

DeMarche Dashboard

Data and Commentary for Periods Ended 4/30/2019

Global Overview

- **Markets** – Markets continued to rally as the S&P 500 Index reached a new all-time high in April, with global equities reporting a return of 3.6% in the month. Relatively strong economic data, surprise growth out of the U.S. and Eurozone, and steady corporate earnings supported positive equity markets in April. Alternatively, bonds experienced mixed results due to steepening on the long end of the yield curve and credit spreads tightening. Investors' risk-on appetites were evident in the high yield and bank loan sectors, which both provided returns in excess of 1.4% in the month. Commodities and REITs were relatively flat in April.
- **Developed Markets** – Both U.S. and developed non-U.S. stock markets performed well as a number of companies reported first quarter earnings beats in April. In both U.S. and developed non-U.S. markets, technology and communication services were among the strongest performing sectors as some of the world's largest companies continued to grow. Credit continues to outperform treasuries in developed markets while credit spreads continued to tighten in April.
- **Emerging Markets** – Emerging market equities lagged the developed markets due to the continued strength in the U.S. dollar and a reduction in net exports for certain export-dependent countries such as Taiwan and Korea. The Brazilian real, the Turkish lira, and the Argentinean peso fell sharply in April, proving to be a headwind for their respective markets. Local currency emerging market debt continued to perform well and is up 5.3% for the year.

U.S. Economy and Markets

- The S&P 500 Index gained 4.0% in the month and was attributable to better than expected GDP growth, continued strength in corporate earnings, and a strong labor market. Large cap growth stocks outperformed large cap value stocks by nearly 1% in April, bringing the divergence year-to-date to 5.4%.
 - Nine out of eleven S&P 500 sectors produced positive results in April as healthcare was the only meaningful detractor (-2.6%) and suffered due to concern about increased government scrutiny over drug prices. Strong results from the communication services and financials sectors, compensated for losses in healthcare stocks.
- The Russell 2000 Index, returning 3.4% in April, and has posted a result of 18.5% year-to-date, is in line with other large cap securities over the same time period. Small cap value outperformed small cap growth over the most recent period, though growth has outperformed value by 4.6% year-to-date.
 - All but two of the ten Russell 2000 sectors produced positive results in April. Telecommunications (7.3%) and producer durables (6.3%) were the largest contributors, while healthcare (-3.7%) was the only major detractor.
- The 10-year U.S. Treasury yield ended April at 2.51%, up from 2.41% at the end of March. Treasury spread widening occurred throughout the month, as the 3-month T-bill's yield bounced within a range of 2.42% to 2.45%. The 10-year reached a peak of 2.60% before closing the month near 2.51%. Recall that the yield curve (3-month to 10-year) inverted for five consecutive trading days in March. Highyield bonds produced strong results with credit spreads narrowing in April and the ICE BofAML U.S. High Yield Index returning 1.4%. The Bloomberg Barclays U.S. Aggregate Index was flat for the month due to gains in credit being offset by the steepening yield curve.

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- The labor market remained strong in April as employers added 263,000 jobs in the month and unemployment fell to 3.6%, the lowest level since 1969. The professional and business services, and construction sectors created the largest number of new jobs in April. Average hourly earnings growth was tepid at 3.2% year-over-year. First quarter GDP growth was estimated at 3.2%, indicating that the U.S. economy is continuing to grow at a faster than normal pace. The market will be seeking more clarity in the coming months on the seemingly improving trade negotiations with China and the Eurozone, which should better validate recent GDP readings and their relation to domestic demand. Purchasing managers' indices, coincident indicators said to explain economic trends in the manufacturing and service sectors, have dropped to levels last seen in 2016 due to decelerating new orders, production, and new exports. Further, negative readings in indicators, such as building permits and existing home sales, are diverging from economic strength seen in other indicators like personal consumption, retail sales, and consumer confidence.

International Markets

- The MSCI EAFE Index (USD) finished April up 2.8% after a positive quarter-to-quarter GDP growth surprise in the Eurozone, similar to U.S. markets. Traditionally cyclical sectors, such as information technology, consumer discretionary, and industrials, led the Index during the month while healthcare, REITs, and utilities weren't able to post positive results. Germany bounced back in April, up 7.0%, as German automobile manufacturers experienced positive results during the month. Many of the larger constituents of the MSCI EAFE Index posted positive returns in April, including France (4.8%), the U.K. (2.6%), and Switzerland (1.9%). Japan gained 1.4% during the month, almost all of which during the first trading day of April. The European Central Bank (ECB) held true to previous months' comments and left rates unchanged during their April meeting.
- The MSCI Emerging Markets Index (USD) gained 2.1% in April as emerging markets continue to lag developed markets year-to-date. Indian equities were relatively flat (0.6%) during the month as the ongoing general elections have subdued trading volumes in local markets. Korea, the second largest constituent of the Index, was flat in the month and has been laggard in the Index due to weak export data. China continues to produce strong results amid ongoing fiscal and monetary easing and is up over 20% year-to-date. The strength in the U.S. dollar continues to be a headwind for certain emerging markets economies relative to more developed nations that are less dependent on the USD.

