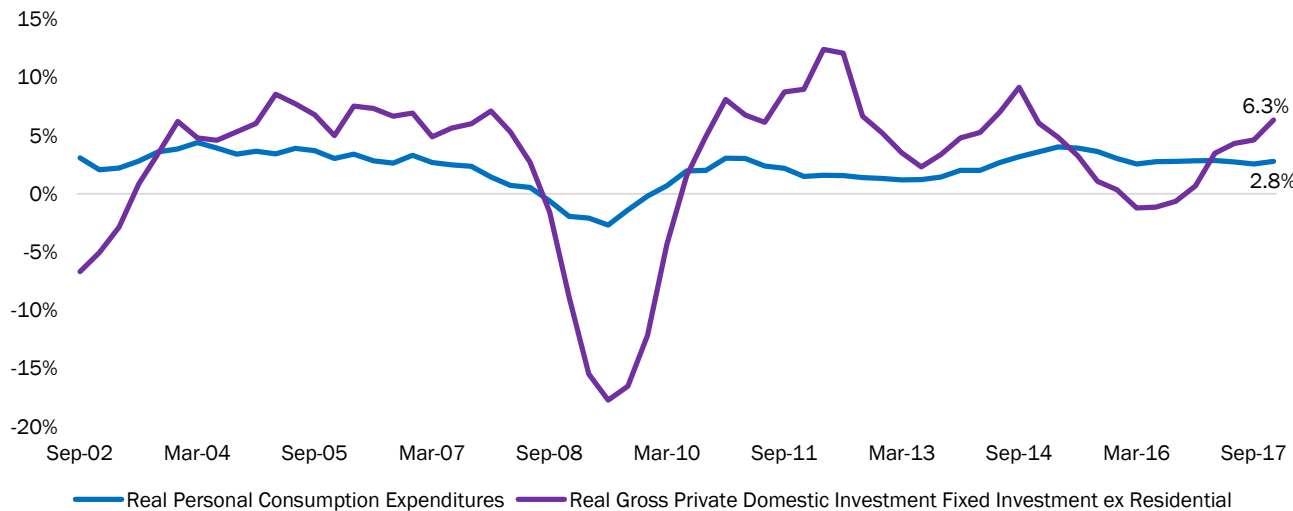
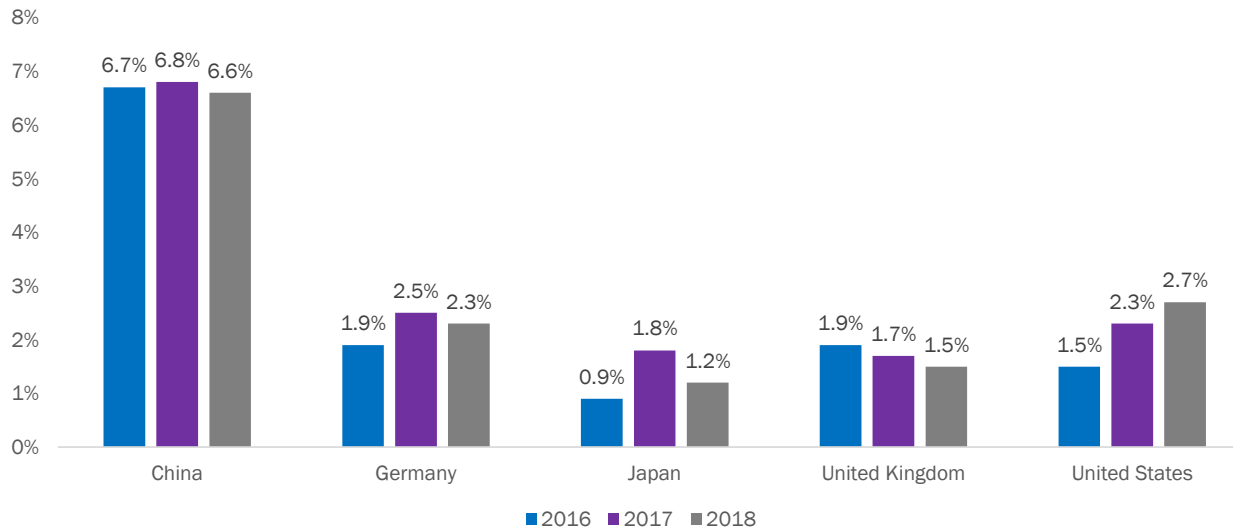


Economic Outlook and Market Forecast

April 2018

The Global Economic Backdrop

Real GDP Growth



Global GDP growth should maintain its current rate for the remainder of the year, with improving US economic growth offsetting some slowing out of Europe and Asia.

