

DeMarche Dashboard

Data and Commentary for Periods Ended 9/30/2019

Global Overview

Global equities were positive in September, largely attributable to signs of U.S. - China trade progress and further monetary easing enacted by prominent central banks. The strong monthly returns were in spite of weak global manufacturing data. A strengthening dollar negatively impacted non-U.S. sovereign bond returns.

U.S. Markets & Economy

U.S. equity markets were broadly up in the month, with small cap stocks providing the most attractive results along the market capitalization spectrum. The U.S. tentatively scheduled trade discussions to resume with Beijing delegates on October 10th and 11th, causing a favorable market reaction early in the month. The Federal Reserve voted to cut the benchmark interest rate by 0.25% for the second time in 2019, citing trade uncertainties and low inflation as their primary rationale. Market participants overwhelmingly agree the Fed will cut rates further before the end of 2019, inferred from fed funds futures contract prices. From an economic standpoint, a gauge of U.S. manufacturing activity fell to its lowest reading since 2009 as manufacturers continue to be burdened by tariffs, lower demand, and a strong U.S. dollar. Furthermore, non-manufacturing (i.e. services) growth slowed to its weakest reading since 2016. Slowing domestic growth readings in September may impact asset prices and growth expectations looking forward into the fourth quarter. On the flipside, jobless claims are near historic lows, consumer confidence (despite falling in the month) remains near historic highs, and improving home-buying data are all encouraging signs for the U.S. economy. The U.S. Treasury Yield curve remained inverted (3-month to 10-year) as aggressive foreign demand, due to the mass of negative-yielding sovereign debt, pulled long-term rates down to multi-year lows.

- The S&P 500 Index returned 1.9% in September and ended the quarter up 1.7%. Despite gaining 2.1% in the month, the Russell 2000 Index finished the third quarter with a return of -2.4%.
- The Bloomberg Barclays U.S. Aggregate Index posted a -0.5% result while the ICE BofAML U.S. High Yield Index returned 0.3% as credit spreads narrowed modestly in the month.

International Markets & Economy

Non-U.S. developed equity markets were positive in September as productive trade developments, relatively strong labor markets, and the ECB's decision to enact further monetary easing provided tailwinds to equities despite disappointing economic data. The UK returned over 4% in response to strong consumer spending and a bump in manufacturing, likely from a build-up of inventories in anticipation of Brexit proceedings. Germany appears to be slipping deeper into an industrial recession, triggering a further decline in growth forecasts in the Eurozone for late-2019 and 2020. Despite recession worries, German equities provided investors with gains in the month, as the EU's largest economy is being buoyed by a resilient consumer. China further eased monetary policy by cutting their reserve requirement ratio, allowing commercial banks to access previously constrained cash for deployment for new business/personal loans. Korean-Japanese trade tensions escalated in September as two of the world's largest technology exporters have removed each other's preferential trade status that was originally put in place post-WWII.

- The MSCI EAFE Index returned 2.9% in September as all but two of the 21 constituent countries posted positive returns. The EAFE Index posted a loss of 1.1% in the third quarter after a turbulent three-month period. The MSCI Emerging Markets Index provided investors a 1.9% return in September and is up just 5.9% year-to-date, lagging developed non-U.S. markets by nearly 7%.