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Looking Ahead

- After another strong jobs report in April, the U.S. labor market is at one of its healthiest points since the 1960s with high amounts of job creation and near all-time low levels of unemployment. Since recovering from the Great Financial Crisis, U.S. core inflation (inflation ex-energy and food) has hovered between 1.6 to 2.2% despite strong economic growth and the robust labor market. The Phillips Curve, a well-recognized economic theory asserting that unemployment and inflation are inversely related, continues to be questioned given the nature of the current environment. The theory conceptualizes that with economic growth comes inflation, which should then lead to more jobs and low unemployment. This is a historically unique time where low inflation and low unemployment have persisted. The only time the Phillips Curve has been invalidated was during the stagflation environment of the 1970s. The Phillips Curve has historically been a major factor in fiscal policymaking decisions such as setting the target inflation rate. If inflation does not rise, the theory is at risk of being debunked for the second time.
- The Mueller report was released in mid-April, with the highlight being that the Special Counsel did not find conclusive enough proof to recommend the prosecution of Donald Trump on the grounds of Russian collusion or obstruction of justice since the 2016 election. Despite not recommending prosecution, Mueller did state, “multiple acts by the president that were capable of exerting undue influence over law enforcement investigations, including the Russia-interference and obstruction investigations.” Democrats appear to be split on pursuing impeachment in the wake of Mueller’s findings. The S&P 500 was up just 0.2% the day following the release of the Mueller report, as investors have become somewhat inured to the political headline risk of the investigation.

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	3.20	2.82	2.28	3.60	2.51	-	-	2.06
China	6.40	6.20	6.01	3.70	3.43	6.73	6.33	1.50
Japan	0.30	0.66	0.61	2.50	-0.10	98.76	104.53	0.20
United Kingdom	1.40	1.22	0.98	3.90	1.19	1.48	1.98	1.81
Euro Area	1.20	1.60	1.50	7.70	0.25	1.12	1.21	0.99
Germany	0.60	0.74	1.20	3.20	0.01	1.12	1.21	1.47
France	1.10	1.30	1.25	8.80	0.55	1.12	1.21	1.13
Italy	0.10	0.04	0.56	10.20	2.81	1.12	1.21	0.95
Canada	1.60	1.27	2.00	5.80	1.91	1.34	1.28	1.55
India	6.60	7.16	7.43	7.60	6.50	69.41	65.67	6.97
Mexico	1.30	1.63	2.02	3.60	8.01	18.99	18.77	3.94
Brazil	1.10	1.36	2.27	12.70	6.51	3.94	3.49	3.89

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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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	3.55	8.06	16.47	6.48	11.39	7.31	11.58
	BBgBarc US Agg Bond TR USD	0.03	1.89	2.97	5.29	1.90	2.57	3.72
	Russell 3000 TR USD	3.99	9.22	18.60	12.68	14.74	11.20	15.29
	DJ Industrial Average TR USD	2.66	6.99	14.79	12.63	17.16	12.60	15.43
	NASDAQ Composite PR USD	4.74	11.17	22.01	14.56	19.24	14.49	16.77
	MSCI EAFE NR USD	2.81	6.10	13.07	(3.22)	7.24	2.60	7.95
	FTSE Treasury Bill 3 Mon USD	0.20	0.60	0.80	2.18	1.23	0.76	0.42
Bloomberg Commodity TR USD	(0.42)	0.41	5.88	(8.03)	(0.66)	(9.43)	(2.67)	
Domestic Equities	S&P 500 TR USD	4.05	9.48	18.25	13.49	14.87	11.63	15.32
	S&P MidCap 400 TR	4.02	7.81	19.09	6.99	12.26	9.49	15.13
	S&P SmallCap 600 TR USD	3.87	4.79	15.93	4.42	13.54	9.90	15.57
	Russell 1000 TR USD	4.04	9.43	18.60	13.33	14.82	11.41	15.39
	Russell 1000 Growth TR USD	4.52	11.34	21.35	17.43	18.62	14.50	16.96
	Russell 1000 Value TR USD	3.55	7.53	15.90	9.06	10.97	8.27	13.76
	Russell Mid Cap TR USD	3.81	9.19	20.97	10.69	12.82	9.75	15.65
	Russell Mid Cap Growth TR USD	4.50	12.12	25.00	17.64	16.78	12.20	16.56
	Russell Mid Cap Value TR USD	3.30	7.12	18.14	5.76	9.91	7.83	14.98
	Russell 2000 TR USD	3.40	6.50	18.48	4.61	13.60	8.63	14.10
	Russell 2000 Growth TR USD	3.05	8.22	20.71	6.91	15.64	10.22	15.24
	Russell 2000 Value TR USD	3.78	4.71	16.16	2.19	11.46	6.94	12.87
International Equities	MSCI ACWI Ex USA NR USD	2.64	5.27	13.22	(3.23)	8.09	2.83	7.75
	MSCI EAFE NR USD	2.81	6.10	13.07	(3.22)	7.24	2.60	7.95
	MSCI EAFE Growth NR USD	3.27	8.70	15.71	0.42	8.09	4.45	9.18
	MSCI EAFE Value NR USD	2.33	3.50	10.43	(6.81)	6.34	0.70	6.65
	MSCI Japan NR USD	1.39	1.93	8.14	(7.18)	6.93	6.46	7.12
	MSCI AC Asia Ex Japan NR USD	1.90	5.81	13.55	(4.09)	12.94	6.71	9.72
	MSCI Europe NR USD	3.58	7.71	14.80	(2.97)	6.95	1.25	7.91
	MSCI United Kingdom NR USD	2.25	6.84	14.41	(2.53)	5.90	0.25	8.22
	MSCI EAFE Small Cap NR USD	3.02	5.49	13.99	(7.88)	7.75	5.27	11.49
MSCI EM NR USD	2.11	3.19	12.23	(5.04)	11.25	4.04	7.50	
Fixed Income	BBgBarc US Govt/Credit TR USD	0.05	2.11	3.31	5.43	1.98	2.63	3.91
	BBgBarc US Govt/Credit Interm TR USD	0.19	1.64	2.52	4.99	1.63	2.05	3.12
	BBgBarc US Govt/Credit Long TR USD	(0.40)	3.70	6.02	6.89	3.19	4.81	7.29
	ICE BofAML US High Yield TR USD	1.40	4.12	8.90	6.71	7.77	4.84	10.19
	Credit Suisse HY USD	1.51	4.19	8.84	6.55	7.88	4.65	9.89
	S&P/LSTA Leveraged Loan TR	1.65	3.09	5.71	4.24	5.55	3.94	7.26
	FTSE WGBI NonUSD USD	(0.63)	(1.06)	0.88	(2.78)	0.02	(0.45)	1.90
	BBgBarc Gbl Agg Ex USD TR USD	(0.61)	(0.95)	0.90	(2.51)	0.08	(0.64)	2.28
REITs	FTSE Nareit All REITs TR	(0.06)	4.68	16.63	19.18	8.66	9.23	15.38
	Wilshire US REIT TR USD	(0.18)	3.90	15.81	17.47	6.38	8.20	15.34

