

Global Overview

Global equity and fixed income markets each provided largely positive returns in October. Central bank easing, a temporary trade agreement, and third quarter earnings beats were enough to push U.S. markets to all-time highs. Emerging market debt and U.S. credit continued to provide strong results, each up over 10% year-to-date.

U.S. Markets & Economy

U.S. equity markets had another strong month of performance on the heels of a mid-October announcement that the U.S. and China have agreed to a “Phase 1 Deal,” in which China is to buy up to \$50 billion of U.S. agricultural goods in exchange for a temporary halt of the U.S. raising tariffs on \$250 billion of Chinese goods. The trade news, along with stronger than expected third quarter earnings, prompted the S&P 500 to reach all-time highs late in the month. In a much anticipated move, the Federal Open Market Committee decided to cut the benchmark funds rate by 25 basis points. However, Fed Chair Jerome Powell tempered expectations of a further cut in December. Included in the Fed’s decision to cut the benchmark rate was a surprise third quarter GDP growth rate of 1.9% (annualized), beating expectations of 1.6% though trailing second quarter growth of 2.0%. The Commerce Department attributed the surprise GDP reading to strong consumer spending and government expenditures. However, not all economic data was rosy as the manufacturing sector dipped further into recession territory and consumer confidence weakened. The short-end of the U.S. Treasury Yield curve fell while the long-end rose, steepening the curve out of inversion (3-month to 10-year) for the first time since May. The curve steepening was attributable to easing geopolitical tensions, increasing demand for risk-assets, and the prospect of a reacceleration of growth.

- The S&P 500 Index returned 2.2% in October, bringing the year-to-date return up over 23%. The Russell 2000 Index gained 2.6% and the Russell Midcap Index gained 1.1% in the month.
- The Bloomberg Barclays U.S. Aggregate Index posted a 0.3% result while the ICE BofAML U.S. High Yield Index returned 0.2%. Shorter maturity bonds outperformed longer maturity bonds.

International Markets & Economy

International developed equity markets performed well in October as the MSCI EAFE Index extended year-to-date gains to 16.9%, while emerging market stocks have gained 10.4% year-to-date. In his last policy meeting before his term ends, ECB President Mario Draghi left rates unchanged and repeated guidance from the September meeting where the bank cut the deposit rate and announced a new round of quantitative easing set to begin on November 1. Weak economic data in the Eurozone and Japan prompted analysts to discount third quarter earnings expectations, leading to strong equity market results due to incremental earnings beats. Chinese GDP growth fell to its lowest level since the 1980s. The effects of the trade war were noted as the biggest headwind to the Chinese economy and its declining growth. While the announcement of a “Phase 1 Deal” is a positive for Chinese businesses and consumers, tariffs remain on virtually all Chinese imports to the U.S. The three largest constituents in the MSCI EM Index, China, Korea, and Taiwan, were each up over 4% in October despite ongoing geopolitical and macroeconomic concerns.

- The MSCI EAFE Index (USD) gained 3.6% in October as Japan and Germany, two of the largest constituents in the Index, added to their gains for 2019. The MSCI Emerging Markets Index (USD) was among the best-performing broad market indexes in the month, returning over 4.2%.



In the News

- Despite UK Prime Minister Boris Johnson's early claim that the UK would exit the European Union by the October 31 deadline, the European Union voted to delay Brexit until January 31, 2020, after the timing of Johnson's revised legislation was not passed in the UK Parliament. However, Mr. Johnson was successful in convincing the Members of Parliament (MPs) to move the next general election up to December 12, before the originally scheduled date of the next general election. The "snap election" will take place before the new January deadline, as conservatives hope a new cast of MPs will be able to pass the needed Brexit legislation to finally exit the bloc. The plan may backfire on the conservatives should the new MPs agree to a second referendum, in which the Brexit issue will be re-opened to a vote.
- Consumer spending, as measured by personal consumption expenditures (PCE), has grown in each month since February and is at all-time highs, a positive indicator for the U.S. economy. PCE is the value of all goods purchased by the U.S. consumer and is a common way to gauge the strength of the U.S. economy. Strong consumer spending in 2019 has eased investors' worries over trade concerns and negative data from the manufacturing sector, and will be an important indicator to follow as the holiday season approaches in the final two months of the year.
- SoftBank learned a lesson in valuation as its multi-billion dollar investment, The We Company (WeWork), called off its planned IPO in late-September after a lack of investor interest, questions about company financials, and concerns about the founder and CEO, Adam Neumann. SoftBank subsequently took control of WeWork in October and removed Adam Neumann as CEO in an effort to make the company more attractive to investors. The venture capital firm is now targeting an \$8 billion valuation for WeWork, down from the \$43 billion valuation it gave for 30% of the company this past January. In the wake of historic levels of dry powder (un-deployed private equity capital), WeWork should serve as a warning to private equity investors overly focused on deploying capital rather than company fundamentals.