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In the News

- House Speaker Nancy Pelosi has brought forward a formal presidential impeachment inquiry, bypassing House vote. The investigation will be conducted by the House Judiciary Committee. If evidence of wrongdoing is confirmed by the Committee, the Democratic-led House will be required to vote on articles of impeachment, in which a simple majority is required to support the move. Should the House impeach Trump, the Republican-led Senate would then vote on whether the President should be convicted and formally removed from office, which would require a two-thirds majority vote. The inquiry comes in light of Trump's dealings with Ukrainian President, Volodymyr Zelensky, and an alleged request to investigate the son of 2020 campaign rival, Joe Biden.
- Per S&P Global, over 75% of leveraged loan issuance is covenant-lite, in which the underlying loan issues do not have lender-protective covenants, presumably increasing the risk of default. Despite recent asset outflows in the space, strong investor demand for senior loans is allowing companies to issue loans without lender-friendly covenant protection.
- With the scheduled October 31st deadline quickly approaching, UK Prime Minister Boris Johnson is tasked with putting forth a revised exit negotiation allowing the UK to formally withdraw from the EU, which will have to be passed by the UK Parliament. Should a deal not be reached in Parliament by October 19th, reports say Mr. Johnson will ask the EU for another extension into 2020. The likelihood of a no-deal Brexit in 2019 has dropped considerably.
- Year-to-date returns of the MSCI China A Index (24.6%) and the MSCI China Index (7.6%) are an example of the differences between companies listing their shares domestically in the A-share market versus abroad. The A-share market is historically retail driven while those companies listed outside Chinese exchanges, such as in Hong Kong or the U.S., are subject to stricter regulations and institutional investor scrutiny.

Economic Indicators

	GDP			Unemployment Rate	Interest Rates <i>Sovereign Bonds, 10 Year</i>	Exchange Rates <i>per US \$</i>		Inflation ² <i>(Most recently available)</i>
	Latest	2019 ¹	2020 ¹			Current	1 Year Ago	
United States	2.30	2.82	2.28	3.70	1.68	-	-	2.39
China	6.20	6.20	6.01	3.60	3.16	7.12	6.89	2.76
Japan	1.00	0.66	0.61	2.20	-0.28	108.05	113.38	0.59
United Kingdom	1.20	1.22	0.98	3.80	0.58	1.23	1.31	1.98
Euro Area	1.20	1.20	1.40	7.50	0.25	1.09	1.17	0.87
Germany	0.40	0.74	1.20	3.00	-0.65	1.09	1.17	1.72
France	1.40	1.30	1.25	8.50	-0.07	1.09	1.17	1.05
Italy	-0.10	0.04	0.55	9.90	1.40	1.09	1.17	0.85
Canada	1.60	1.27	1.99	5.70	1.21	1.33	1.30	2.38
India	5.00	7.16	7.43	8.20	6.00	71.19	69.63	5.98
Mexico	-0.80	1.63	2.02	3.60	7.53	19.68	18.83	3.78
Brazil	1.00	1.36	2.27	11.80	5.59	4.16	4.00	3.22

Sources: (Most recently available data) Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, The Wall Street Journal, OECD, The World Bank, and *The Economist*

