Zacks Market Strategy

Forecasts of Future Asset Class Returns

John J. Blank, Ph.D.

May 5, 2017

Welcome to Zacks Forecasts of Future Asset Class Returns

This monthly report provides the Zacks forecasts for all major asset classes and the details of our outlook.

As the firm's Chief Equity Strategist, I put together this report each month. I rely on a number of resources to come up with the individual asset class forecasts, including (a) Zacks proprietary models; (b) Input from the Zacks investment committee comprised of, besides myself, Ben and Mitch Zacks, senior portfolio managers at Zacks Investment Management, Sheraz Mian, the Director of Research, and the full team of stock strategists at Zacks.com; (c) Reviewing material produced by Zacks consulting economists at Macroeconomic Advisors, Consensus Economics, and San Francisco Fed "Fed Views" (d) Carrying out a Zacks survey of sell-side investment strategists and buy-side chief investment officers (CIO). All information is integrated to arrive at Zacks Forecasts.

This report represents the "Zacks Forecasts" and outlook for the different asset classes. For contrast, we deploy a quarterly "Chief Investment Officer" or CIO survey. This is called the "Strategist Forecasts of Future Asset Class Returns". Their responses show you consensus forecasts and outlooks for the same asset classes.

See p.24 for a summary.

Together, they provide Zacks Forecasts and Consensus Outlook details about U.S. and global GDP growth outlook, interest rates and the Fed, S&P 500 earnings, returns outlook for the S&P 500 and Russell 2000 sub-indices, outlooks for individual sectors and industries, equity style boxes, global regions and individual country returns, etc.

Zacks Market Strategy

Table of Contents

Commentary

1. Zacks May View on Equity Markets.................................…. 3

2. U.S. Macro Outlook from San Fran Fed.…………………….. 5

3. Zacks Forecasts at a Glance.……………..………………..…. 7

Top-Down Zacks Rank

4. ZRS Chart of the Month..…………………………………..…. 15

5. Zacks Rank S&P500 Sector Picks.……..……....………... 16

6. Zacks Rank April Industry Tables.…………...……………. 17

Asset Allocation

7. May Asset Allocation Guidelines.…………….….…….....…. 21

8. May Equity Style Box Returns.…………...……….....………. 23

9. May Buy-Side and Sell-Side: Consensus at a Glance.……. 24

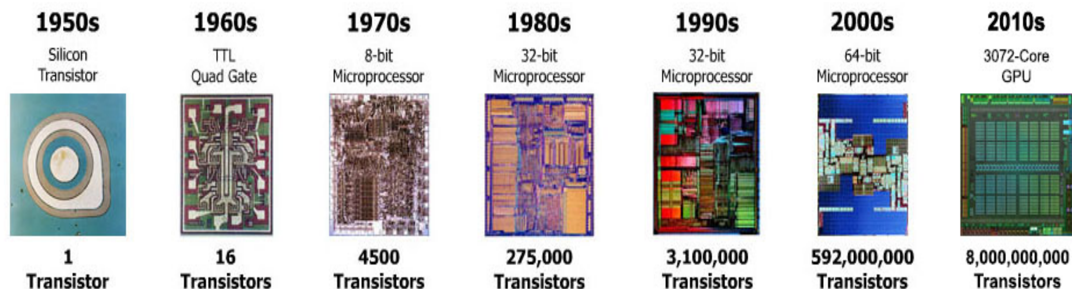
Commentary

1. Zacks May View on Equity Markets

U.S. Markets

S&P500 earnings could record +12.5% y/y growth in Q1-2017, the best since Q3-2011. What's Hot? Info Tech. In Q1, it is clocking +15.8% annual earnings growth. And what is HOT within Tech? Semis! That's the industry I want to focus on in May. The ratio of Nasdaq-to-S&P500 share indexes is the now the highest it has been -- since Sept 2000.

The Integrated Circuit (IC) was invented in California a few decades ago. It is effectively the core machine in information technology. In the most simple of terms, this is the key tool (the integrated circuit or IC) to move (transit or transistor) massive amounts of information (aka signals). Each IC is explicitly designed for its ultimate function. ICs are then 'baked' into a single silicon microchip. **Consult the picture below--**



This visual picture shows the historical timeline in the development of Integrated Circuits. Pay immediate attention to the 1950s, with just 1 transistor. Then, go to the 1960s with 16 transistors. In the early days, you can count the transistors with the human eye. There are 14 transistors on the rim of the 1960s chip, with 2 found in the middle of the chip (16 in total). Including the 2 transistors in the center, they appear to make up a central processing unit (called the CPU). Then, just make that 'interstate interchange system' all the more complex as time goes on…into the 1970s, 80s, 90s, and 2000s.

You must know this important principal defined by a founder of **Intel (INTC)**, Gordon Moore. ***Moore's Law "Transistor density on integrated circuits doubles about every two years." Source: "Moore's Law: Raising the Bar" (Intel 2005).***

Go back to the IC set of pictures. Look over the decades. Computer chip designers exponentially increased the number of transistors and the size of microprocessor on a given semiconductor chip. That's Moore's Law!

In the 2010s --as the last serial timeline picture shows-- we are now at 8 million transistors on a given chip, with 3072 bits of information able to simultaneously go through a centrally located general processing unit (GPU).

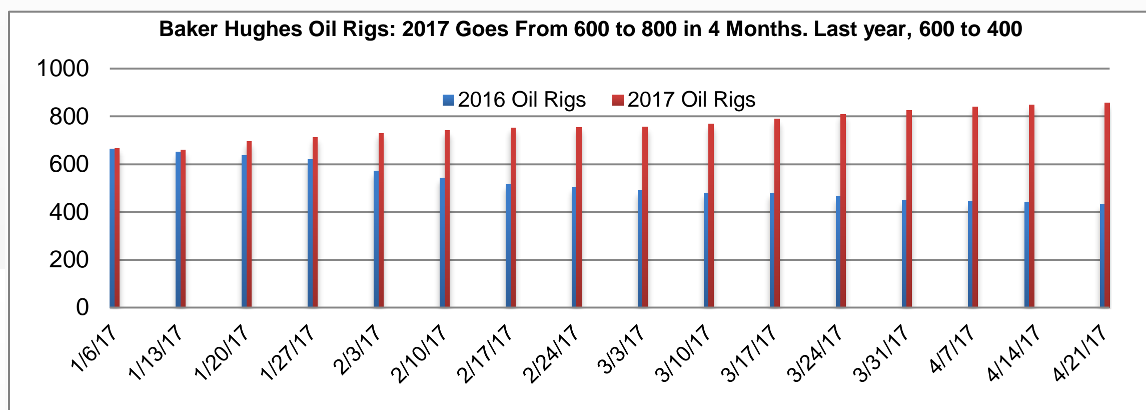
Since 2010, a new hyper speed in transmission of bits has been reached. It is labeled as a 3072-core GPU (general processing unit). Look again at the IC picture. If you Google "3072-core GPU", up will come this chip-- **NVIDIA**'s Flagship Maxwell GM200 GPU Core. That's the hottest semi chip company of all, 'for the post-smart phone era'.

Global Markets

Booming global share markets after the U.S. election, in part, reflected hopes of an oil production deal. A deal eventually came to pass in late November when OPEC met in Vienna. A subsequent agreement between non-OPEC producers also cut supply in December. That helped deliver a significant boost to crude prices.