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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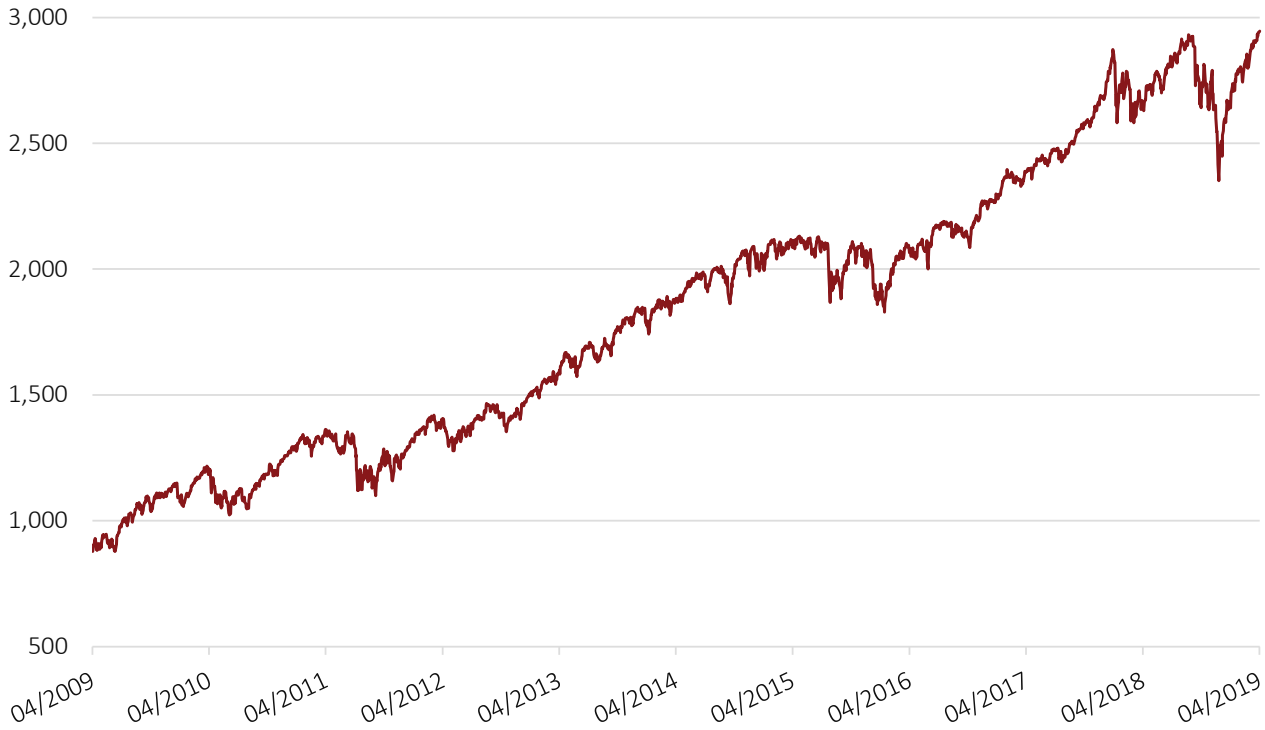
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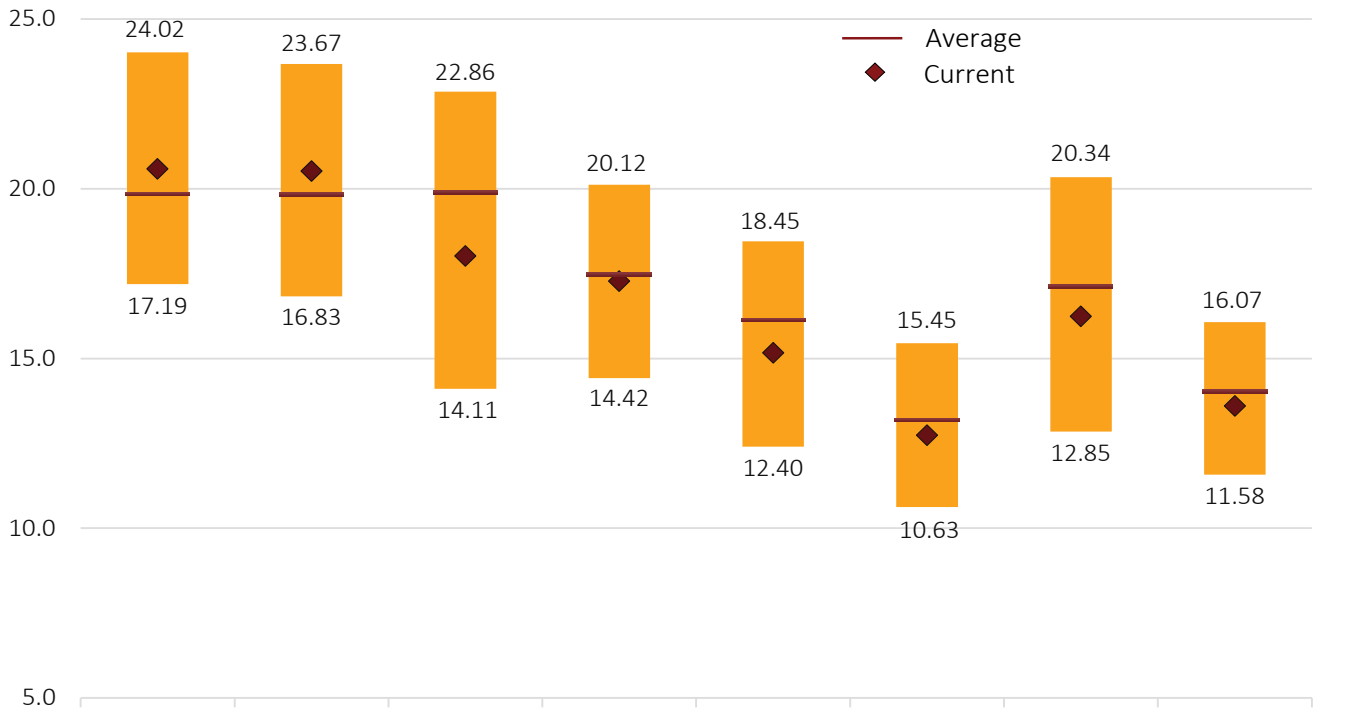
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S&P 500 Price Level



