"It's fewer jobs. It's less business going on. It's less investment. It's more uncertainty. It weighs like a big, dark cloud on the global economy."

-Christine Lagarde, Incoming European Central Bank President on Tariffs
Market Commentary - 3rd Quarter 2019

Markets were mixed for the quarter as investors digested potential risks and opportunities in the market.

- U.S. stocks (S&P 500) were up 1.7% on a continued dovish Fed policy despite persistent trade worries.
- Emerging markets and foreign developed markets were down 4.25% and 1.07%, respectively, on trade tensions as well as a stronger dollar.
- The Federal Reserve cut rates twice during the quarter as multiple risks remained prevalent in the market.
- Investors decreased their holdings of domestic and world stock mutual funds/ETFs and increased their holdings of bond mutual funds/ETFs. For the quarter, stock funds had a net outflow of $59 billion and bond funds had a net inflow of $103 billion. Total money market mutual fund assets increased by $250 billion to $3.4 trillion.
- The US added 470,000 jobs this quarter, and the unemployment rate decreased from 3.7% to 3.5%.
- The price of oil decreased from $58 to $54 a barrel over the quarter due to a weaker economic outlook and faltering demand despite spiking mid-September after an attack on Saudi oil facilities.
Market Commentary - 3rd Quarter 2019

U.S. bond market

- The broad fixed income market was up as investors reacted positively to the Fed's more accommodative approach to monetary policy.
- The yield curve shifted downwards and remained inverted over the quarter, increasing concern among investors about a possible recession.
- The Federal Reserve cut rates by a quarter point twice during the quarter to provide insurance against ongoing risks in the market.
- Yields on the 10-year Treasury decreased 32 basis points while yields on the 30-year Treasury went down by 40 basis points.
- Short term U.S. corporates were up less than the rest of the market as interest rates fell.
- Long term US treasury bonds were the best performing, up 8.16%, as yields fell and investors were compensated for high quality long term holdings.
Market Commentary - 3rd Quarter 2019

U.S. stock market

- Major domestic equity indices were mixed over the quarter, with large growth outperforming large value, but small value outperforming small growth. The S&P 500 was the best performing index, up 1.7%.

- In the quarter, smaller capitalization stocks lagged larger capitalization due to their volatility, given heightened uncertainty in the market.

- REITs were up 6.83% as interest rates fell and demand for yield persisted.

- Energy performed the worst, down 6.74%, as forecasts of a slowdown in global demand continued to put pressure on the sector and supply remained high.

- The Utilities sector performed the best, up 8.94%, as defensive stocks outperformed amid ongoing market uncertainty.
International market

- The dollar was up against other major currencies, creating a substantial headwind for international stocks, particularly emerging markets as dollar-denominated returns were much lower than local currency returns.

- Fears of a no-deal Brexit persisted as a deal has not yet been reached. The U.K.’s new Prime Minister Boris Johnson temporarily suspended parliament until the U.K.’s Supreme Court ruled it unlawful leading up to the October deadline.

- For the quarter, the EAFE Index was down 1.07% while local currency returns for developed markets were up 1.83%. The EM index was down 4.25% while local currency returns in emerging markets were down only 1.93%.

- Among the major international regions, Japanese stocks were the best performing for the quarter, up 3.13%, as Japan's banking sector improved its profitability after a long period of underperformance.

- Of the emerging countries, Indian stocks performed the worst, down 5.15% amid weak corporate earnings and a slowdown in economic growth as well as a higher tax surcharge on Foreign Portfolio Investors.

- Small-cap international stocks outperformed large-cap international stocks.
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