The big motivation for late 2016 oil production cut deals had been the economic pain inflicted by a falling oil price on the economies of producers, notably Saudi Arabia. As that country looks to line up an equity flotation of state-owned oil company Aramco by 2018, keeping the global oil price firmly above $50 a barrel is a crucial aim.

But production cuts put U.S. frackers back in business. Here's the U.S. Oil Rig count.



Zacks Momentum Trader Editor Dave Bartosiak put together the oil price story for us, in a recent piece— In short, he explains how oil prices are stuck in a tight trading range.

"There are few things in life which remain guarantees. Death, taxes, and I add volatility in oil prices. For the most part, oil only has two phases and neither of them involve being stagnant. Oil is either trending or consolidating within a trading range.

After several failed attempts to breakout above $55, oil prices came down to test the bottom end of its trading range. Only the bottom end was much more shallow than most traders thought. Buyers came in to bid up oil in the $47 handle, well above previous support in the $43s.

Yes the breakout still didn't happen, as the bulls ran out of gas two weeks ago under $54. These two actions have now created a constriction in oil prices. This constriction is shown through a set of higher lows and lower highs. You can think of this constriction as a spring. That spring compresses and then is likely to breakout in one direction or the other.

Rather than waiting for the breakout from previous significant highs at $55 or significant lows at $43, traders will be playing the breakouts from these trend lines.

When (or if a breakout) happens, it will offer a great opportunity to jump on board in either direction. Waiting for the larger levels to break will result in missed profits."

What does this tight oil trading range portend for global markets?

There is neither excessive fear nor greed available to oil producing countries in 2017. It also explains why Mexico recently sold off hedges on oil prices recently. They don't want to suffer from any downside risk, if this oil price story goes south. The rise in U.S. rig count looks ominous, but this recovery to above 800 rigs is off a low number. 1,400. That's the number of rigs seen in 2014.

NOTE: OPEC meets again, on May 25th.

2. U.S. Macro Outlook -- San Francisco Fed "Fed Views"

Mary C. Daly, EVP at the San Fran Fed, stated her views on April 13, 2017.

With the cyclical effects of the Great Recession mostly behind us, and monetary policy normalizing, the economy is moving towards its sustainable steady state. But the "new normal" is expected to look a lot different than the old.

Assessments show. A sustained expansion will be characterized by real GDP growth of 1½% to 1¾%; job growth of 50,000 to 100,000 per month; and a neutral federal funds rate of around 3%.

The new normal

Trend growth for economic variables

	Old Norms	New Norms
GDP Growth	3% to 3.5%	1.5% to 1.75%
Jobs Per Month	100K to 150K	50K to 100K
Unemployment Rate	5.0%	4.8% to 5.0%
Inflation	2.0%	2.0%
Neutral Interest Rate	4% to 4.5%	2.8% to 3%

Source: FRBSF research and FOMC Summary of Economic Projections (March 15, 2017)

Projections of normal GDP growth reflect assessments of labor force and productivity growth. Expectations for these elements, especially for labor force growth, are much more modest than in the past.

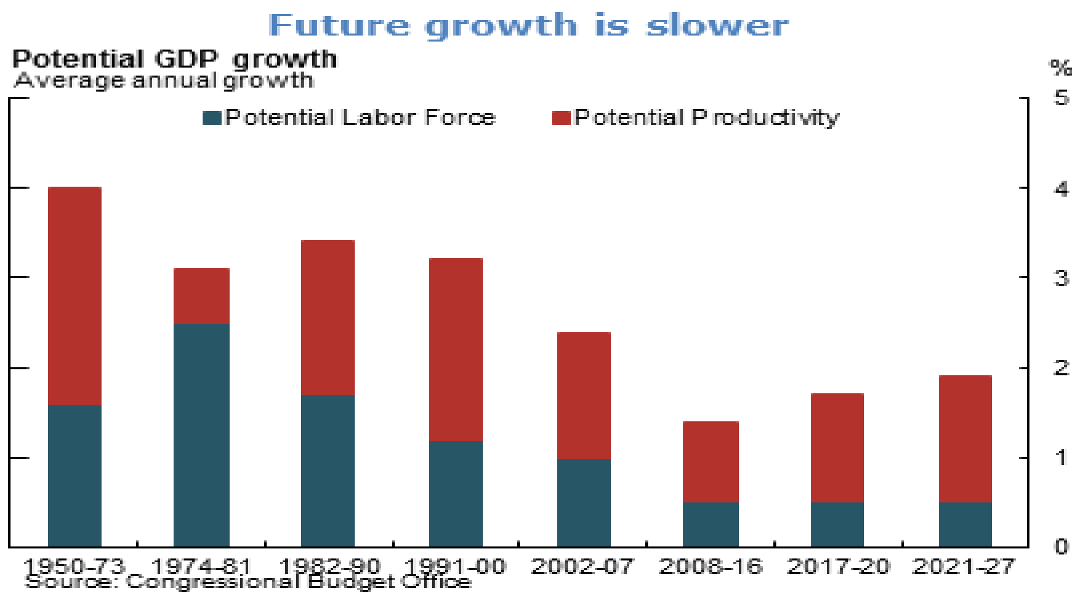
Labor force growth is largely determined by population demographics, which in the U.S. has been shaped largely by the baby boom generation. In the 1970s and 1980s, the labor force grew quickly as baby boomers hit working age and greater numbers of women entered the labor market. Baby boomer retirements have already started to curb labor force growth and will continue to do so for the next decade. The Congressional Budget Office projects that the U.S. labor force will grow at about a 0.5% annual pace through 2027.

Importantly, productivity growth is unlikely to make up the gap. With the exception of the years from 1995-2004, productivity growth has averaged 1% to 1¼% over the past 40 years, and lately has been far slower. But even if productivity growth picks back up to its historical pace, combined with the expected labor force growth, it implies a new

normal for GDP growth of around 1½% to 1¾%, far slower than the 3% to 3½% growth from previous decades.

Of course, slower labor force growth also reduces the number of jobs the economy must create to keep the labor market at full employment. Going forward, a growth rate of 100,000 jobs per month will be considered a normal pace rather than a disappointing number.

Slower economic growth and an aging population is likely to put downward pressure on the longer run fed funds rate (FFR*). Since April 2012, the median projection among FOMC participants for the long-run level of FFR* has been marked down by 1¼ percentage points, from 4¼% to 3% as of March 2017.



The decline in FFR* reflects an evolution of views on the equilibrium real funds rate, r*, or the real rate of interest in the economy that balances the supply and demand of funds when the economy is in steady state. Secular forces have been pushing the supply of savings up and the demand for business investment spending down.

Improved life expectancy combined with a largely stable average retirement age suggest that aging baby boomers will need to fund longer periods of time out of the workforce, implying an expected pattern of less spending and more saving. Slower GDP growth going forward implies that investment spending will also slow down. Taken together, these two forces will work to reduce the equilibrium real funds rate in the economy.

The implications of a low r* are important. With less room to reduce rates in a downturn, there is a greater chance that the Federal Reserve will run into the zero lower bound on the federal funds rate. Discussions of unconventional monetary policy including balance sheet policy and forward guidance will be brought more regularly to the forefront.