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 Date	Jan-18	Jan-18	Nov-17	Jan-18	May-17	Jan-18	Mar-17	Jul-17
Low Date	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18	Oct-15	Dec-18	Dec-18

Source: Standard & Poors, FTSE/Russell, MSCI

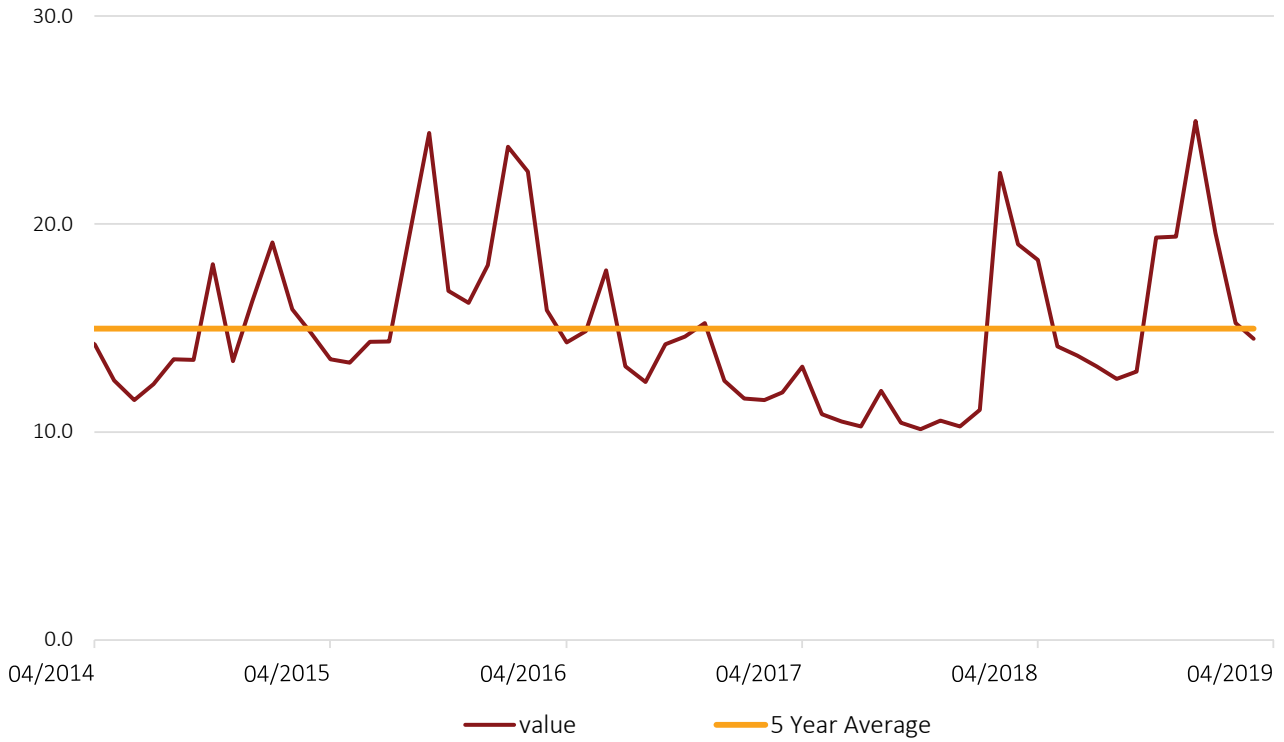
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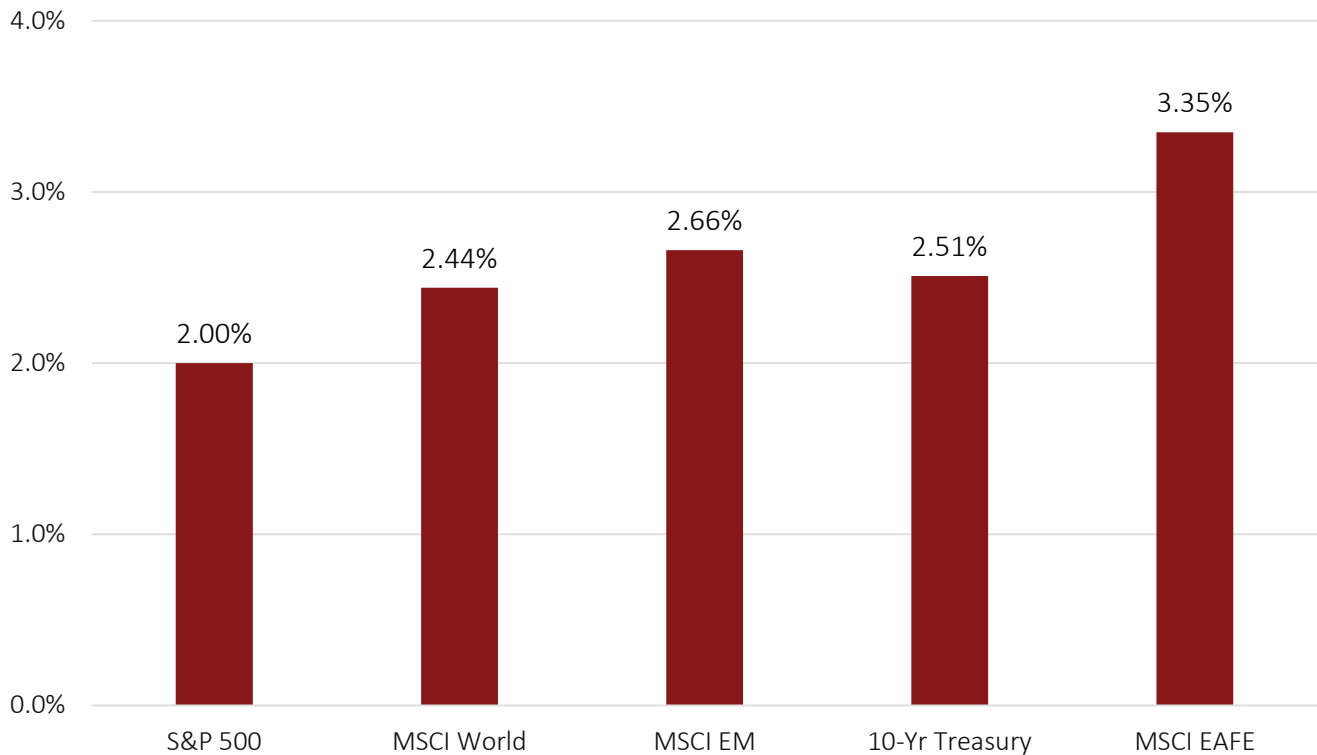
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CBOE Volatility Index: VIX



