermediate) Oil, thermal units for natural gas ounce for precious metals). Data and quotes provided by Bloomberg. *Fund Flows:* Aggregate net amount of flows per investment type in both mutual funds and exchange traded funds; data is as of 10/18/17 as provided by Investment Company Institute. *S&P 500 Sector Returns:* Returns within the S&P 500 Index broken down by GICS (Global Industry Classification Standards). Indices used to show performance are the S&P 500 Utilities Sector Index (Utilities), S&P 500 Telecommunications Sector Index (Telecom), S&P 500 Consumer Staples Sector Index (Consumer Staples), S&P 500 Health Care Sector Index (Health Care), S&P 500 Industrial Sector Index (Industrials), S&P 500 Technology Sector Index (Technology), S&P 500 Consumer Discretionary Sector Index (Consumer Disc.), S&P 500 Materials Sector Index (Materials), S&P 500 Energy Sector Index (Energy), S&P 500 Financials Sector Index (Financials). UNLESS OTHERWISE NOTED, INDEX RETURNS REFLECT THE REINVESTMENT OF INCOME DIVIDENDS AND CAPITAL GAINS, IF ANY, BUT DO NOT REFLECT FEES, BROKERAGE COMMISSIONS OR OTHER EXPENSES OF INVESTING. INVESTORS CANNOT MAKE DIRECT INVESTMENTS INTO ANY INDEX.

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