In sum, while the economy has largely healed from the aftermath of the Great Recession, we face new challenges associated with an aging population and

slower economic growth. Slower growth and a lower neutral rate of interest are likely to be with us for some time.

SITE POLICIES PRIVACY CONTACT US WORK FOR US

3. Zacks Forecasts at a Glance

Top-Down S&P500 2017 Yearend Targets

The sell-side says the S&P500 heads up in 2017 -- by +2% to +9%.

The first table shows strategists S&P500 YE 2017 targets.

2017 yr end SPX Target	Firm	Analyst
2299*	Finance Twitter	StockCats
2300	Bank of America Merrill Lynch	Savita Subramanian
2300	Morgan Stanley	Adam Parker
2300	Credit Suisse	Andrew Garthwaite
2300	UBS	Julian Emanuel
2300	Goldman	David Kostin
2325	Citi	Tobias Levkovich
2325	Jeffries	Sean Darby
2340	Canaccord	Tony Dwyer
2350	BMO	Brian Belski
2350	Deutsche Bank	David Bianco
2350	Federated Investors	Stephen Auth
2400	JPMorgan	Dubravko Lakos-Bujas
2400	Societe Generale	Roland Kaloyan
2400	Barclays	Jonathon Glionna
2400	Blackrock	Heidi Richardson
2500	RBC	Jonathan Golub
2575	Prudential	John Praveen
		*subect to revision

For the buy-side, count on a similar bull market in 2017.

In 2016, U.S. stocks rose +12%. In 2015, they rose +1.4%. In 2014, U.S. stocks rose +14%. 2013 saw +32%.

Global growth keeps picking up. U.S traders and companies seem sanguine about the strong U.S. dollar issue. Positive sentiment also picked up with Trump. In February, with 2 weeks of governing accomplished, concern about Trump emerged. It can grow quickly.

Oil prices marched $5 higher a few months ago, due to Saudi cuts. That got U.S. shale producers to add rigs. In light of that, expect a climb from $50 to $55 a barrel in 2017.

With 2 more Fed hikes in June and September, and any Trump tax cut, higher long-term U.S. rates seem inevitable. But they are not here.

Despite the lackluster rate horizon, currency traders see more U.S. dollar strength.

In 2016, Wall Street strategists thought divergent central-bank policies — a tighter Fed and ongoing ECB easing — would boost the U.S. dollar and pressure earnings of U.S. companies doing business abroad. It didn’t. Later in 2017, this may materialize. But other positive macro forces keep dominating negative US dollar effects.

Global markets spent 2016 watching a steady weakening in China's currency. Further weakening in the renminbi/dollar cross remains the consensus. That is the call for 2017. The euro is cheap. Ditto the cheap U.K. pound.

What produces 2017 U.S. optimism?

Trump unleashed animal spirits. Beneath that, stellar U.S. job gains and stronger wages can build. High stock prices support consumer spending.

Demographics can build Health Care, with the ACA no longer in play. Housing permits and starts & office construction data have gotten stronger. For banks, more rate hikes is a sure thing across 2017. That adds profits to that sector.

What's alive for pessimists?

High valuations. Index technicals are flat across 3 months of 2017. The U.S. dollar is at a 14-yr high. Recession worry centers on too many real estate cranes in our cities. Rising rates may hold back the buyers of that construction. A bubble popping is possible.

Traders play a full year 2017-- as they attempt to price fair value on stocks. Look for waxing and waning optimism. A waning cycle can begin soon.

Is it time to buy the U.S. in May?

Think about 2,300 to 2,400 as a range this summer. Stocks are likely 20% overvalued.

The May 2017 index trades at 17.6x forward earnings. The Feb 2016 index low traded at 15.2x. The S&P500 has a 10-yr average of 14.3x forward earnings. The S&P500 at 2,300 should provide support. That's a 17 P/E.

Zacks strategists (including me) see the S&P500 around a 2,475 level by YE, acknowledging a 16% chance of a Q4-17 and an 18% chance of Q1-18 U.S. recession.

- Bulls see end-of-cycle upside. Q1-17 earnings are helping confirm it. The ECB buys bonds and the BoJ use negative rates. The weaker pound, euro, renminbi, & yen have improved non-U.S. competiveness. Asian and Europe share momentum builds even more. Non-U.S. indexes offer more attractive valuations.

- Bears (-10% to -20% downside) focus mostly on rich U.S. share valuations. They also see more future 2017 Fed rate hikes, gratis higher inflation. Finally, they focus on the strong U.S. dollar, as relative rate gaps widen.

- Range-bound sages note a 9.5% European unemployment rate. A U-shaped commodity & oil price recovery sticks around, as inventory clears. 10-year U.S. rates are held sideways. Europe QE and Japan's negative rates hold down the otherwise certain rise of the U.S. 10-year Treasury rate.

The positives: the low U.S. 4.5% unemployment rate and record low claims feed cyclical consumer spending. Info tech semis are HOT. The negatives: An oil price climb look muted, with 'fracker' drilling picking up. Trump is unpredictable. That slows stocks. Travel stocks in particular.

What of U.S. GDP growth? This should be a top-of-mind fundamental.

On May 1st, the Federal Gov't pegs Q1-17 a modest +0.7% growth. GDPNow for Q2 is at +4.3%. A rebound!

The U.S. scored final +1.9% growth for Q4-16 GDP. Q3 saw +3.2%. Q2 was +1.4%. Q1 was +0.8%. Q4-15 GDP came in at +1.0%. Q3-15 came in at +2.1%. Q2-15 GDP grew +3.9%. For reference, winter Q1-15 was +0.6%. Winter Q1-14 GDP was -2.1%.

"Muddle Through" +2.5% U.S. GDP growth remains our call on 2017.

Positive U.S. earnings and strong U.S. labor markets also say, "Don't worry".

A strong Q1-17 earnings season finishes in May. Q4-16 U.S earnings were OK in comparison. Earnings and revenue growth went positive in Q3-16. However, the new U.S. administration will ignore uncomfortable macro facts. There should be a higher level of trader concern, particularly about possible trade wars, presidential credibility, and legislative dis-function.

The U.S. remains in a 95-month expansion. Monthly labor market evidence stays conclusive. The U.S. created +211K in APRIL, +79K in MAR, +232K jobs in FEB and +216K jobs in JAN. June was the biggest job addition last year.

U.S. unemployment was 4.4% in APRIL. This rate is very close to 'frictional' or 'natural' unemployment.

+1.0% in GDP growth over a year is when recession selling triggers. Ample jobs tell us rising U.S. stock indexes remain the base case in 2017.

May Zacks Industry Ranks show the global consumer is the driver of earnings.

Both Industrials and Materials picked up steam. Non-U.S. remains HOT, via Info Tech.

- Health Care bounced back. This may be the spot to buy stocks now.
- Materials rose to Attractive. Steel and Chemicals strength leads. This is a sign Mainland China keep steady buying for infrastructure projects.
- Energy fell to Unattractive. Alternatives lead there. Pipelines and Integated Oil & Gas plays fell the furthest.

Bottoms-up strategists value S&P500 earnings at $131.51 in 2017. Tie on a 16 forward P/E to do that "fair value" math. Hence, 2,104 on the S&P500 marks "fair value". We trade 40 to 50 points under 2,400. It's a richly valued market.