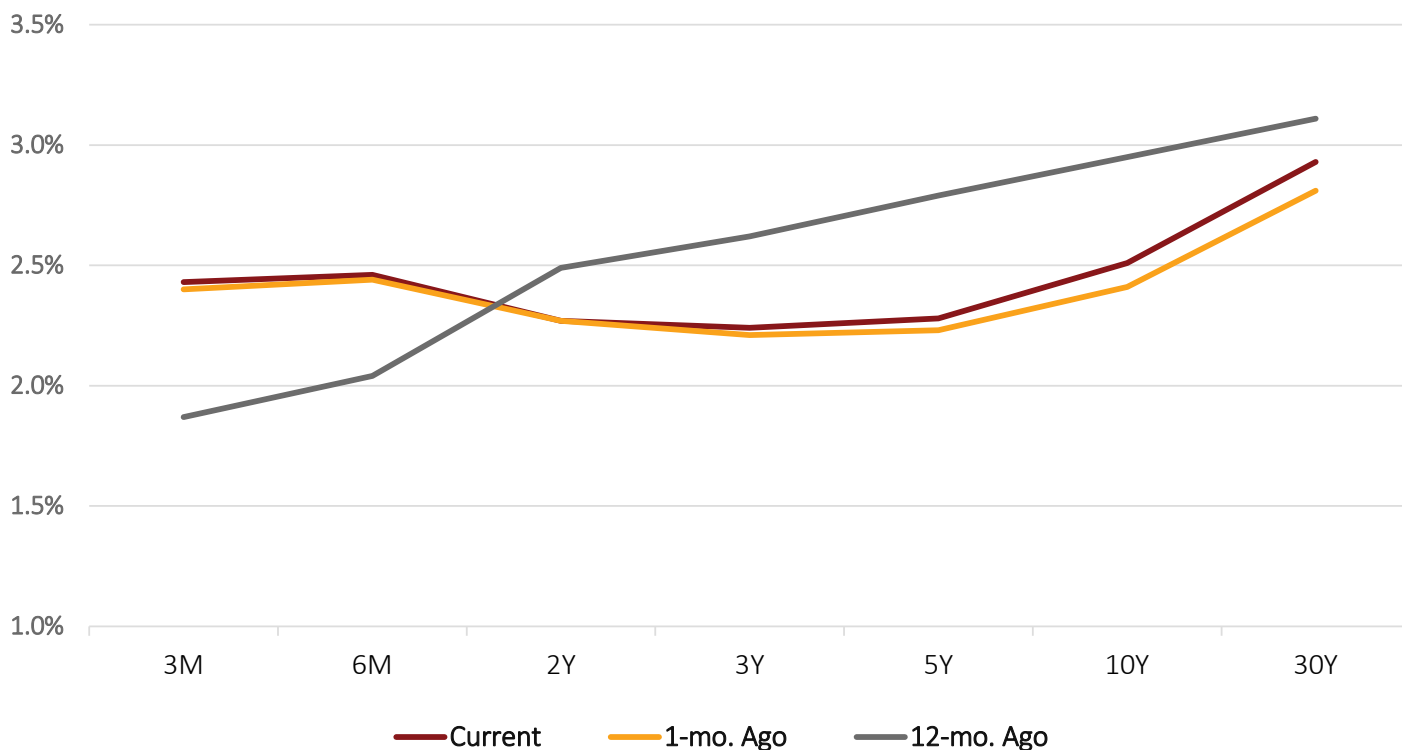
Source: CBOE Global Markets, Inc.

