

DeMarche Dashboard

September 2017

Global Economy and Markets

Global Overview – Global markets finished September broadly positive, with developed markets rising despite increasing tension in Asia. The impact of multiple hurricanes in the United States was significant, but somewhat less negative than initially feared. U.S. equity markets continued to reach new highs as the 2nd quarter earnings season concluded on a positive note, and the Federal Reserve signaled that its program of balance sheet reduction would commence early in the 4th quarter. While inflation remained subdued, net job creation was negative in September and wage growth remained below 3%, markets continued to anticipate another interest rate hike in December.

- **Developed markets** were strong in September as the United States, Europe, and Japan all advanced. The weaker than forecast victory by Merkel's party in the German elections led to some weakening of the euro. The European Central Bank indicated it could begin to tighten monetary conditions in the near future, as did the Bank of England. In Japan, the ruling LDP party announced a general election would be held in October, while economic conditions continued to improve.
- In **emerging markets**, a rally in oil prices and continued global growth was offset by expectations of tighter monetary policy in the developed world. This impacted nations like Greece and Turkey, both of which experienced sell offs in their financial sectors. China continued to expand as a stronger yuan helped ease fears of widespread capital flight, as did continued solid economic numbers.

U.S. Economy and Markets

- The S&P 500 Index gained 2.1% in September. Eight out of 11 sectors were positive for the month.
 - Energy, Financials, and Industrials were the strongest performing sectors. Utilities, Real Estate, and Consumer Staples were the weakest performing sectors.
- Small-cap stocks strongly outperformed large-cap stocks. Value led growth stocks across all market capitalizations except mid cap.
- The Russell 2000 Index gained 6.2%. Ten out of 11 sectors were positive.
 - Energy, Producer Durables, and Consumer Discretionary were the strongest performing sectors. Utilities, Telecomm Services, and Technology were the weakest performing sectors.
- Net job creation was negative in September as payrolls decreased by 33,000. The drop was attributed to the impact of Hurricanes Harvey and Irma. The unemployment rate declined to 4.2% from 4.4% in August as the number of unemployed individuals dropped. Employment in food and beverage services was particularly impacted by the hurricanes, falling by over 100,000 jobs. Employment in health care and transportation showed modest gains.



- Wage growth continued its slow increase in 2017, rising to 2.9% year-over-year. Labor force participation rates remained relatively unchanged, as they have throughout the past year. The Consumer Confidence Index fell to 119.8 from August's level of 120.4. Consumers' assessment of current conditions remained quite favorable and positive, but the impact of the hurricanes caused a decrease in assessments in the southern U.S.
- The 10-year Treasury yield rose during the month, rising 21 basis points to 2.33%. Investment-grade corporate spreads narrowed somewhat, falling to 1.07% from 1.16% at the end of August. High-yield spreads tightened as well, falling to 356 basis points over similarly dated Treasuries.
- The Bloomberg Barclays Aggregate Index lost -0.5% for the month, while the Investment Grade Corporate Index dropped -0.2%. The Bloomberg Barclays US High Yield Index gained 0.9%.

International Markets

- The MSCI EAFE Index gained 2.5% in September. Ireland, Germany, and France were the strongest performing countries. Singapore, Australia, and New Zealand were the weakest performing countries. Small-cap stocks slightly outperformed large-caps. The MSCI EAFE Small Cap Index posted a gain of 2.9%.
- By style, international developed markets' value stocks strongly outperformed growth. The MSCI EAFE Growth Index gained 1.9%, while the MSCI EAFE Value Index rose 3.1%.
- The MSCI Japan Index gained 2.0%, while Asia excluding Japan dropped -0.1%. The Europe-wide index gained 3.0%, while the United Kingdom also posted a 3.3% gain.
- The MSCI Emerging Markets Index was negative during the month, falling -0.4%. Russia, Brazil, and Pakistan were the strongest performing countries. Greece, Turkey, and South Africa were the weakest performing countries, with Greece dropping -14.0%.
- MSCI's China Index advanced 1.0%. Latin America overall was the strongest performing region, led by Brazil which posted a 4.2% gain. Indian markets saw a decline, dropping -3.7%. The Philippines and Thailand led Asia excluding China.
- The MSCI Frontier Markets Index gained 2.0%. Argentina, Vietnam, and Bangladesh were the strongest performing countries. Estonia, Lithuania, and Kenya were the weakest performing countries.
- Government bond yields rose slightly in September. The JPM German government bond index lost -1.3%, while the Japanese equivalent index dropped -2.6%. The UK index rose 1.4% as the Bank of England took stronger tone against a rise in inflation. The Bloomberg Barclays Euro Universal Index dropped -0.9% in dollar terms. The Bloomberg Barclays Global Treasury Ex-US Index lost -1.5%.
- Emerging Markets hard currency debt was broadly flat after advancing in August.