Turn the P/E ratio on its head to attain a stock indexes' earnings yield. Divide $132 in projected earnings for 2017 by an S&P 500 trading at 2250. <u>That begets a 5.86% earnings yield.</u>

After a +32% rally in 2013, and +12% returns in 2014, +1.4% in 2015 and +12% in 2016, evidence is on share index undervaluation is spotty, unless you look ahead very bullishly.

KEY restraints to long-term US risk-free rates in 2017:

<u>Europe</u> "QE". Negative rates endure in Japan. These two big macro players pin down long-term rates. 10-year U.S. Treasuries offered a 2.32% rate in May 2017. A 1.80% rate was here on Nov. 1st, 2016. Historically, a stock earnings yield is +3% higher than

this 10-year U.S. Treasury rate.

Meaning S&P500 stocks should offer at least a 5.3% return, given greater risks.

The Russell 2000 (RUT) trades at 1407 as I write on April 3rd. This is near to a top of range seen for the past five months. The Trump Rally was over across the board as of Dec. 2016. “Risk-on” rallies usually show small cap and international stock indexes move together. My 2017 call: buy the RUT and buy international on the deep dips.

Zacks outlook: Traders should price in a full year 2017 view to set fair value.

2018 comes into view towards the end of summer.

- High-End Bulls at Zacks use $135 in earnings for 2017 (and a 16 P/E ratio). They say the S&P500 index at 2160 was fair value after mid-2016.
- Ever the optimists, the “High End” bulls say a U.S. recession looks far off. A U.S. valuation expansion on renewed EPS growth offers more upside.
- Low-End Bull pessimists think the S&P500 at 2080-2100 can revisit this market -- given 2017 EPS can disappoint.

If 2017 earnings forecasts move up on an oil and materials upturn; and rates remain close to historic lows; the bull runs. What if markets get the 10-year risk-free rate above a 3% rate? Relative bond/stock valuation gets tight. Watch that closely!

In sum, stocks should deliver in 2017. Fundamental momentum is over a year old. The major indexes started 2016 off with a -12% returns hole to fill. A positive outlook waited on an oil price bottom. In Feb. 2016, $26 a barrel for WTI oil was the global oil price bottom. Europe’s economy turned up in the summer of 2016. The Nov. 2016 U.S. election added positive U.S. sentiment to the mix.

Stocks can head further to 2,475 – as long as Trump’s decisions don’t cause a shock.

S&P500 Earnings Outlooks

Consensus sees a hockey stick +10.1% annual EPS growth for 2017. In 2016, the S&P500 garnered +0.5%. In 2015, the S&P500 saw -0.8%. In 2014, it saw +5.1%. Consensus uses +2.4% for 2016 and +5.3% for 2017 as fresh revenue growth comps.

For Q1-17, the estimated earnings growth rate for the S&P500 is +12.5%. If this holds, it will mark the highest (year-over-year) earnings growth for the index since Q3 of 2011.

Q4-16 marked +5.0% y/y growth. The S&P500 EPS growth recession ended in Q3-16. Q3-16 was at +3.1%. Q2-16 saw a -3.5% decline. Q1-16 saw a -6.7% EPS decline. This marked the first time the index saw y/y growth in EPS for two consecutive quarters since Q4-14 and Q1-15.

At +0.5% EPS growth, 2016 was a year to forget. A big -75.5% EPS drag from the Energy sector hurt most. -3.9% for Materials and -2.8% for Industrials were weak. What helped? —Real Estate (+11.6%) Consumer Disc. (+9.3%) Utilities (+9.6%) Health Care (+6.8%) and Info Tech (+5.7%); Financials (-0.2%) and Telcos (-7.5%) were poor.

Four S&P500 sectors lead blowout +10.1% 2017 EPS outlook – Energy (+281.2%), Materials (+15.0%), rate-driven Financials (+12.4%) and Info Tech (+10.6%). Then, its

Consumer Discretionary (+5.7%), Industrials (+4.7%), Health Care (+4.3%). and Consumer Staples (+4.2%) next. Telcos (-0.7%) and Utilities (-0.5%) are at the back, where deep defensives usually are found.

Investors – Stay optimistic on S&P500 2017 EPS. As EPS drivers, 2017 rate hikes lift bank profits; a turn in commodity demand indirectly lifts Industrials; a stronger world manufacturer – aka Mainland China helps Materials; and happier IT consumers spend.

The Institute for Supply Management (ISM) April PMI registered 54.8 percent, a decrease of 2.4 percentage points from the March reading of 57.2 percent. Comments from the panel generally reflect stable to growing business conditions: with new orders, production, employment and inventories of raw materials all growing in April over March.

What ISM Respondents Are Saying

- "For [the] first time in a long time, revenue was up in Q1 year-over-year. Our customers' businesses are starting to show sustained health." (Apparel, Leather & Allied Products)
- "Seeing increased orders and new projects." (Chemical Products)
- "Bookings are slow; however, we did receive a very large government order." (Computer & Electronic Products)
- "Business is definitely improving. Profit margins are increasing." (Fabricated Metal Products)
- "Ongoing market strength. While world/political headlines cause personal anxiety, business conditions remain solid." (Miscellaneous Manufacturing)
- "The poultry market continues to be stronger than anticipated." (Food, Beverage & Tobacco Products)
- "Continuing to source more raw materials locally and reduce exposure outside U.S." (Machinery)
- "Military and government spending is remaining strong. Commercial business has been flat to slightly down." (Transportation Equipment)
- "Our business and outlook are [strong]. We are seeing price increases from suppliers in many categories." (Plastics & Rubber Products)
- "Business is solid. Pricing pressures on commodities." (Furniture & Related Products)

The overall ISM April PMI indicated U.S. growth for the 95rd consecutive month in the overall economy, and indicated growth in the manufacturing sector for the 8th consecutive month. Of 18 manufacturing industries, 16 reported growth in April.

How about non-U.S. earnings? S&P500 companies get 32% of revenues abroad.

Note: As of March 2016, 68.5% of S&P500 revenues come from the US, 11.4% from Europe, 11.3% from Asia, and 7.3% via Latin America & Canada. 2.6% Africa/Mideast.

The J.P. Morgan Global Manufacturing PMI rose to a 69-month record of 53 for both Feb and March, up from 52.7 in January. The PMI has remained above the neutral 50.0 mark for 13 successive months. Developed nations tended to fare better than emerging markets during February. PMI levels edged higher in the euro area (70-month high) and Japan (35-month high) to offset mild decelerations in the U.S. and U.K.

"*The euro area remained a brighter spot within the global manufacturing sector. Its PMI rose to a near six-year record high, with growth improving in each of the eurozone's big-three nations (Germany, France and Italy). Solid, albeit slower, growth was signaled in*

the U.S., Japan, the U.K. and Russia. China also saw its rate of expansion ease slightly, while contractions were signaled in South Korea and Brazil (despite the rate of decline easing sharply in the latter)." -- JP Morgan, April 3rd, 2017.

(1) Europe sees a firming pickup. Its unemployment rate ticked down -0.1% to 9.5%. The final Eurozone Manufacturing PMI was at 56.2 in February (Flash: 56.2, February Final: 55.4). This marked the fastest growth of European manufacturing production and new orders since April 2011. Price inflationary pressure remains marked.