Current Yields



Source: Federal Reserve Bank of St. Louis, Standard & Poors, MSCI

U.S Treasury Yield Curves



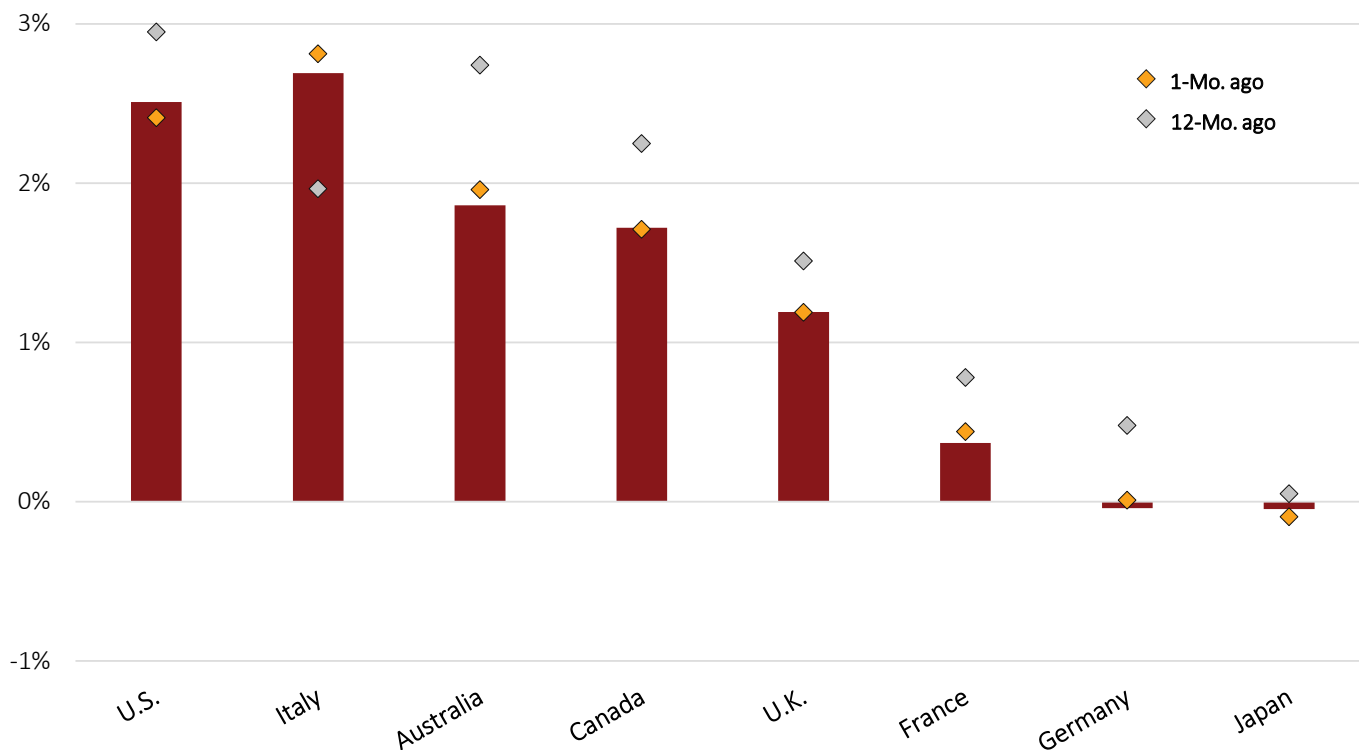
Source: Federal Reserve Bank of St. Louis

U.S. Treasury Yields

Security	Yield (%)		
	Current	1-Mo. Ago	12-Mo. Ago
3-mo. Treasury	2.43	2.40	1.87
6-mo. Treasury	2.46	2.44	2.04
2-yr. Treasury	2.27	2.27	2.49
3-yr. Treasury	2.24	2.21	2.62
5-yr. Treasury	2.28	2.23	2.79
10-yr. Treasury	2.51	2.41	2.95
30-yr. Treasury	2.93	2.81	3.11

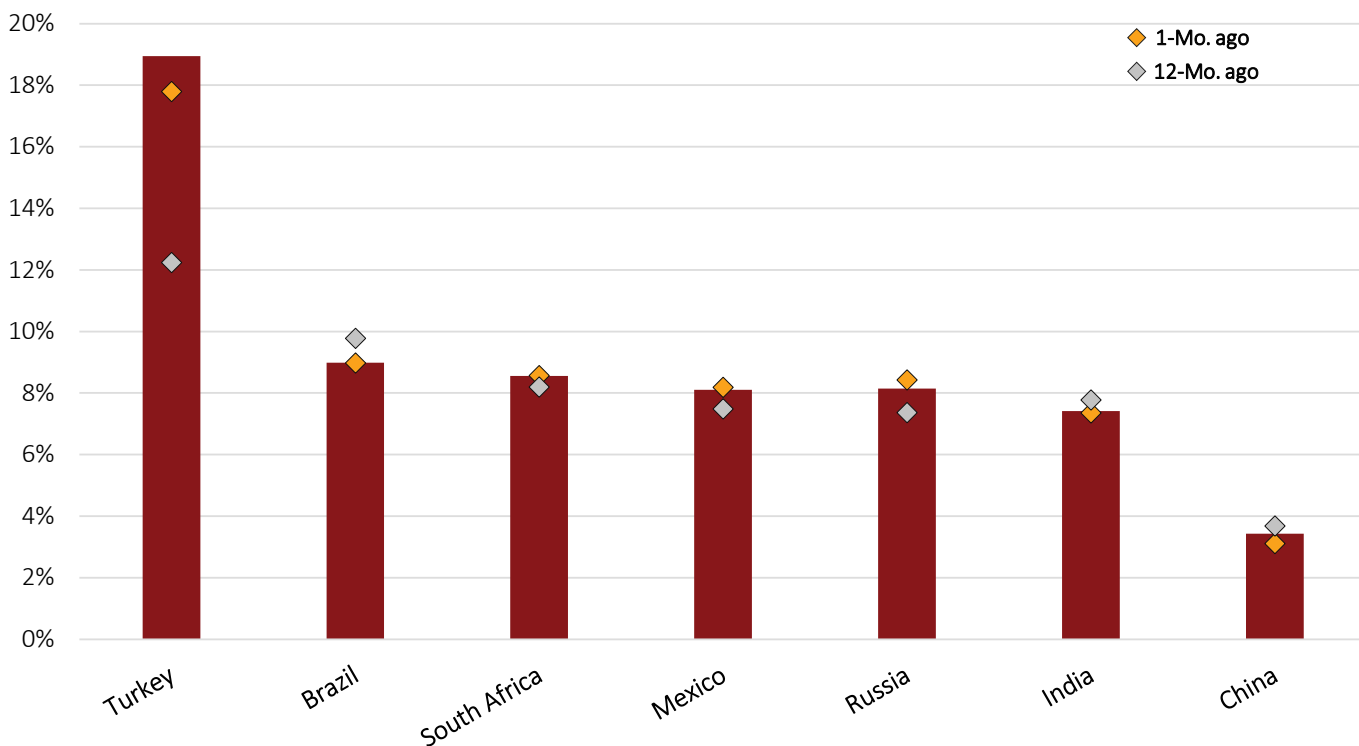
Source: Federal Reserve Bank of St. Louis