1. Euro Area data from The World Bank, all other data from OECD

2. In terms of CPI All Items



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September 2019

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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	2.13	0.53	17.61	1.83	10.21	7.18	9.01
	BBgBarc US Agg Bond TR USD	(0.53)	2.27	8.52	10.30	2.92	3.38	3.75
	Russell 3000 TR USD	1.76	1.16	20.09	2.92	12.83	10.44	13.08
	DJ Industrial Average TR USD	2.05	1.83	17.51	4.21	16.44	12.28	13.56
	NASDAQ Composite PR USD	0.46	(0.09)	20.56	(0.58)	14.62	12.23	14.19
	MSCI EAFE NR USD	2.87	(1.07)	12.80	(1.34)	6.48	3.27	4.90
	FTSE Treasury Bill 3 Mon USD	0.17	0.56	1.78	2.36	1.52	0.96	0.52
	Bloomberg Commodity TR USD	1.17	(1.84)	3.13	(6.57)	(1.50)	(7.18)	(4.32)
Domestic Equities	S&P 500 TR USD	1.87	1.70	20.55	4.25	13.39	10.84	13.24
	S&P MidCap 400 TR	3.06	(0.09)	17.87	(2.49)	9.38	8.88	12.56
	S&P SmallCap 600 TR USD	3.34	(0.20)	13.46	(9.34)	9.33	9.89	13.02
	Russell 1000 TR USD	1.73	1.42	20.53	3.87	13.19	10.62	13.23
	Russell 1000 Growth TR USD	0.01	1.49	23.30	3.71	16.89	13.39	14.94
	Russell 1000 Value TR USD	3.57	1.36	17.81	4.00	9.43	7.79	11.46
	Russell Mid Cap TR USD	1.97	0.48	21.93	3.19	10.69	9.10	13.07
	Russell Mid Cap Growth TR USD	(1.14)	(0.67)	25.23	5.20	14.50	11.12	14.08
	Russell Mid Cap Value TR USD	4.06	1.22	19.47	1.60	7.82	7.55	12.29
	Russell 2000 TR USD	2.08	(2.40)	14.18	(8.89)	8.23	8.19	11.19
	Russell 2000 Growth TR USD	(0.82)	(4.17)	15.34	(9.63)	9.79	9.08	12.25
	Russell 2000 Value TR USD	5.13	(0.57)	12.82	(8.24)	6.54	7.17	10.06
International Equities	MSCI ACWI Ex USA NR USD	2.57	(1.80)	11.56	(1.23)	6.33	2.90	4.45
	MSCI EAFE NR USD	2.87	(1.07)	12.80	(1.34)	6.48	3.27	4.90
	MSCI EAFE Growth NR USD	1.14	(0.45)	17.94	2.21	7.77	5.49	6.52
	MSCI EAFE Value NR USD	4.83	(1.74)	7.67	(4.92)	5.10	0.99	3.23
	MSCI Japan NR USD	4.04	3.13	11.12	(4.69)	6.22	5.61	5.51
	MSCI AC Asia Ex Japan NR USD	1.67	(4.50)	5.71	(3.44)	6.32	4.23	5.53
	MSCI Europe NR USD	2.72	(1.80)	13.72	(0.75)	6.57	2.38	4.61
	MSCI United Kingdom NR USD	4.17	(2.49)	10.09	(2.88)	4.63	0.44	4.76
	MSCI EAFE Small Cap NR USD	2.81	(0.44)	12.05	(5.93)	5.94	6.02	7.45
MSCI EM NR USD	1.91	(4.25)	5.89	(2.02)	5.97	2.33	3.37	
Fixed Income	BBgBarc US Govt/Credit TR USD	(0.76)	2.64	9.72	11.32	3.16	3.61	3.94
	BBgBarc US Govt/Credit Interm TR USD	(0.36)	1.37	6.41	8.17	2.40	2.68	3.05
	BBgBarc US Govt/Credit Long TR USD	(1.91)	6.58	20.93	21.88	5.56	6.81	7.42
	ICE BofAML US High Yield TR USD	0.32	1.22	11.50	6.30	6.07	5.36	7.85
	Credit Suisse HY USD	0.24	1.03	11.08	5.79	5.96	5.13	7.71
	S&P/LSTA Leveraged Loan TR	0.47	0.99	6.79	3.10	4.53	3.98	5.22
	FTSE WGBI NonUSD USD	(1.59)	(0.11)	5.39	6.78	0.60	1.28	1.15
	BBgBarc Gbl Agg Ex USD TR USD	(1.42)	(0.58)	4.38	5.34	0.43	0.87	1.27
REITs	FTSE Nareit All REITs TR	2.11	7.24	27.37	19.58	9.02	10.90	13.30
	Wilshire US REIT TR USD	2.77	7.88	27.21	18.39	7.21	10.17	13.06