Manufacturing PMIs in the Euro Area averaged 49.94 from 2007 until 2016, reaching an all time high of 59 in February 2011 and a record low of 33.50 in February 2009.

(2) In Japan, the safe haven yen is 112 in early May, down from 114 in early March. The yen hit a low of 100 after Brexit. The yen hit a high of 125 in June 2015.

(3) China keeps meeting its +6.5% GDP growth target. The fundamental outlook has stabilized. Housing prices have ripped ahead in major cities. Services growth looks strong. Modest manufacturing growth is sticking around.

The official NBS Manufacturing PMI in China was 51.2 in April; after a 51.8 read in MAR; and 51.6 in FEB. This shows plodding expansion. The small company Caixin Manufacturing PMI showed tepid expansion too, with 50.3 in April and 51.2 in March.

Manufacturing PMIs in China averaged 49.36 from 2011 until 2016, reaching an all time high of 52.30 in January of 2013 and a record low of 47.20 in September of 2015.

In another Asian space, Modi's India has a roaring stock market for 4 months now. It attempts to keep +7.5% annual GDP growth targets. Other calls? Brazil and Russia see bull markets in 2017. Fundamental & PMIs are up in Russia and getter better in Brazil.

Other Asset Class Summaries

DJIA Similar to the S&P500, the Dow move can tack to a new high in the coming year. Post- Presidential election years usually have blue skies for markets.

NASDAQ I am positive on IT. Info Tech stays in the top half of Zacks Industry Ranks. Q1-17 shows +15.8% EPS growth. Q4-16 was +10.9%. Q3-16 was +8.0%. Q2-16 was -0.5%. Q1-16 looked poorest at -6.0%. Across 2017, IT tallies +9.6% EPS growth and +7.4% revenue growth. Zacks #1 Rank IT stocks remain well worth buying.

AAPL stock is a disproportionate part of the QQQs. Shares priced at $90 a share in May 2015. AAPL shares hit $120 first in October 2016. With a robust EPS quarter in hand, shares traded at $143 in early APRIL and $147 in early MAY. The S&P500 can rise without AAPL, but a noted turn up on this big stock (and the other FANG stocks) helps.

Zacks Valuation Model -- Returns for Small, Mid, and Large Cap stocks

Using Zacks Valuation Model on March 2nd, small cap growth and mid cap growth returns out 12 months offer +15 and +11% respectively (includes dividends). It was +11% for large cap growth returns. Growth index returns added 1% to 3% to Value returns across the market capitalization board.

Russell 2000

Russell 2000 stocks lead -- while markets go “Risk-on.” Fast-growing small U.S. companies beat consensus more easily. A 2017 “risk-on” rally is my call. A good time to buy small caps at 1200 and 1300 is history. Maybe buy a 1400 dip. The backdrop: Always be mindful of illiquid small cap shorting. In ‘Risk-off” trading, shorts can cut many small cap shares down by -50%.

Fed Funds

A 25 bps FOMC hike hit on March 15th. Look again in June and in September. Odds stay data dependent in 2017. It’s never a pre-set course. Sound U.S. payroll additions help. Global growth and S&P500 EPS upgrades help. The FOMC holds off if stocks get hit hard; Trump gets silly; the USD gets far too strong; and U.S. exports fall far too much.

10-yr Treasury

Europe “QE” is alive and well in 2017. A 10-year rate from +2.5% to +3.5% showed the uncertainty I had in hand early in 2017. Right now, 2.3% is here. A rising 10-year consensus has usually disappointed by mid-year. This is looking to be the case again.

Corporate High Yield and Investment Grade Bonds

IG corporates offer the solid coupons. Less attractive risk-free rates drive corporate bond demand. Cash on balance sheets remains impressive. Investors should own these bonds. However, a 3.5% to 4.5% total return may be what is delivered this year. In our Jan 2017 poll, CIOs thought High Yield and IG spreads would widen, or remain unchanged.

Municipal Bonds

State tax efficient munis look best for income investors. Having written that, all bond classes get sold with rising Fed rates. Hold to maturity if U.S. rates rise.
Note: In our poll, CIOs were neutral on munis in April 2017.

WTI Oil

Look for $56.50 a barrel by early 2018. That’s +10% from where we are now. February 2016 put an oil bottom in at $26 a barrel. We saw $53 by mid-2016. Our oil price outlook is tied to OPEC, to U.S. “fracker” rig counts, and to global demand for cheap gasoline.

Commodities GSCI Index

I use mid-APRIL 2017 London data. The long plays in agriculture commodities are coffee (+9.0%), corn (+11.0%), and wheat (+17.7%). Live cattle prices keep falling. They could be down -11.0% more in 12 months.

For industrial metals, Nickel and Aluminum get +5.4% and -0.19% bids in 12-months. Tin? -4.9%. Copper falls -1.9%. In precious metals, platinum prices rise +5.95%. Palladium looks flat -0.09%.

For energy consensus, I have gas-at-the-pump price on a +10% annual 12-month rise. Oil and nat gas in 12 months are up +13.0% and +2.3%, respectively.

Gold

Gold trades at $1255 in early MAY. My range-bound call holds. Gold prices can fluctuate to $1250 maybe $1200, but no further. The very low end in a range is $1100. Gold price downside hails from a low U.S. 4.5% unemployment rate and on any improvement to the global GDP outlook. Gold price upside hails mostly from financial scares – think about a financial contagion. Zero and negative rate actions are the biggest upside catalysts.

NOTE: About Zacks Rank Sector & Industry Forecasts Coming Up Next --

Zacks Research System (ZRS) updates the Zacks Ranking System regularly; and groups each company into three aggregates. Each of the ranking aggregates still apply the standard proprietary Earnings Estimate Revisions system, but they help sort things out within a top-down context.

Zack aggregates are:
- A 16 Sector grouping (versus the S&P500's 10 sector groups),
- A 60 mezzanine grouping, known as "Middle" or Zacks M-Rank.
- And finally, a 250+ industry grouping, we refer to internally as the X- Rank.

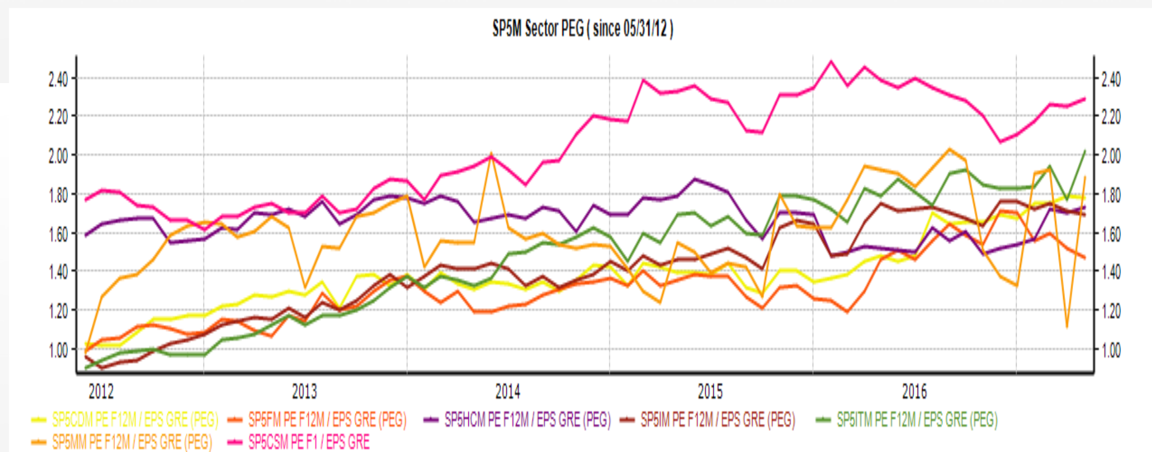
The table in section 6, running four pages long, applied the consolidated ranking information from the 60-industry, Zacks Middle, or M-Rank.