After the typical seasonal slowdown, capital spending in the US has resumed the momentum exhibited in late 2017. Given the advanced age of the current capital stock and the tax benefits accruing to corporations, capital spending is expected to be a key driver of US economic growth for 2018. Strong job growth and higher wages in a tighter labor market will keep the American consumer on a steady spending path.

Source: IMF & Factset; 2018 GDP Growth Rates are forecasts

Developed Economies

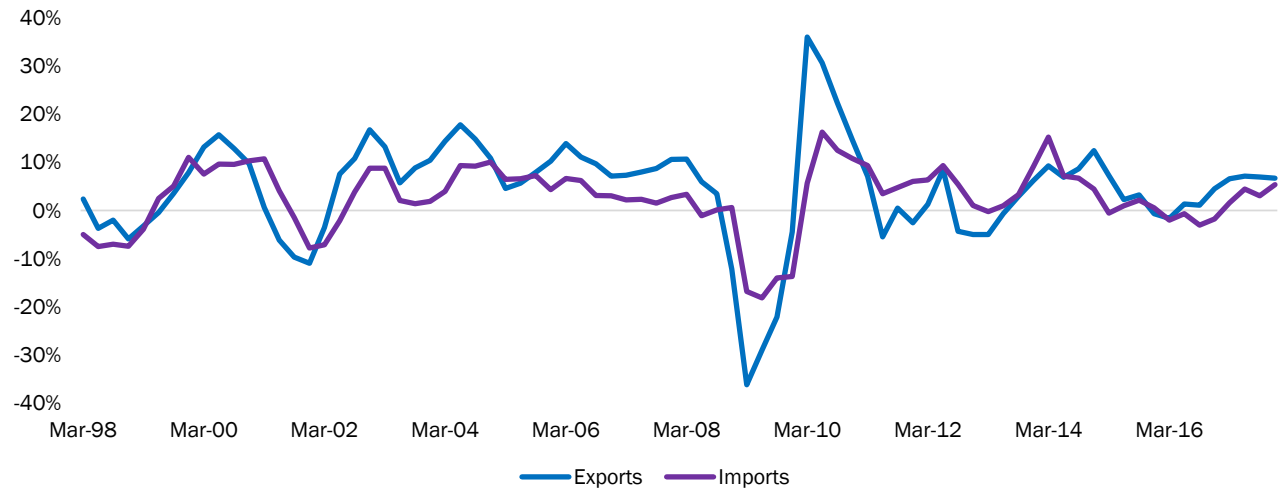
The Continental European economy is showing signs of slowing, due primarily to the effect of the stronger euro on exports; however, healthy domestic demand should offset some of the impact.

Despite the very tight Japanese labor market, wage pressures have yet to materialize. Sluggish Japanese consumer spending and the negative effect of the stronger yen on important export industries are contributing to a slowdown in economic growth.