Developed Markets 10 Year Sovereign Yields



Source: Federal Reserve Bank of St. Louis, Bloomberg

Emerging Markets 10 Year Sovereign Yields



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

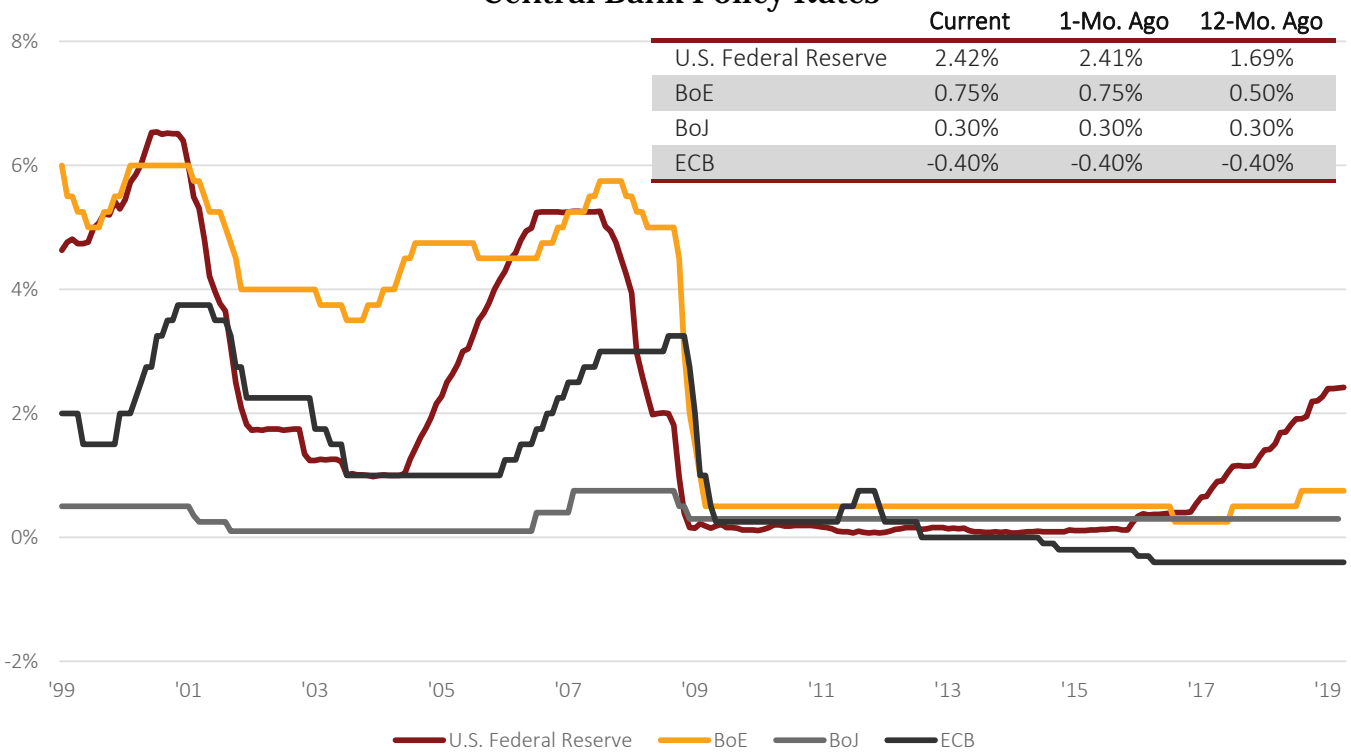
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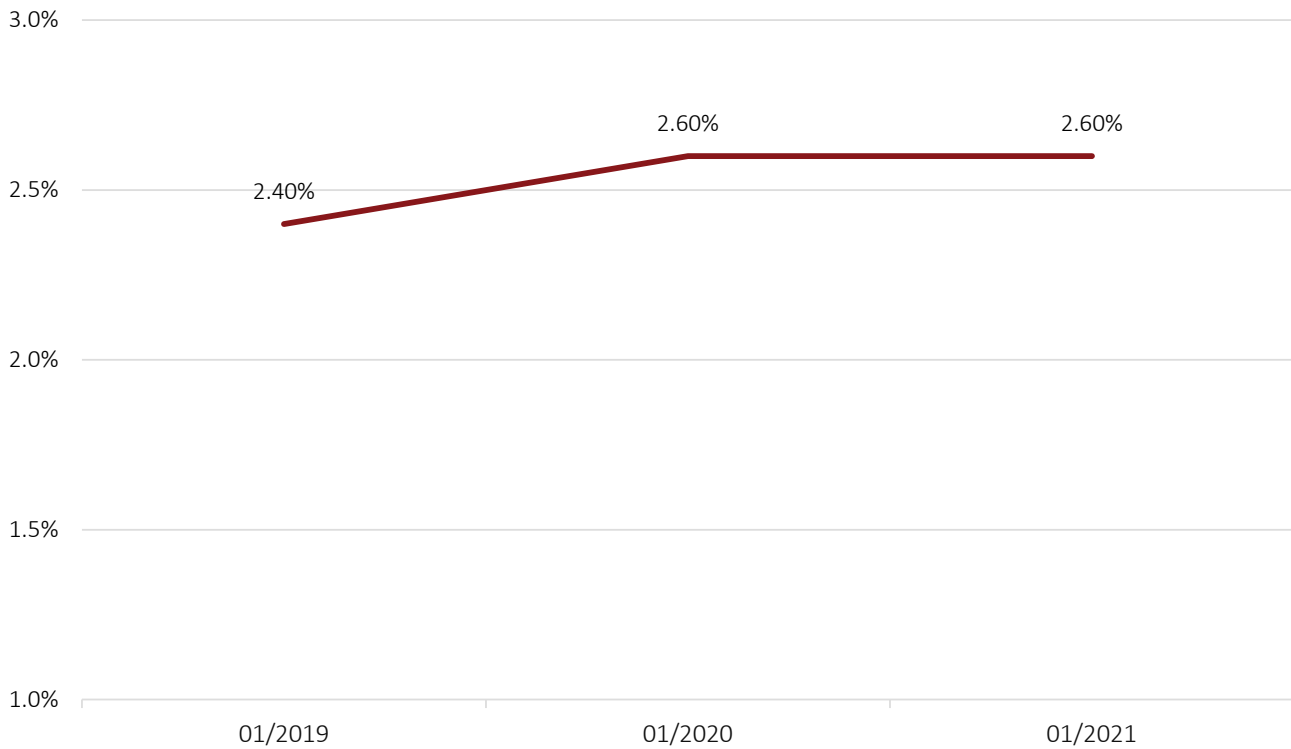
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Central Bank Policy Rates