Industries titles listed along with the Zacks Middle Industries are S&P500 Industries, with revisions and additions to reflect specific Zacks industries.

Top-Down Zacks Rank

4. ZRS Chart of the Month

Let's study forward 12-month sector Price to Earnings Growth (PEG) valuations. The chart shows this ratio over the past 5 years done May 3rd, 2017.



Title	HI	LO	MD	CU	SD	ED
S&P 500 Cons Discr Market PE F12M / EPS GRE (PE(	1.79	1.01	1.36	1.78	05-31-2012	05-02-2017
S&P 500 Financials Market PE F12M / EPS GRE (PEG	1.71	0.99	1.30	1.47	05-31-2012	05-02-2017
S&P 500 Health Care Market PE F12M / EPS GRE (PE	1.88	1.48	1.68	1.73	05-31-2012	05-02-2017
S&P 500 Industrials Market PE F12M / EPS GRE (PEG	1.76	0.90	1.42	1.69	05-31-2012	05-02-2017
S&P 500 Info Tech Market PE F12M / EPS GRE (PEG)	2.02	0.91	1.55	2.02	05-31-2012	05-02-2017
S&P 500 Materials Market PE F12M / EPS GRE (PEG)	2.03	0.98	1.57	1.89	05-31-2012	05-02-2017
S&P 500 Cons Stapl Market PE F1 / EPS GRE	2.48	1.62	2.09	2.29	05-31-2012	05-02-2017

TOP: The **Consumer Staples** forward 12-month P/E is a Pink line. The **Staples** PEG ratio is at 2.20. **Info Tech** is Green. Its PEG comes 2nd at 2.02.

MIDDLE: **Materials** are Light Orange and are at 1.89. **Consumer Discretionary** is in Bright Yellow. Its forward P/E ratio is at 1.78.

BOTTOM: **Health Care** is Magenta (call it Bright Purple). The sector is at 1.73. **Industrials** are Red. The ratio is at 1.69. **Financials** is Bright Orange and is 1.47.

In this richly valued moment, attractive sectors --on a valuation call-- may be where to overweight an investment stock portfolio the next 12 months.

Best Value -- Focus on large caps in **Health Care**, **Industrials,** and **Financials.**

5. Zacks Rank S&P500 Sector Picks

See the next 4 pages for all of the details…

May industry tables at Zacks have changed --dramatically. The sole carryover from April is **Info Tech**, which remains the most Attractive of S&P500 sectors.

After Tech, Zacks covering analysts noted the rise of **Consumer Staples, Materials, and Industrials.** There showed clearly a spending gain --made by business cap-ex-- as the U.S. unemployment rate hit 4.5%, which is tight.

The other May move up in sentiment was made by **Health Care**. Could this sector be back from the dead? The shorts may be packing up their bags here.

(1) Info Tech rises to Very Attractive. Semis are HOT, and Misc. Tech is great too.

(2) Consumer Staples rises, all the way to Very Attractive. The industry leader is Soaps & Cosmetics, followed by Agri-Business, Tobacco, and Food/Drug Retail.

(3) Materials rise to Attractive. The 2 leaders are Steel and Chemicals.

(4) Industrials rise to Attractive. The leaders are many: Machinery, Pollution Control, Construction-Building Services, and Metal Fabricating. There is a cap-ex spending cycle picking up.

(5) Health Care rises to Attractive. The leader is Medical Care.

(6) Consumer Discretionary falls back to a Market Weight. The industry leader is Publishing, followed by Leisure. A big loser is Home Furnishing-Appliance

(7) Financials fall back to Market Weight. The leader is Banks & Thrifts. Investment Funds are the big loser.

(8) Telco Services stays a Market Weight.

(9) Energy falls back to Unattractive. The leader is Energy-Alternates. The big losers are Oil & Gas Integrated and the Oil & Gas Pipelines.

(10) Utilities fall to Very Unattractive. There is no strong industry here.

6. Zacks Rank May Industry Tables

(As of April 30, 2016)

Industry Portfolio Rating:	**Very Attractive (2.00 to 2.64 Zacks Rank)**	**Attractive (2.65 to 2.81)**	**Market Performer (2.81 to 2.99)**	**Unattractive (3.00-3.20)**	**Very Unattractive (3.21 or worse)**
Consumer Staples **VERY ATTRACTIVE**	Soaps & Cosmetics (2.44)	Agri-business (2.70) Tobacco (2.72) Food/Drug Retail Hypermarkets & Supercenters (2.75)	Food Food Distributors Packaged Foods (2.83) Beverages Soft Drinks, Brewers Distillers & Vintners (2.87) Cons Prod-Misc. Staples (2.88)		
Consumer Discretionary **MARKET WEIGHT**	Publishing (2.51)	Leisure Service Casinos & Gaming Hotels Leisure Products Restaurants (2.78)	Other Cons Disc (2.92) Non-Food Retail/Wholesale Department Stores, General Merch. Stores, Specialty Stores (2.93) Autos/Tires/ Trucks Auto Retail, Automotive Manufacturers, Tires & Rubber, Auto Parts & Equipment Distributors (2.95)	Apparel Footwear, Apparel & Accessories, Apparel Retail (2.95) Consumer Electronics (2.98) found via: Internet Retail Computer & Electronics Retail Photographic Products Media Movies & Entertainment Cable & Satellite, Advertising (3.09)	Home Furnishing-Appliance (3.77)

Industry Portfolio Rating:	Very Attractive (2.00 to 2.64 Zacks Rank)	Attractive (2.65 to 2.81)	Market Performer (2.82 to 2.99)	Unattractive (3.00-3.20)	Very Unattractive (3.21 or worse)
Energy **UNATTRACTIVE**		Energy - Alternate Sources (2.78)	Oil Exp & Prod (2.97) Coal & Consumable Fuels (2.99)	Oil & Gas Drilling (3.03) Oil Misc. – (3.12)	Oil & Gas – Integrated (3.32) Oil & Gas Prod. Pipeline (3.44)
Health Care **ATTRACTIVE**		Medical Care Health Care Distributors, Health Care Supplies, Health Care Facilities, Managed Health Care (2.70)	Medical Products Life Science Tools & Services, Health Care Equipment (2.95) Drugs Biotechnology, Pharmaceuticals (2.97)		
Financials **MARKET WEIGTH**	Banks & Thrifts (2.64)	Invest Banking & Brokering (2.73)	Finance Specialized & Consumer Finance (2.89) Banks-Major Regional Banks Diversified Banks, Other Diverse Financial Srvs. (2.89)	Real Estate (REITs), Real Est. Mgmt& Dev. (3.06) Insurance Insurance Brokers Multi-Line Insurance Life & Health Insurance Property & Casualty Insurance (3.11)	Investment Funds (3.65)