EUR/USD

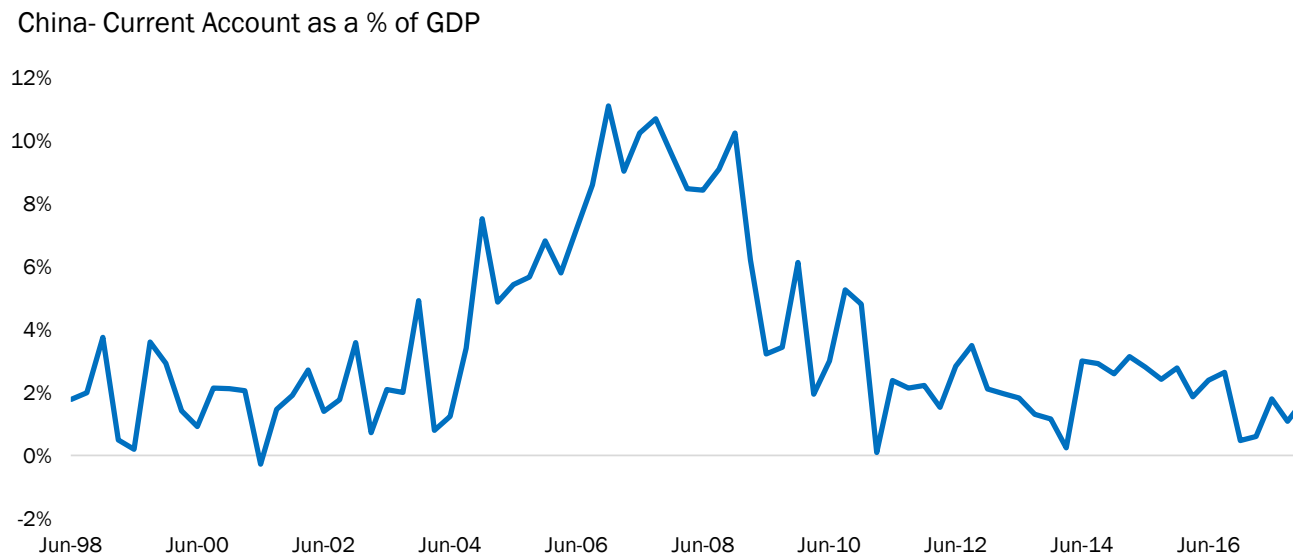
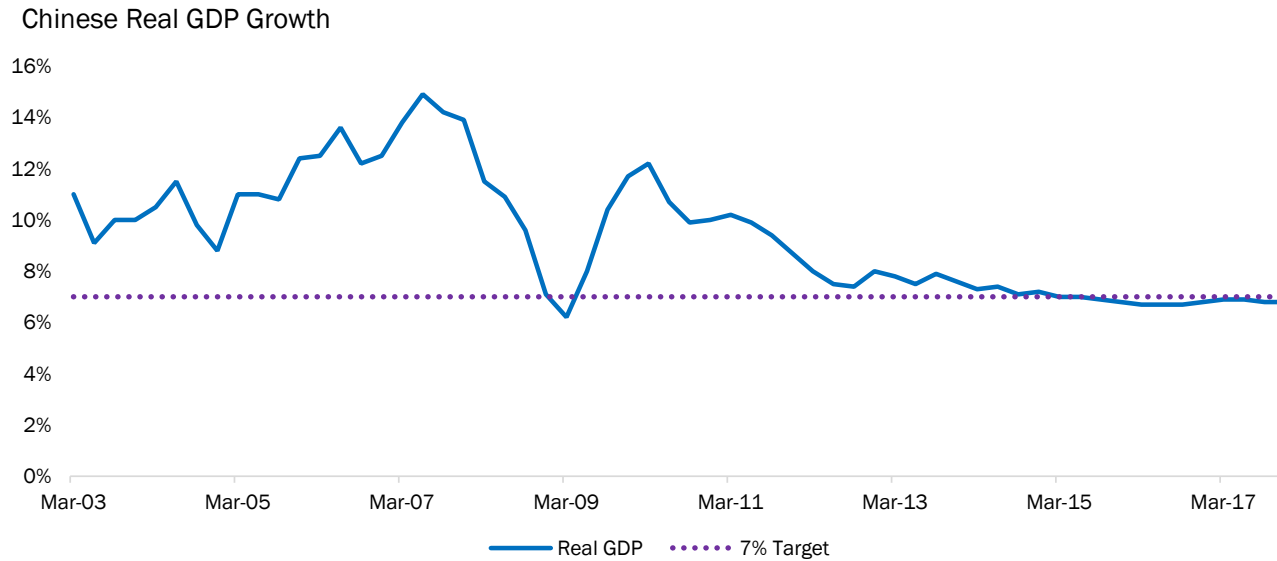


Japanese Real YoY Export & Import Growth



Emerging Market Economies

The imposition of US tariffs will have a dampening effect on the Chinese economy; however, the bigger issue for China's growth prospects is the success of the controlled slowdown in manufacturing, to address both pollution and oversupply concerns.



Source: Factset

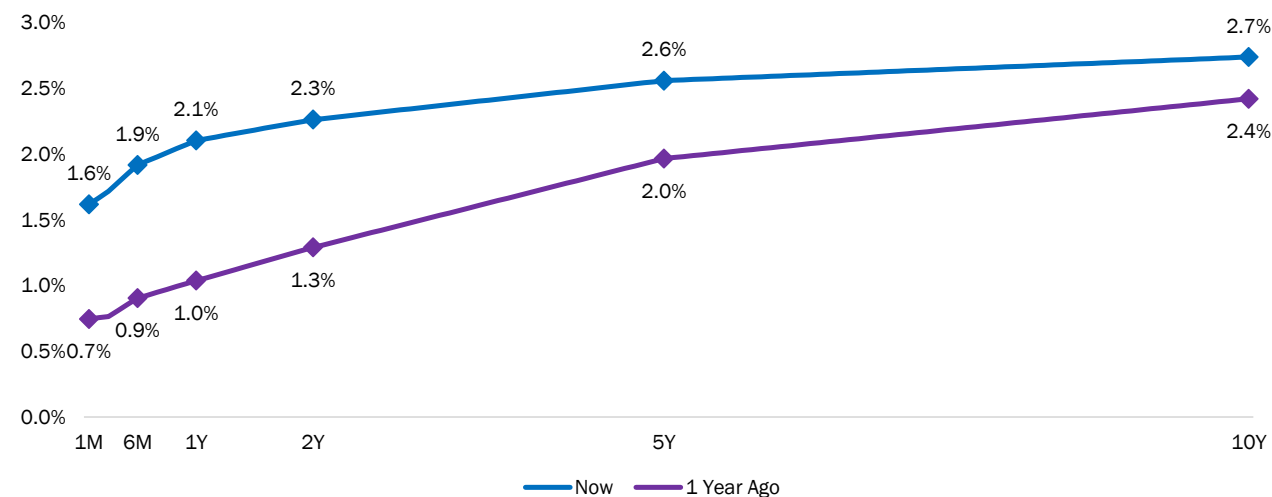
Monetary Policy

Fiscal policy has finally taken the baton from monetary policy as the primary government driver of US GDP growth. The expected economic boost from the 2017 tax package has raised the probability of three further rate hikes by the Fed this year beyond the 0.25% increase announced in March.

