



A Wealth of Possibilities

Key Takeaways

- **Global Equity markets moved higher during January on high levels of economic and earnings optimism**
- **Bond markets began to sell-off with the yield on the US 10 yr Treasury benchmark rising well past 2.5%**
- **High asset valuations and fears of accelerated rate hikes by the Fed pushed yields and equity volatility higher**

Overview

Overview

- Stocks moved higher across most global equity markets during the month of January as investor optimism, if not euphoria, ruled the day. The largest influx of new flows into equities came from retail investors possibly marking the near peak of this long sustained bull market.
- Bond prices fell across most US bond sectors but overseas posted strong gains. Concerns of higher inflation and higher interest rates coupled with a much weaker US dollar could be attributed to much of the results.
- At the time of this writing, most equity and bond assets sold off on fears of higher inflation led by stronger than expected hourly wage growth late last week.

Areas of Opportunity & Concern

- Despite fears of higher inflation and interest rates as a result of the markets reaction to last weeks jobs report, the data still suggests inflation is under control. The higher hourly wage growth in January was exaggerated due to the fewer weekly hours worked.
- We would also be cautious with respect to both equities and bonds due to the very high levels of optimism, leverage and low levels of cash. Now that the yield in the 10 year has moved north of the range bound 2.50-2.60% yield range, concern could mount that the Fed may raise rates too quickly.
- As correlations between equities and bonds creep higher and market volatility increases, now would be an opportune time to include some exposure to non-diversified and non-directional assets in investors total portfolios. We continue to recommend exposure to lower cost, highly transparent non-correlated as well as direct hedged strategies.

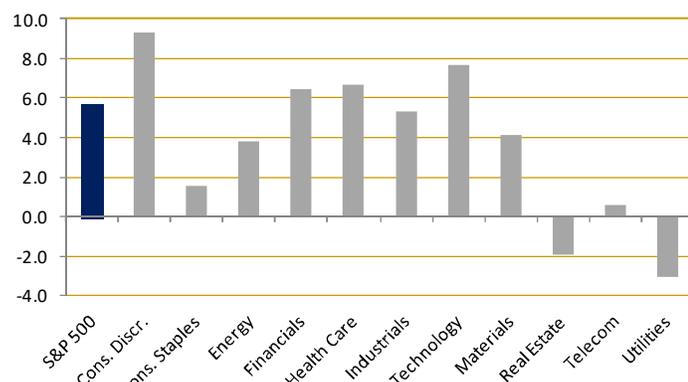
Key Market & Economic Indicators

	Bullish	Favorable	Neutral	Cautious	Bearish
Equities					
		Jan 2018	Trailing 3 Months	Trailing 1 Year	Current View
U.S. Large & Mid Cap		5.73%	10.18%	26.41%	Cautious
U.S. Small Cap		2.61%	5.14%	17.18%	Cautious
International		5.02%	7.82%	27.60%	Neutral
Emerging Markets		8.33%	12.45%	41.01%	Neutral
Fixed Income					
U.S. Aggregate		-1.15%	-0.83%	2.15%	Neutral
U.S. Government		-1.33%	-1.17%	0.70%	Cautious
U.S. Corporate		-0.93%	-0.23%	4.84%	Favorable
U.S. High Yield		0.60%	0.65%	6.60%	Neutral
Non-U.S. Developed		3.10%	5.59%	13.12%	Cautious
Emg Market Debt		4.12%	7.82%	16.58%	Bearish
Alternatives					
REITs		-4.18%	-1.79%	0.71%	Neutral
Commodities		2.63%	5.78%	6.39%	Bearish
Managed Futures		6.05%	8.23%	6.88%	Cautious
Hedge Fund		2.45%	3.27%	8.04%	Favorable

Source: Morningstar

Data as of 01/31/2018

S&P 500 Sector Returns (%) 1 Month Trailing (As of 01/31/2018)



Source: Morningstar

Important Disclosures

The statements contained herein are based upon the opinions of Genesis Wealth Advisors (Genesis), its investment research provider, Palladium LLC (Palladium), and the data available at the time of publication and are subject to change at any time without notice. This communication does not constitute investment advice and is for informational purposes only, is not intended to meet the objectives or suitability requirements of any specific individual or account, and does not provide a guarantee that the investment objective of any model will be met. An investor should assess his/her own investment needs based on his/her own financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Genesis or its affiliates to buy or sell any securities or investments or hire any specific manager.

Genesis and Palladium prepared this Update utilizing information from a variety of sources that it believes to be reliable that may include, but not be limited to, custodians, mutual fund companies, investment managers, Morningstar, Bloomberg, other third-party service providers and in some cases as directed by the client or their representative. Genesis and Palladium take reasonable care to ensure the accuracy of such information but does not warrant that it is complete, accurate or adequate and it should not be relied upon as such.

It is important to remember that there are risks inherent in any investment and that there is no assurance that any investment, asset class, style or index will provide positive performance over time. Diversification and strategic asset allocation do not guarantee a profit or protect against a loss in a declining market. Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. Portfolio positions referenced are subject to change at any time, your portfolio may not reflect the information referenced.

Genesis and Palladium have discretion to change allocations to styles and vehicles at any time.

Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Barclays U.S. Aggregate Bond Index.

“U.S. Government” represented by the Barclays U.S. Government Bond Index.

“U.S. Corporate” represented by the Barclays U.S. Credit Bond Index.

“U.S. High Yield” represented by the Barclays U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emg Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index.

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

Direct investment in an index is not possible.

Genesis Wealth Advisors is a Registered Investment Adviser.

For more information about Genesis, as well as its products, fees and services, please refer to Genesis’s website, www.Genesisadvisors.com or call us at 800-245-7526.