Industry Portfolio Rating:	Very Attractive (2.00 to 2.64 Zacks Rank)	Attractive (2.65 to 2.81)	Market Performer (2.82 to 2.99)	Unattractive (3.00-3.20)	Very Unattractive (3.21 or worse)
Industrials **ATTRACTIVE**	Machinery (1.91) Pollution Control (2.54) Construction – Building Services (2.60) Metal Fabricating (2.63)	Conglomerates (2.78)	Machinery Electrical Electrical Comp. & Equip. (2.85) Business S'vices HR & Employment Services Trade Comps & Distributors (2.87) Railroads & Trucking (2.87) Aerospace & Defense (2.88)	Business Products Commercial Printing Office Services. & Supplies (2.97) Airlines Air Freight & Logistics (3.05) Industrial Products-Services (3.11)	
Info Tech **VERY ATTRACTIVE**	Electronic-Semiconductors Semiconductors Semiconductor Equipment Electronic Manufacturing Services (2.47) Misc. Tech Data Processing & Outsourcing Services Consulting & Services (2.61)	Electronics Electronic Components Equipment & Instruments Computer Hardware, Computer Storage & Peripherals (2.73)	Computer Software-Services Home Entertainment Software, Application Software, Systems Software, Internet Software & Services (2.86) Telco Equip (3.00)	Computer-Office Equipment Office Electronics, (3.15)	

Industry Portfolio Rating:	Very Attractive (2.00 to 2.64 Zacks Rank)	Attractive (2.65 to 2.81)	Market Performer (2.82 to 2.99)	Unattractive (3.00-3.20)	Very Unattractive (3.21 or worse)
Materials **ATTRACTIVE**	Steel (2.53) Chemicals Fertilizers & Ag. Chemicals Industrial Gases Specialty Chemicals Diversified Chemicals (2.57)	Building Products/ Construction Materials, (2.72) Metals non-Ferrous Diversified Metals & Mining, Gold, Aluminum, (2.81)		Containers & Glass (3.16) Paper Paper Packaging Paper & Forest Products, (3.19)	
Telecom Services **MARKET WEIGHT**	Utility Telephone (2.55)			Telco Equipment (3.00) Telco Services Wireless Telecom Services Integrated Telecom Services (3.13)	
Utilities **VERY UNATTRACTIVE**				Utilities Gas Dist. (3.15) Utilities Electric Power (3.15)	Utilities – Water Supply (3.42)

Asset Allocation

7. May Asset Allocation Guidelines

Category	12-M (%) TotRet	Uncertainty	Comment
Russell 2000 Small Cap		Flat	MW, long the RUT to 1600
Value	11		
Blend	13		
Growth	15		
S&P 400 Mid Cap			MW
Value	10		
Blend	10		
Growth	12		
S&P 500 Large Cap			MW, 2475 at YE 2017?
Value	9		
Blend	10		
Growth	11		
MSCI Int'l (EFA)	14	Falling	OW
Corp. Bonds	4		MW IG Corps, UW HY
Municipals	3		UW Munis to maturity only
10-Year US Treasuries	2		UW U.S. Treasuries
Gold	0	Range	UW, No opportunity here
Commodities	7		MW
Cash	0.1		Sell high value winners!

OW = an Over Weight Asset Allocation relative to 'normal' portfolio weights, i.e. build a stronger position

MR = a consistent, or Market Weight Asset Allocation, equal to long-term hold security preferences.

UW = an Under Weight Asset Allocation, i.e. cut back from 'normal' weight.

Target Allocation of Assets							
	Maximum Growth	ETF	Zacks Rank	Growth w/Moderate Income	Growth with Income	Income with Moderate Growth	Income
Stocks	75			66	51	36	18
	Bias Growth Stocks				Bias Value Stocks		
US							
Small	20	IWO	1	16	12	6	4
Mid	20	IWP	1	16	12	6	4
Large	10	VOOG	1	14	14	12	6
International	25	IHDG	2	20	13	12	4
Bonds	9			20	37	56	81
Corps	6	VCLT	3	10	20	25	35
Munis	2	MUB	3	8	15	25	40
10Year Treas	1	IEF	3	2	2	6	6
Alternatives	15			13	11	7	0
Oil/Nat Gas	6	IXC		6	5	5	0
REITS	9	VNQ	3	7	6	8	0
Gold	0			0	0	0	0
Commodity	0			0	0	0	0
Cash	1			1	1	1	1

NOTE: On this page, I keep Market Weight (MW) Allocations. These benchmark my asset allocation recommendations.

Tactically, (UW, MW, OW) calls I made --on the previous page-- adjust these pre-set asset allocations. 5 different frameworks --on this page-- specify portfolio risk tolerance; from Risky “Max Growth” to Conservative “Income.” Choose one that fits you.

8. May Equity Style Box Returns

I draw upon the Zacks Valuation Model (the ZVM) to construct style boxes.

Returns are based on market-implied earnings growth rates looking out 3 to 5 years. In comparison, Wall Street consensus returns for large caps in the S&P 500 typically show a +8.8% blended return.

Table 1
Model EPS

Zacks Style Box	Value	Blend	Growth
Small Cap	10.06%	12.08%	14.27%
Large Cap	6.69%	8.58%	10.35%

Source: ZVM, May 3, 2017

ZVM annual returns results that include the annual dividend payments are below.

Table 2
Model Return (with Dividends)

Zacks Style Box	Value	Blend	Growth
Small Cap	11.15%	12.60%	14.64%
Large Cap	9.10%	10.49%	11.11%

Source: ZVM, May 3, 2017

Done on May 3, 2017, the ZVM produced two style boxes.

(1) May data shows the Russell Growth to be a hot ticket. You see this when the model return in Table 1 is 14.27% and Table 2 is 14.64% (adds +0.3% in dividends). *This suggests the RUT is in for more upside in the coming year.*

(2) The gap between Small Cap Growth and Value model EPS was +3.49%.

(3) Returns including annual dividends -- Both Large Cap (LC) and Small Cap (SC) Growth indexes offer better returns than Value. LC Growth indexes offers +11.11% vs. LC Value at +9.10% annually. SC Growth indexes offer nearly +14.64% vs. SC Value at +11.15% annually.

(4) Mid Cap Returns w/Dividends -- Mid Cap Growth was +11.53% vs. Mid Cap Value at 9.55%. Mid Caps add +1.2% in dividends to the model forecast return.

9. May Sell-Side and Buy-Side — Consensus at a Glance

Sell-Side Consensus

Top-Down S&P 500 End-Of-Year Target

S&P 500 Returns – 2017

Consensus sees another modest bull market year.

In early 2017, 17 sell-side strategists pegged YE 2017 annual returns from +1% (S&P500 at 2,275) to +11% (S&P500 at 2,500). Two high-end strategists were +9% and +11%. Six strategists were "Middle-of-the-Road" bulls at +4% to +7% annually.

The mode? Eight of 17 strategists were low-end bulls at +1% to +3% annually.