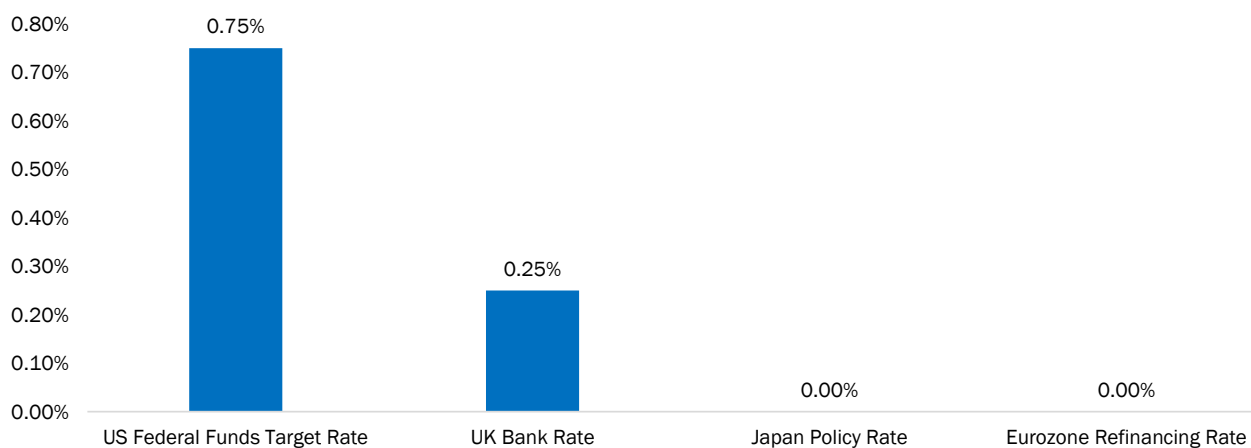
With no signs that inflation is moving towards the 2% target, The European Central Bank can maintain its schedule of paring back bond purchases this year and delaying actual rate increases until later in 2019.

Given the stubbornly high yen valuation and persistently low inflation, the Bank of Japan has pledged to maintain its historically loose monetary policy for the foreseeable future.

U.S. Yield Curve



One Year Change in Policy Rates



Source: Factset

U.S. Fixed Income

Lower inflation expectations and trade skirmishes have caused US intermediate and longer term yields to back off from their February highs. Higher deficits caused by the recently passed tax reform and spending legislation, coupled with a lower volume of purchases from the Fed, should push the bellwether 10-year Treasury yield back to 3.00% by year-end.

The municipal bond market should be minimally impacted by prospective decreased demand due to lower tax rates. Duration positioning for a rising rate environment and credit selectivity remain the primary factors for constructing durable portfolios in the current environment.

