Market Commentary

By Art Cashin

Prepared by UBS Financial Services Inc.

<table>
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<th>Statistics:</th>
<th>Cashin's Comments</th>
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<td>Fair Value = N.A.</td>
<td><strong>An Encore Presentation</strong></td>
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<td>Buy Program = N.A.</td>
<td>On this day in 1858, a man in New York City was granted a copyright on a song. While there was nothing unusual about a New York man writing a song, this case was a bit different. Most folks think this guy didn’t write the song (it had probably been sung for ten years or more). Secondly, it seemed to refer to a non-existent flower. The name of the song was... “The Yellow Rose of Texas” and there was no yellow rose native to Texas. That’s because the song was about a girl (er...a woman) not a flower.</td>
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<td>Sell Program = N.A.</td>
<td>The song was about a beautiful young slave named Emily Morgan. She was, in the words of those times, a mixed-race with rather fair complexion, a combination which in those pre-Civil War days was called a high yellow.</td>
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When General Santa Ana set out to crush Sam Houston and the Texas rebellion, he overran the plantation of James Morgan. He noticed Emily’s stunning beauty and carried the young slave off with him to be his “companion” for the campaign. Santa Ana fancied himself a great lover and set up an opulent “love tent” each evening.

When Santa Ana was preparing for what he hoped would be the decisive battle, Emily sent another slave to warn Sam Houston. Then she kept Santa Ana busy through the evening and through much of the next morning. That gave Houston enough time to launch a surprise attack and decimate the Mexican Army in less than 20 minutes. Santa Ana was so surprised he ran from his tent wearing only his underwear.

For the next decade, the Yellow Rose of Texas became celebrated in song. The folk song swept across America. And, since there was this popular song with no known author, why not copyright it. We don’t know how much the opportunist made on the song, but we hope he did better than the Hill sisters of Kentucky, who copyrighted the most frequently sung song in America. We’ll bet you sang it recently and never sent them a dime. (It’s called “Happy Birthday to You”.)

The bulls were singing an upbeat tune on Friday but they did go slightly off-key on a couple of occasions.

**New Money For The New Month Helps The Bulls Move Higher** – While I was among the absent on Friday, updates from some of the FoF and CNBC gave me an inkling of what went on.
The tone was a touch uncertain before the opening bell. The payroll data was weaker than expected and that raised some doubt on the timing of the Fed’s next move.

That allowed for an uptick opening but a bit of uncertainty was evident in the choppy sideways trading that followed.

The ISM data dented the rally in bonds and saw the yield on the ten year inch higher. That put a bit of a bid under the banks and financials. Nonetheless, the choppy sideways movement continued into late morning.

The Dow rolled over notably as European markets were closing. Traders held their breath a bit, but the Dow did not violate the post-opening lows. That “hold” seemed to bring in the buy the dip crowd and they lifted the Dow to what would be the day’s high in early afternoon.

There were several features in the day’s action. Auto stocks moved higher after Warren Buffet suggested that a half million or more cars, destroyed in the hurricane, would have to be replaced. Another feature was continued strength in the tech and bio-tech stocks. There was also broad buying in the small cap stocks.

In the final minutes of trading, fear of “on the close” selling saw bids cancel and the Dow slipped back to close near the day’s lows.

Despite the minor late fade, advances beat declines better than 2 to 1. Volume, however, remained summer-like with less than 650 million shares trading on the Big Board.

The Week Ahead - Based upon published data, the watercooler wizards are guessing that this week’s calendar may look something like this:

**Tuesday:**
- BRIC Meeting in China
- Putin and Xi Private Session
- German Svcs PMI
- France Svcs PMI
- Fed Gov. Brainard
- Factory Orders -3.1%
- Minneapolis Fed’s Kashkari
- Gallup U.S. ECI N.A.
- Dallas Fed’s Kaplan

**Wednesday:**
- German Banking Conference
- FASB Meets
- Abe to Russia
- China FX Reserves
- German Factory Orders
- Chain Store Surveys
- Mortgage Apps. N.A.
- Trade Data -$44.6 bln.
- PMI Svcs. Index 56.9
- ISM Svcs. Index 55.4
- Fed Tan Bank

**Thursday:**
- ECB Opines
- Brazil Closed
- EU FM’s Meet
- China Trade Data
- Japan GDP
- German Industrial Production
- France Trade Data
- EZ GDP
- ECB Opines
- Initial Claims 239K
- Productivity 1.3%
- Unit Labor Costs 0.3%
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(9:45)  Bloomberg Consumer Confidence  N.A.
(10:00)  Svcs. Survey  N.A.
(10:30)  Natural Gas Invent.  N.A.
(11:00)  Crude Invent.  N.A.
(12:15)  Cleveland Fed’s Mester
(4:30)   All The M’s
(7:00)   New York Fed’s Dudley
(8:15)   Kansas City Fed’s George

Friday:
  China CPI
  China PPI
  German Trade Data
  UK Trade Data
  UK Industrial Production
  Spain Industrial Production
  France Industrial Production
  Governors Health Confab

(8:45)  Philly Fed’s Harker
(10:00)  Wholesale Invent.  0.4%
(1:00)   Rig Count  N.A.
(3:00)   Consumer Credit  $15.7 bln.

Overnight And Overseas – In Asia, Japan had a moderate loss with only fractional moves in the Chinese markets. India saw a modest rally.

In Europe, there were modest gains in London and in the continental markets.

In other assets, gold is up on the safe haven play. Crude is smartly higher as refinery recovery may be more rapid than originally thought. The euro is steady against the dollar while yields are very slightly lower.

Consensus – Futures look to a mild dip on the opening, partly in catch-up to geo-political events over the holiday weekend.

This week the market will likely focus in on North Korea and whether Harvey moves the debt ceiling along. There is some doubt beginning to show on the latter.

Stick with the drill – stay wary, alert and very, very nimble.

Trivia Corner

Answer – Thursday’s question was - What was the name of Charles Lindbergh’s plane in which he completed the first non-stop solo trans-Atlantic flight? Spirit of St Louis.

Today’s Question - What layer of the atmosphere lies between the troposphere and mesosphere?

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