Looking Ahead

- Prime Minister Abe called for a snap general election to be held in late October. After suffering defeats in local elections earlier in the summer, Abe looks to be gambling that opposition parties are too disorganized to repeat their local success on a national level. A surprise showing by the opposition could severely rattle markets in the country already nervous about tensions with North Korea and uncertainty over U.S. trade policy.
- While the German elections are over, focus will remain on Berlin as Chancellor Merkel attempts to form a new coalition. The far right won a place in the Bundestag for the first time in the post war era, and with all parties announcing they would not partner with the AfD, Merkel will look to the Greens and Free Democrats to form a governing alliance.
- Markets will be watching the implementation of the Federal Reserve's balance sheet reduction program in the fourth quarter. Attention will also be focused on who will be the next Fed chairman. While many consider that Janet Yellen remains a serious candidate, other names floated have a history of more hawkish positions on policy.

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates per US \$	
	Latest (Q2)	2017 ^A	2018 ^A	(Most recently available)	Sovereign Bonds, 10 Year ^B	Current	1 Year Ago
United States	2.20	2.10	2.30	4.40	2.33	-	-
China	6.90	6.80	6.30	4.00	1.50	6.65	6.67
Japan	1.40	1.60	1.30	2.80	0.04	112.64	101.48
United Kingdom	1.70	1.50	1.30	4.30	1.08	1.34	1.30
Euro Area	2.30	2.00	1.80	9.10	0.25	1.18	1.12
Germany	2.10	2.10	1.90	3.70	0.25	1.18	1.12
France	1.80	1.60	1.70	9.80	0.66	1.18	1.12
Italy	1.50	1.30	1.10	11.30	2.05	1.18	1.12
Canada	3.70	2.60	2.00	6.20	1.48	1.25	1.31
India	5.70	7.00	7.50	5.00	6.50	64.48	66.71
Mexico	1.80	2.10	2.20	3.30	7.32	18.15	19.38
Brazil	0.30	0.60	2.10	12.80	11.75	3.16	3.23

A. *The Economist* or The Economist Intelligence Unit estimate/forecast

B. Most recently available data

Sources: Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, and *The Economist*