10-Year Treasury Yield

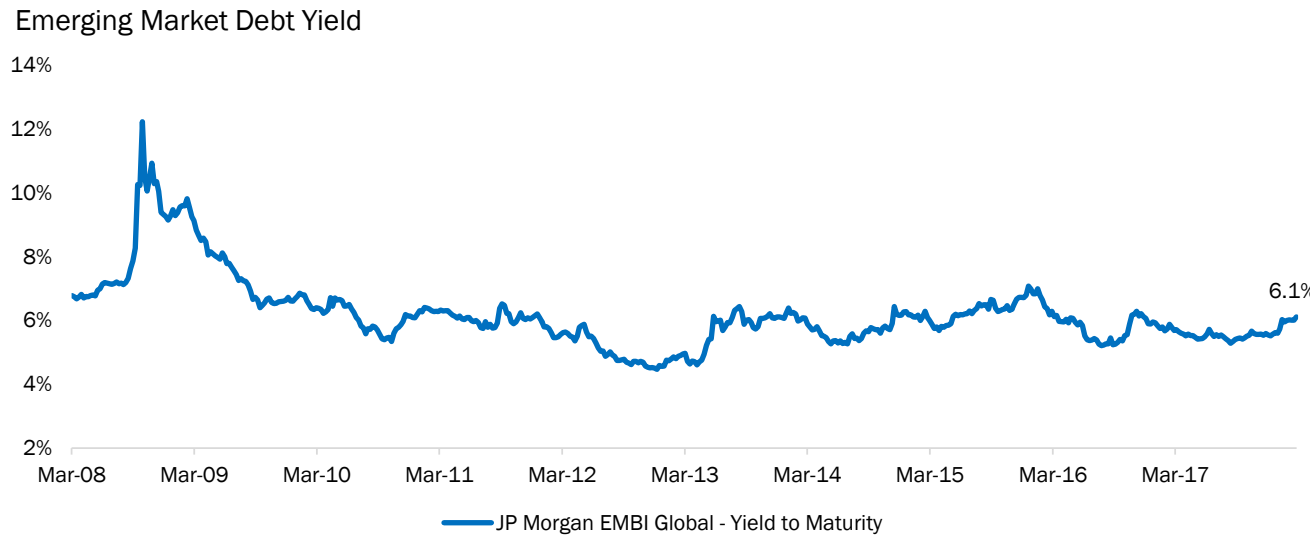
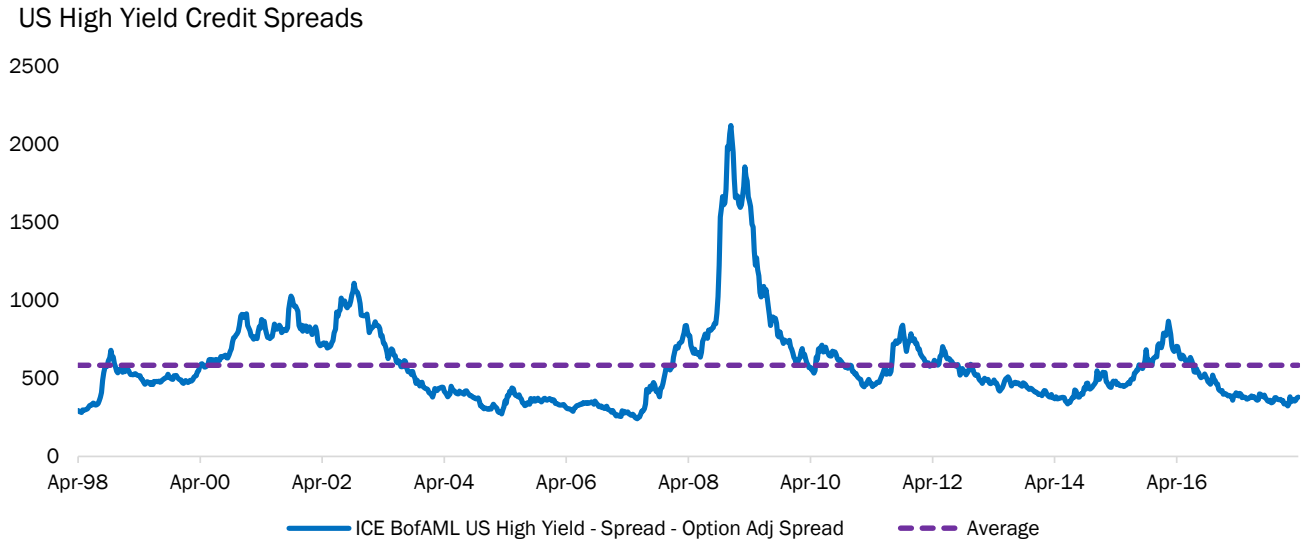


Bloomberg Barclays Municipal Bond Blend 1-10 Year (1-12 Y)