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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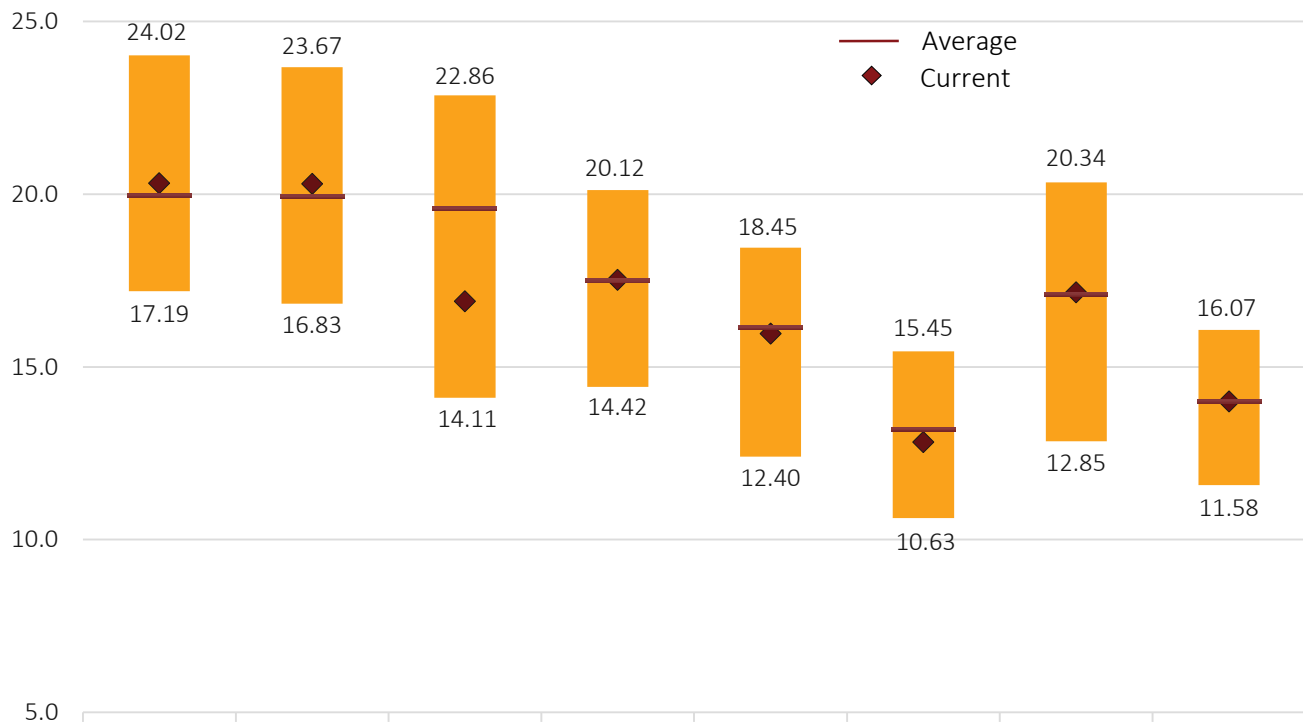
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S&P 500 Price Level



Source: Standard & Poors

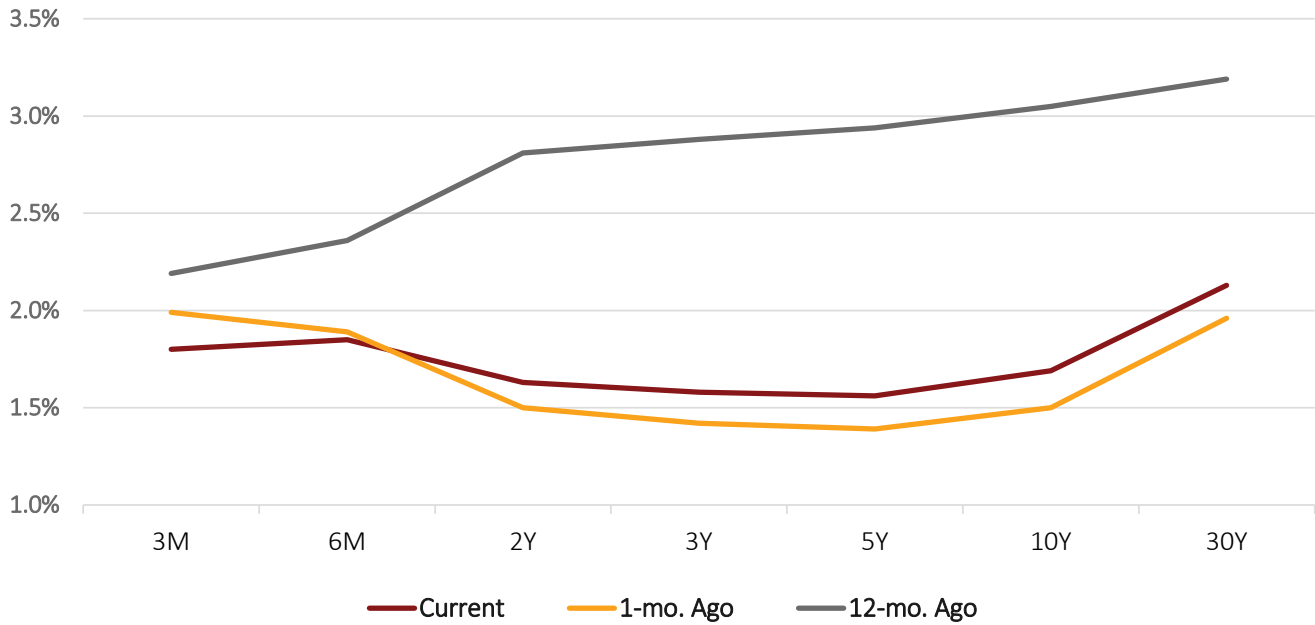
Current P/E vs. Trailing 5-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Jan-18	Jan-18	Nov-17	Jan-18	May-17	Jan-18	Mar-17	Jul-17
Low Month	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18	Oct-15	Dec-18	Dec-18