In early 2016, 14 sell-side strategists pegged YE 2016 annual returns from -0.5% (S&P500 at 2050) to +12.9% (S&P500 at 2,325). Five *bulls* looked for +8 to +12.9% returns. Six *moderate bull* sell-side strategists looked for +4 to +7% returns. Three sell-side strategists showed up as *relative bears*. They looked for -0.5% to +2% returns. There were 3 downgrades in Feb 2016 by the sell-side.

The 2015 sell-side call was identical to the 2016 outlook at the start. Importantly, there was no change to sell-side outlooks in mid-summer 2015.

The full sell-side average in January 2014 was for an S&P500 return of +7.5%.

In early 2013, sell-side strategists forecasted S&P500 returns between -2.5% and +13.2% without dividends. Bulls moved up forecasts at mid-year 2013. Broad pessimism really missed the mark that year. +32% was the actual return.

The Zacks view difference? We are more bullish than this sell-side consensus. The S&P500 will reach 2475 (+10%) by YE 2017.

Other Sell-Side Views

The "Equity Risk Premium" is an excess return the overall stock market provides above a risk-free fixed income rate. This excess return compensates investors for taking on the relatively higher risk of equities.

A number of sell-side strategists believe the equity risk premium is still a positive force for stocks in 2017. Bullish sell-side strategists measured the S&P 500 equity risk premium at +6.2% in 2013 and 6.0% in 2014 instead of the +4.2% average of the recent past. It peaked at 7.4% during 2012.

If low long-term rates linger in 2017, an arbitrage incentive is there is to buy

stocks. In April 2017, the 10-yr U.S. Treasury was 2.3%. In Oct. 2016, the 10-yr was 1.79%. In July 2016, it was 1.5%. In January 2015, the 10-yr. was trading at 1.8%. In March 2014, it was 2.8%.

Bottom-up S&P 500 Earnings

Bottom-up consensus forecasts on EPS growth for individual companies in the S&P 500 index expect growth of +12.5% in 2017 and +0.5% in 2016 vs. -1.1% in 2015. Consensus calls for very strong EPS growth tied to stronger U.S. real GDP growth in 2017 -- and blowout EPS and GDP growth in 2018 if Trump tax policy passes.

The Zacks view difference? 2017 will achieve decent +6% nominal S&P500 earnings growth, and go up further in 2018 on any Trump tax policy. Unlike in the past 2 years, both the global economy and U.S. consumer spending propels the system.

With strong expansion in earnings and revenue y/y growth in Q1-17, markets look much more confidently to 2H-17 and 1H- 2018 and beyond.

Top-down S&P 500 Earnings

Top-down strategists, who track macro forces and apply top-down judgment to forecast S&P 500 earnings, look for +10.1% in 2017, after +0.5% EPS growth in 2016, and a -1.1% average earnings growth in 2015.

U.S. GDP growth can get to +3.0% in 2018. Consensus is for +2.3% in 2017. The U.S. garnered +1.6% GDP growth in 2016 and +2.6% GDP growth in 2015.

Small Cap, Mid Cap, and Large Cap stocks

2017 offers a chance for a solid return on small and mid caps. April 2017 CIO forecast returns for small and mid caps see a +0 to +10% annual return, similar to large caps, with no greater upside bias. Value is better than growth for every style (small, mid & large)

Following 2 years of risk-off pessimism, 2016 recorded a bounce for small caps, with regional banks up big after the election.

Fed rate increases and Trump unpredictability in 2017 mark two points of worry for all bears. China debt fear, Brexit, global oil price dynamics, Europe QE, and Japan negative rates get focused on outside the U.S.

The Zacks view difference? Stay bullish on growth indexes, large, mid, or small. In particular, focus on small and mid caps.

Buy-Side Consensus

S&P 500 and Russell 2000

Our April 2017 survey-- buy-side consensus came in at 88% positive (versus 85% in Jan).

45% of CIOs were positive on the S&P500 in October (before the election), versus 63% in July and 77% in March 2016.

In April 2017, 11% expect worse than -5% returns. 11% expect -5% to 0% returns. 33% expect 0 to +5% returns in 12 months. 22% expect +5% to +10% returns over the next 12 months; 11% expect 10 to 15% returns. 11% of CIOs expect large cap S&P500 returns to be more than +15%.

The January ’17 CIO mode called for 0% to +10% returns (same as April).

Small cap Russell2000 returns deliver a similar returns profile the next 12 months. The small cap mode is 0% to +10% returns. I note a LESS positive bias.

S&P 500 and Russell 2000: Value or Growth

The latest April 2017 surveys show a buy-side preference for value over growth stocks in the large cap space. The same consensus is there on small and mid caps the next 12 months.

Fed Funds

We saw yearend 2017 on Fed rates in our latest survey as – 100 to 150 bps.

(11%) in the April 2017 survey showed the buy-side thinks the Fed Funds rate will be 0 to 100 basis points in 12 months. (55%) think 100 to 150 basis points. (33%) think 150 to 200 bps. (0%) of CIOs see 300 to 350 bps.

The CIO mode for the 5-year U.S. Treasury rate looks to be 200 to 250 bps (55%). The 5-yr was 191 basis points on April 10, 2017. It was 129 bps on October 25th, 2016. It was 135 bps on March 21, 2016. It was 162 bps on January 12, 2016. Looking even further back, it was 136 bps on April 27, 2015.

10-yr Treasury

In April 2017, CIOs in our survey think the 10-year Treasury rate is likely to be balanced equally in a range between +2.5% to +3.5%. No calls are on the low side. Zero saw 1.5% to 2.0%. Two say 2.0% to 2.5%. Three respondents see 2.5% to 3.0% in 12 months. Four saw 3.0% to 3.5%.

Long-tem risk-free rate outlooks were pegged low by the CIO survey in 2015 and 2016. For 2015, it was 1.5% to 2.5%. For 2014, CIOs saw a higher range of 2.5% to 3.5% rates. In 2012 and 2013, the consensus 10-yr. rate floated between 1.5%

and 2.5%.

Corporate High Yield and Investment Grade Bonds

In April 2017, a slim mode of CIOs expects high yield (HY) spreads to expand. Ditto with October 2016. July 2016 showed the opposite. The Nov. 2015 CIO survey showed a majority expected credit risk spreads (i.e. the risk a bond issuer defaults) on HY Corporate bonds to blow up. An Energy HY blowout was seen in late 2015. Once again, there is concern. This time, it is focused on Fed hikes and inflation rising.

Corporate Investment Grade credit spreads should remain unchanged. A mode in the Consensus thinks IG corporate spreads are about right. Unchanged.

Municipal Bonds In April, Jan, and Oct. 2016, munis get a neutral to bearish nod, shifting from bullish last July. In March 2016 and Nov. 2015, CIOS were neutral to negative**.** Buy-side CIO consensus was negative in August 2015. Fed rate hikes are the major concern in 2017.

WTO Oil and Commodities GSCI Index Note a change. April is neutral Oil. Jan. 2017 was bullish Oil. October and July 2016 were CIO neutral. March 2016 saw CIOs get bullish on Oil. Nov. 2015 CIOs had Oil negative. Commodities stayed neutral in Jan. 2017 & Oct. 2016, after going bullish in March 2016.

Gold In April and Jan. 2017, Gold looks bullish to CIOs. It must be due to rising inflation worry. In October 2016, gold was negative. July was neutral to negative. In both March 2016 and Nov. 2015, we found a neutral to bearish cast of mind on gold.