Source: FRED

Credit Markets



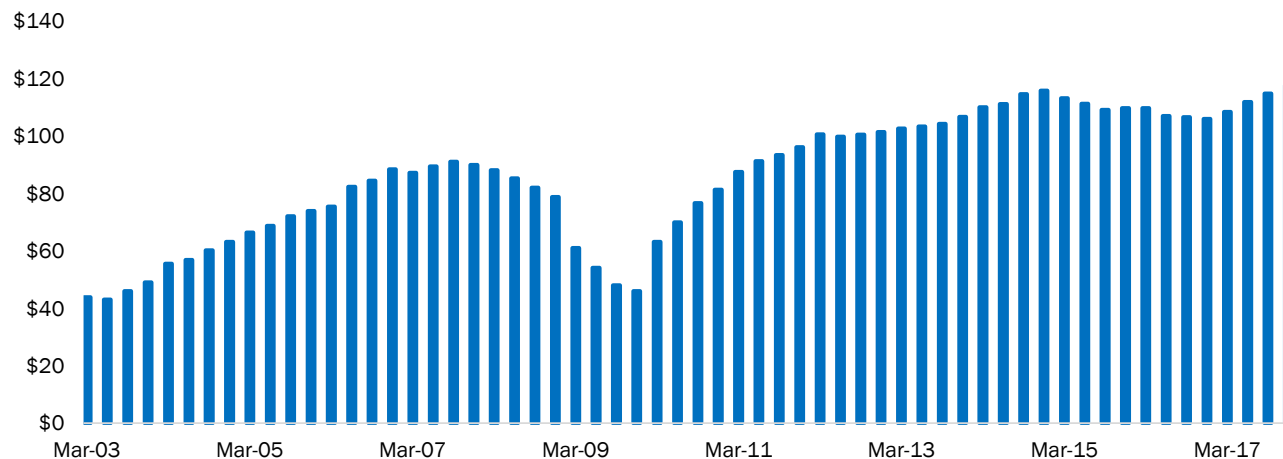
Source: Factset

Despite higher rates and greater bond issuance this year, the lack of any meaningful spread widening in the high yield sector is an important indicator of the health of the US economy; thus, corporate default rates should also remain low.

The continued low inflation environment overseas allows many emerging market central banks to use their traditional rate cutting flexibility to spur economic growth, which, in turn, would boost total returns for investors in EM debt.

U.S. Equities

S&P 500 EPS LTM



S&P 500 PE Ratio



Source: Factset

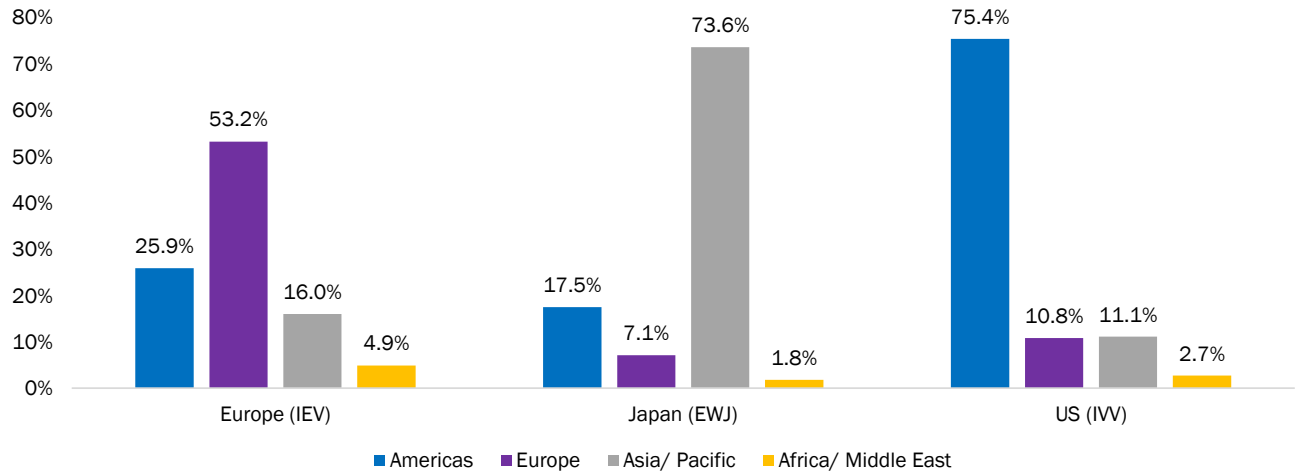
We are roughly halfway through the Fed tightening cycle and do not expect further valuation multiple expansion in US equity markets. Earnings growth, driven not just by lower tax rates but also by improved revenue growth rates, should generate respectable returns across the capitalization spectrum.

International Equities

The ebb and flow of global trade tensions will likely be the greatest catalyst for mainland European equities, whose largest companies tend to be more exposed to global sales. Valuations are even more compelling in the current low rate/low inflation environment.

Low valuations and sustained strength in the global economy should lead to relative outperformance of emerging markets equities compared to developed markets. Protectionist policies would likely have the largest negative impact in this space.