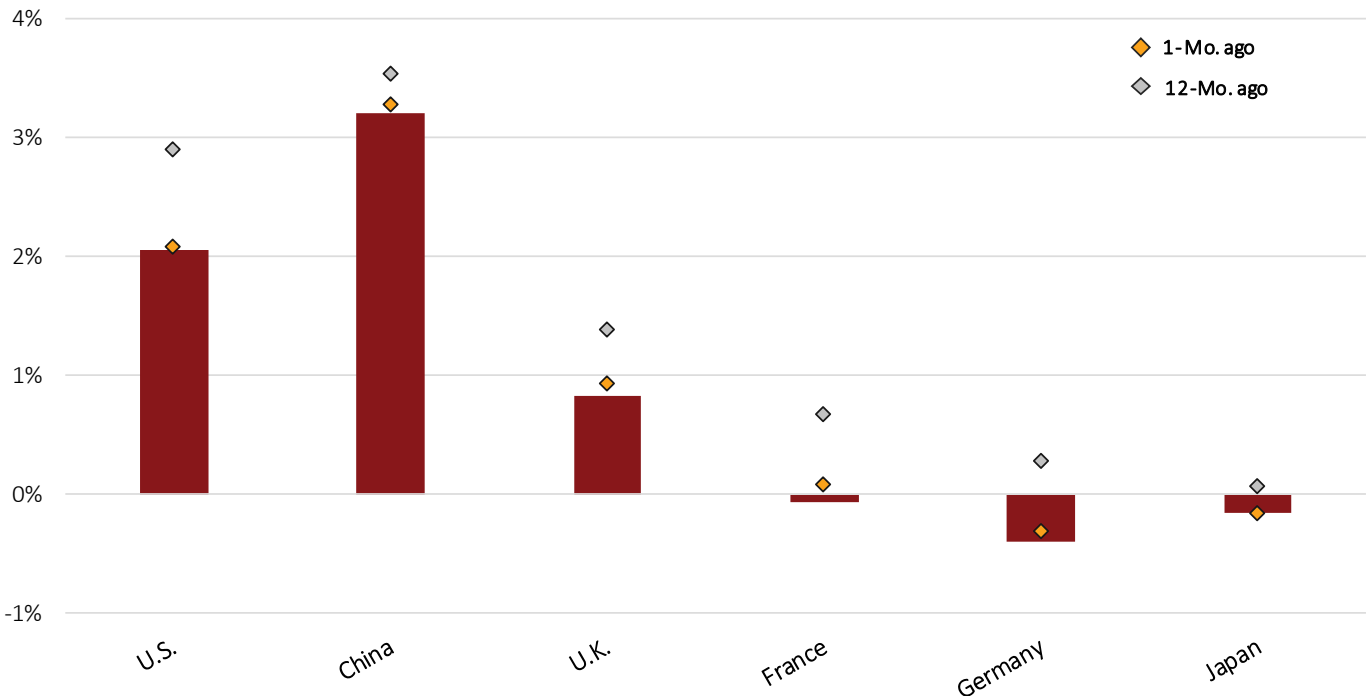
Source: Standard & Poors, FTSE/Russell, MSCI