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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	2.24	4.84	16.01	18.17	7.69	10.99	4.22
	BBgBarc US Agg Bond TR USD	-0.48	0.85	3.14	0.07	2.71	2.06	4.27
	DeMarche 3000	2.25	4.86	14.36	17.94	8.67	11.95	5.70
	Russell 3000 TR USD	2.44	4.57	13.91	18.71	10.74	14.23	7.57
	DJ Industrial Average TR USD	2.16	5.58	15.45	25.45	12.35	13.57	7.72
	NASDAQ Composite TR USD	1.05	5.79	20.67	22.29	13.07	15.83	9.17
	Citi Treasury Bill 3 Mon USD	0.09	0.26	0.56	0.64	0.29	0.19	0.42
	Bloomberg Commodity TR USD	-0.15	2.52	-2.87	-0.29	-10.41	-10.47	-6.83
Domestic Equities	S&P 500 TR USD	2.06	4.48	14.24	18.61	10.81	14.22	7.44
	S&P MidCap 400 TR	3.92	3.22	9.40	17.52	11.18	14.43	9.00
	S&P SmallCap 600 TR USD	7.71	5.96	8.92	21.05	14.07	15.60	9.27
	DeMarche Large Cap	1.74	4.85	14.96	17.66	8.42	11.49	5.03
	DeMarche Large Cap Growth	1.29	5.47	20.30	21.37	11.68	13.82	6.84
	DeMarche Large Cap Value	2.30	4.13	9.20	13.62	4.57	8.96	2.79
	DeMarche Small Cap	8.81	7.39	11.68	23.51	11.49	13.92	7.90
	DeMarche Small Cap Growth	9.04	7.60	14.50	25.63	11.47	12.80	6.71
	DeMarche Small Cap Value	8.62	7.23	9.43	21.83	11.44	14.58	8.64
	Russell 1000 TR USD	2.13	4.48	14.17	18.54	10.63	14.27	7.55
	Russell 1000 Growth TR USD	1.30	5.90	20.72	21.94	12.69	15.26	9.08
	Russell 1000 Value TR USD	2.96	3.11	7.92	15.12	8.53	13.20	5.92
	Russell Mid Cap TR USD	2.77	3.47	11.74	15.32	9.54	14.26	8.08
	Russell Mid Cap Growth TR USD	2.83	5.28	17.29	17.82	9.96	14.18	8.20
	Russell Mid Cap Value TR USD	2.73	2.14	7.43	13.37	9.19	14.33	7.85
	Russell 2000 TR USD	6.24	5.67	10.94	20.74	12.18	13.79	7.85
Russell 2000 Growth TR USD	5.45	6.22	16.81	20.98	12.17	14.28	8.47	
Russell 2000 Value TR USD	7.08	5.11	5.68	20.55	12.12	13.27	7.14	
International Equities	MSCI ACWI Ex USA NR USD	1.86	6.16	21.13	19.61	4.70	6.97	1.28
	MSCI EAFE NR USD	2.49	5.40	19.96	19.10	5.04	8.38	1.34
	MSCI EAFE Growth NR USD	1.89	4.94	22.45	15.68	6.48	8.89	2.12
	MSCI EAFE Value NR USD	3.08	5.87	17.64	22.55	3.50	7.80	0.49
	MSCI Japan NR USD	1.96	3.97	14.28	14.09	7.75	10.60	1.69
	MSCI AC Asia Ex Japan NR USD	-0.12	6.62	30.95	22.68	7.89	7.44	3.08
	MSCI Europe NR USD	3.30	6.45	22.79	22.30	4.36	8.36	1.08
	MSCI United Kingdom NR USD	3.32	5.17	15.68	14.64	0.76	4.90	0.74
	MSCI EAFE Small Cap NR USD	2.85	7.46	25.42	21.84	11.13	12.85	4.63
MSCI EM NR USD	-0.40	7.89	27.78	22.46	4.90	3.99	1.32	
Fixed Income	BBgBarc US Govt/Credit TR USD	-0.57	0.81	3.49	-0.01	2.83	2.10	4.34
	BBgBarc US Govt/Credit Interm TR USD	-0.45	0.60	2.34	0.23	2.13	1.61	3.64
	BBgBarc US Govt/Credit Long TR USD	-0.96	1.53	7.65	-0.79	5.45	3.94	7.37
	BBgBarc US Corp IG TR USD	-0.17	1.34	5.19	2.21	4.10	3.46	5.74
	BofAML US HY Master II TR USD	0.90	2.04	7.05	9.06	5.87	6.38	7.72
	Credit Suisse HY USD	-0.03	1.12	5.52	8.97	4.55	6.30	7.56
	S&P/LSTA Leveraged Loan TR	-0.04	0.60	2.57	5.80	3.53	4.24	4.88
	Citi WGBI NonUSD USD	1.23	3.88	10.15	-0.76	-0.57	-0.43	3.11
	BBgBarc Gbl Agg Ex USD TR USD	1.07	3.68	10.13	-0.17	-0.82	-0.09	3.02
REITs	FTSE NAREIT All REITs TR	0.62	3.89	7.36	2.75	8.39	9.79	6.62
	Wilshire US REIT TR USD	-0.41	3.15	2.52	-1.97	7.50	9.13	5.96

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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