Revenue Exposure by Region



P/E Ratios NTM

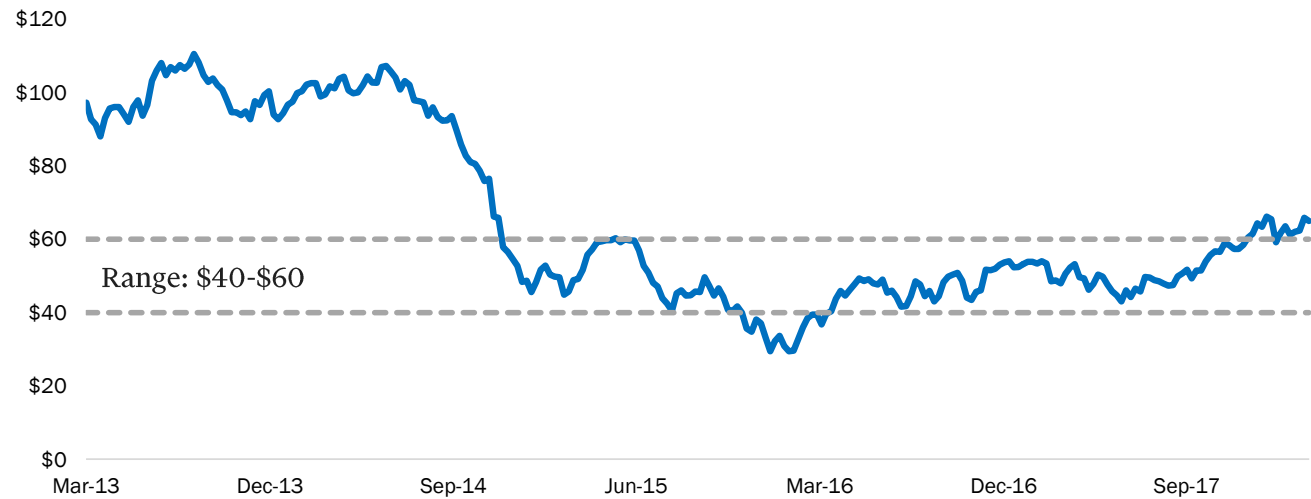


Source: Factset

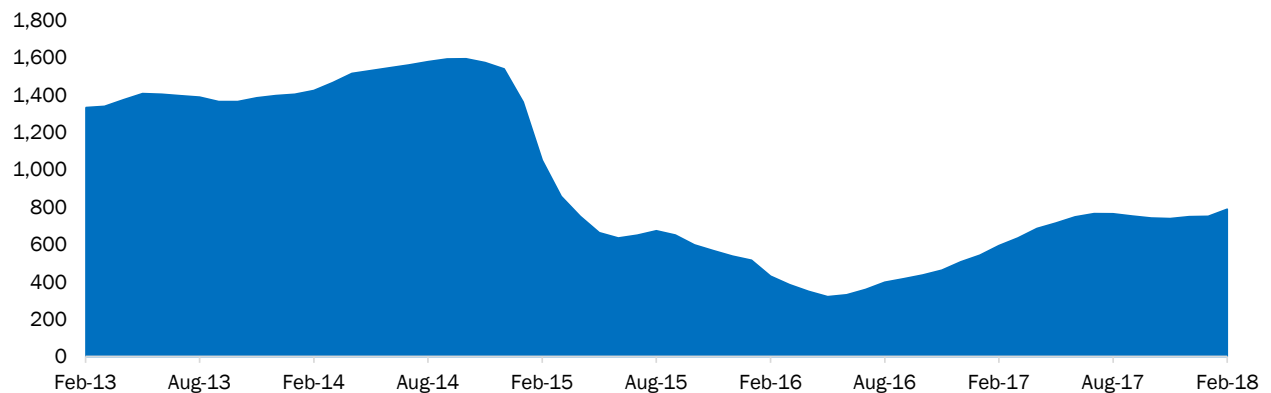
Oil

The combination of continued production discipline by OPEC and Russia plus the weak dollar has been a tailwind for oil prices this year. Incremental production brought to market by the US shale sector is a natural headwind, and should cause a drift downward in prices over the coming months, as the higher prices encourage shale producers to boost drilling activity.

Crude Oil (NYM \$/bbl) - Price



United States - Baker-Hughes Rotary Rig Count, Oil



Source: Factset

United States - Baker-Hughes Rotary Rig Count, Oil

Gold and Commodities

Unless we experience an unexpected spike in inflation, gold should be pressured downward over the coming months by rising interest rates and tighter global monetary policy.

With China in the midst of a controlled slowdown in industrial spending and the US infrastructure spending bill likely delayed until the new Congress convenes next year, it is difficult to see a catalyst to drive industrial metals prices higher from current levels.