U.S. Treasury Yield Curves as of 9/30/2019



Source: Federal Reserve Bank of St. Louis

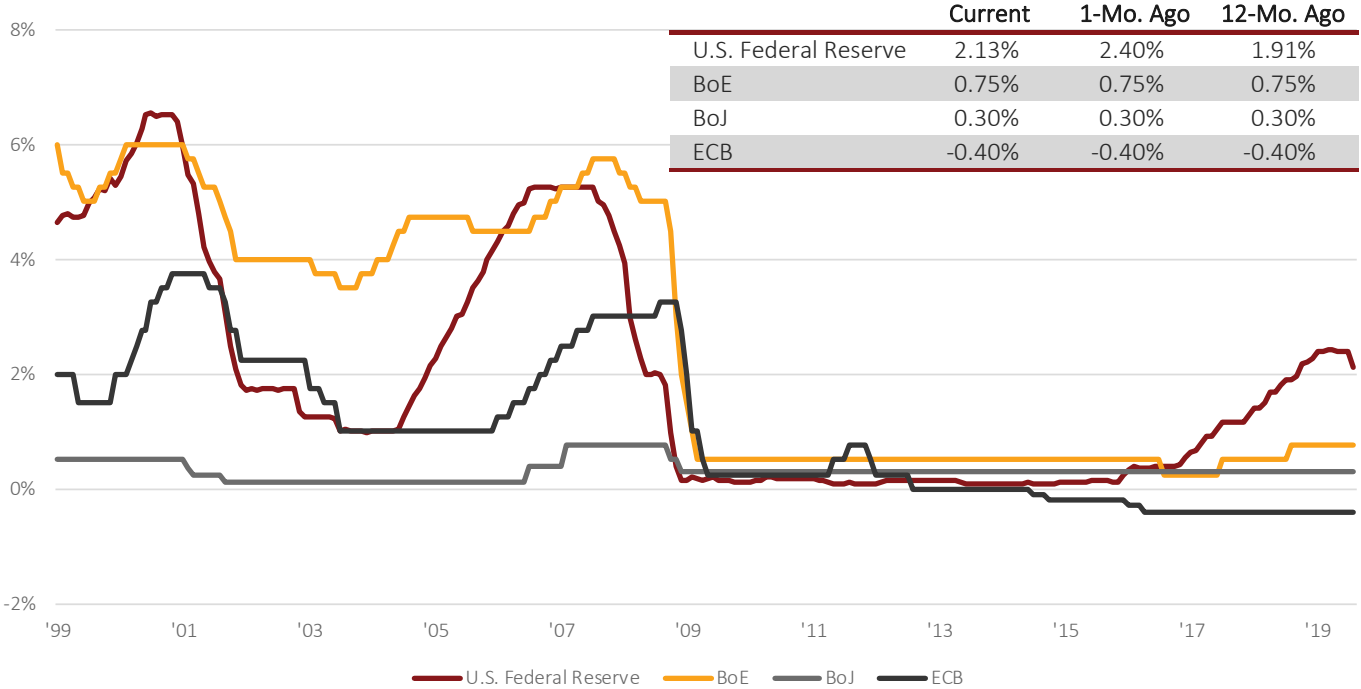
10 Year Sovereign Yields as of 7/31/2019 (most recently available)



Source: Federal Reserve Bank of St. Louis, Wall Street Journal

Central Bank Policy Rates

as of 8/31/19 (most recently available)



Source: Federal Reserve Bank, Bank of England, European Central Bank

Corporate Bond Average Spread (bps)