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

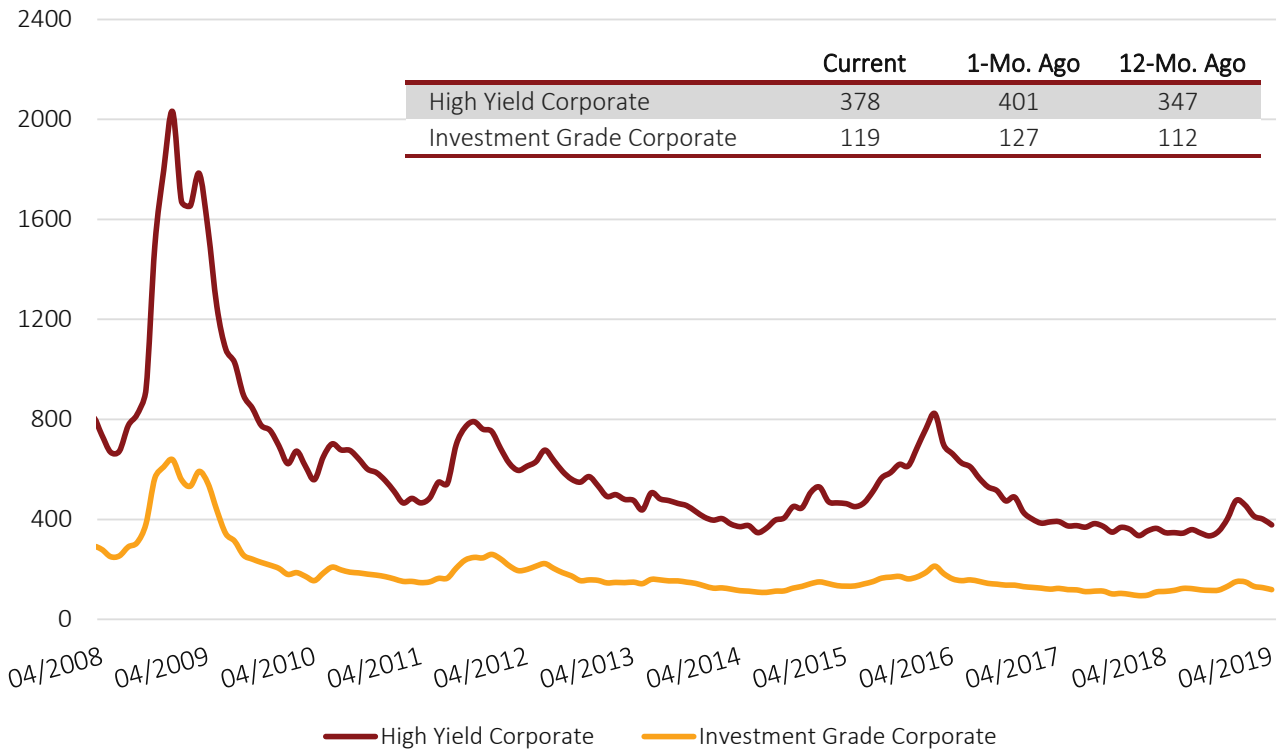
Summary of Economic Projections of Federal Funds Rate



Source: Federal Reserve Bank of St. Louis and U.S. Federal Open Market Committee (FOMC).

Represents the median value of the range forecast of the federal funds rate established by the FOMC.

Corporate Bond Average Spread (bps)



Source: Bank of America

5-Year Forward Inflation Expectation Rate



Source: Federal Reserve Bank of St. Louis. Measure of expected inflation, on average, over the next five year period.