NY Gold (NYM \$/ozt) - Price



Bloomberg Copper Subindex - Price



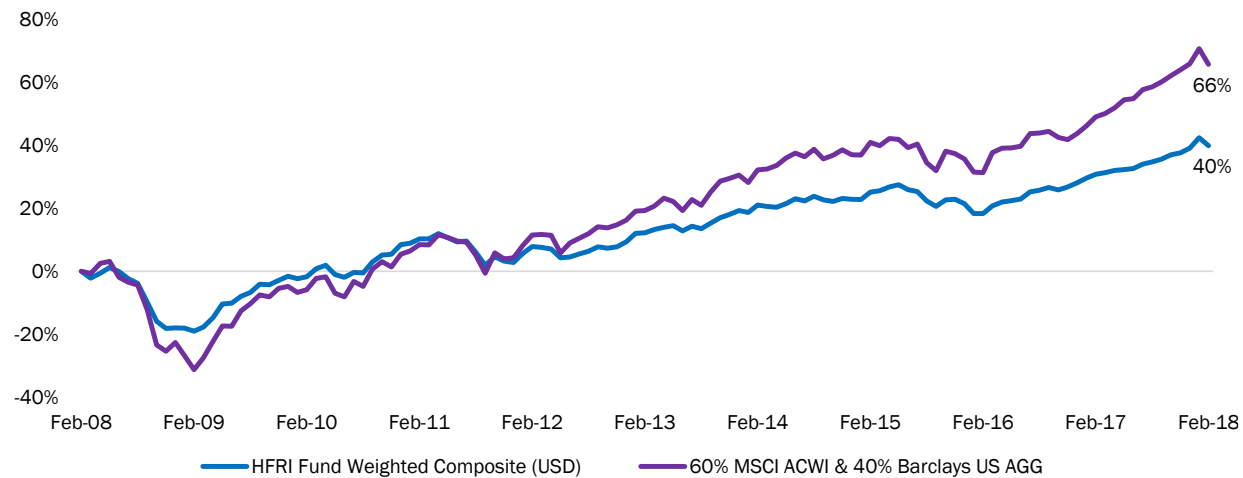
Source: Factset

Hedge Funds & Private Equity

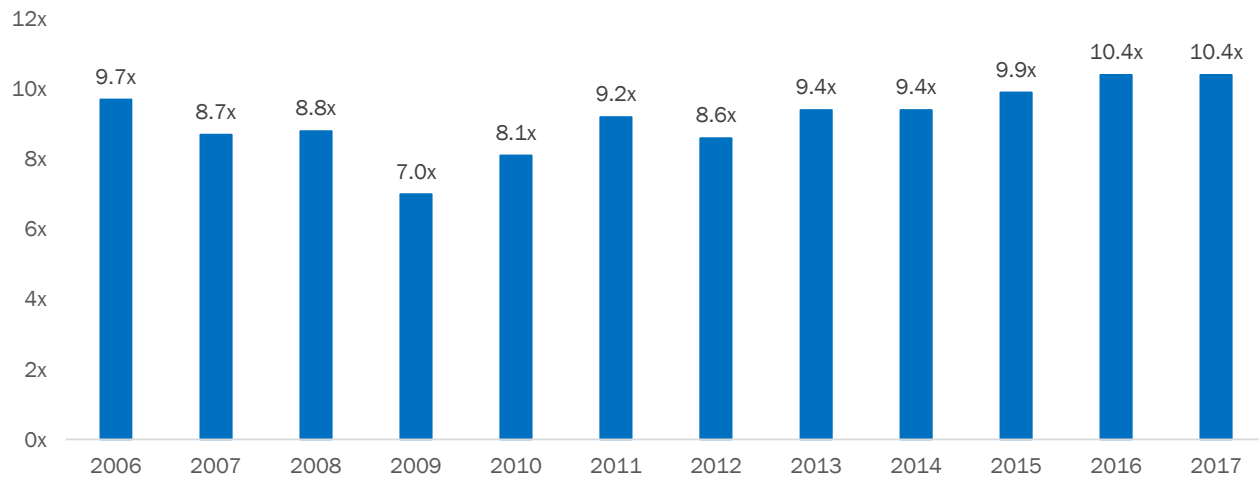
Persistently low market volatility and high market correlations have been a challenge for hedge fund managers over the last decade. Policy normalization moves by global central banks should create more favorable conditions going forward, which should benefit managers following differentiated strategies and allow investors to offset portfolio risks more effectively.

High asset valuations have made it difficult for private equity managers to acquire companies at reasonable prices. We maintain our focus on seasoned, disciplined managers and continue to seek value in niche markets, or those experiencing disruption from technological or regulatory change.

Cumulative Returns of Hedge Funds and a 60/40 Portfolio



US Middle Market M&A Transaction Multiples



Source: Factset, Pitchbook

Important Information

Cerity Partners LLC (“Cerity Partners”) is an SEC registered investment adviser with offices in New York, Illinois, Ohio, Michigan and California. This commentary is limited to general information about Cerity Partners' services and its financial market outlook, which may not be suitable for everyone. The information contained herein should not be construed as personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this brochure will come to pass. Investing in the financial markets involves risk, including the risk of loss of the principal amount invested; and may not be appropriate for everyone. The information presented is subject to change without notice and should not be considered as an offer to sell or a solicitation of an offer to buy any security. All information is deemed reliable but is not guaranteed. For information pertaining to the registration status of Cerity Partners, please contact us or refer to the Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov). For additional information about Cerity Partners, including fees and services, send for our disclosure statement as set forth on Form ADV Part 2A using the contact information herein. Please read the disclosure statement carefully before you invest or send money.