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates per US \$		Inflation ² (Most recently available)
	Latest	2019 ¹	2020 ¹			Sovereign Bonds, 10 Year	Current	
United States	2.00	2.82	2.28	3.60	1.71	-	-	2.36
China	6.00	6.20	6.01	3.60	3.32	7.04	6.97	2.83
Japan	1.00	0.66	0.61	2.20	-0.22	90.50	97.47	0.20
United Kingdom	1.30	1.22	0.98	3.80	0.60	1.29	1.28	1.69
Euro Area	1.20	1.20	1.40	7.40	0.25	1.12	1.13	0.95
Germany	0.40	0.74	1.20	3.10	-0.59	1.12	1.13	1.44
France	1.30	1.30	1.25	8.50	-0.28	1.12	1.13	0.93
Italy	0.10	0.04	0.55	9.50	1.40	1.12	1.13	0.85
Canada	1.60	1.27	1.99	5.50	1.36	1.31	1.31	2.46
India	5.00	7.16	7.43	7.20	6.00	71.01	73.56	6.31
Mexico	-0.40	1.63	2.02	3.50	7.08	19.17	20.26	3.16
Brazil	1.00	1.36	2.27	11.80	6.34	4.01	3.71	3.43

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 forecasted by The World Bank, all other forecasted data from OECD

2. In terms of CPI All Items

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Data and Commentary for Periods Ended 10/31/2019

October 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	2.54	2.58	20.60	12.69	11.86	7.58	9.48
	BBgBarc US Agg Bond TR USD	0.30	2.35	8.85	11.51	3.29	3.24	3.73
	Russell 3000 TR USD	2.15	1.83	22.68	13.49	14.47	10.31	13.62
	DJ Industrial Average TR USD	0.59	1.29	18.19	10.32	16.98	11.93	13.61
	NASDAQ Composite PR USD	3.66	1.43	24.97	13.50	16.91	12.36	15.03
	MSCI EAFE NR USD	3.59	3.80	16.86	11.04	8.48	4.31	5.41
	FTSE Treasury Bill 3 Mon USD	0.17	0.53	1.96	2.35	1.57	0.99	0.53
	Bloomberg Commodity TR USD	2.02	0.83	5.22	(2.58)	(0.68)	(6.65)	(4.44)
Domestic Equities	S&P 500 TR USD	2.17	2.43	23.16	14.33	14.91	10.78	13.70
	S&P MidCap 400 TR	1.13	(0.14)	19.20	9.02	10.79	8.37	13.21
	S&P SmallCap 600 TR USD	1.95	0.60	15.67	3.24	11.73	8.81	13.91
	Russell 1000 TR USD	2.12	1.99	23.09	14.15	14.73	10.55	13.72
	Russell 1000 Growth TR USD	2.82	2.04	26.77	17.10	18.92	13.43	15.41
	Russell 1000 Value TR USD	1.40	1.93	19.46	11.21	10.51	7.61	11.96
	Russell Mid Cap TR USD	1.05	0.11	23.21	13.72	12.28	8.67	13.70
	Russell Mid Cap Growth TR USD	1.85	(1.14)	27.56	18.93	16.81	10.92	14.76
	Russell Mid Cap Value TR USD	0.54	0.93	20.11	10.08	8.90	6.95	12.90
	Russell 2000 TR USD	2.63	(0.40)	17.18	4.90	10.96	7.37	12.27
	Russell 2000 Growth TR USD	2.85	(2.40)	18.62	6.40	13.22	8.38	13.38
	Russell 2000 Value TR USD	2.42	1.67	15.55	3.22	8.60	6.24	11.08
International Equities	MSCI ACWI Ex USA NR USD	3.49	2.87	15.45	11.27	8.07	3.82	4.94
	MSCI EAFE NR USD	3.59	3.80	16.86	11.04	8.48	4.31	5.41
	MSCI EAFE Growth NR USD	3.58	3.49	22.16	16.61	10.65	6.42	6.91
	MSCI EAFE Value NR USD	3.61	4.15	11.56	5.51	6.26	2.12	3.84
	MSCI Japan NR USD	4.85	7.99	16.51	9.16	7.44	6.90	6.28
	MSCI AC Asia Ex Japan NR USD	4.55	1.64	10.52	13.24	8.46	4.76	6.05
	MSCI Europe NR USD	3.21	3.35	17.37	10.90	8.89	3.58	5.07
	MSCI United Kingdom NR USD	2.81	2.08	13.18	7.08	7.48	1.48	4.92
	MSCI EAFE Small Cap NR USD	4.54	4.83	17.15	8.82	8.55	7.39	8.13
MSCI EM NR USD	4.22	1.03	10.35	11.86	7.36	2.93	3.78	
Fixed Income	BBgBarc US Govt/Credit TR USD	0.28	2.77	10.03	12.61	3.59	3.46	3.94
	BBgBarc US Govt/Credit Interm TR USD	0.40	1.81	6.83	8.74	2.67	2.61	3.04
	BBgBarc US Govt/Credit Long TR USD	(0.06)	5.75	20.86	26.03	6.55	6.34	7.50
	ICE BofAML US High Yield TR USD	0.23	0.94	11.76	8.32	6.04	5.17	7.69
	Credit Suisse HY USD	0.18	0.76	11.28	7.77	5.84	4.97	7.54
	S&P/LSTA Leveraged Loan TR	(0.45)	(0.26)	6.31	2.67	4.08	3.83	5.11
	FTSE WGBI NonUSD USD	0.84	1.44	6.27	9.25	2.46	1.61	1.22
	BBgBarc Gbl Agg Ex USD TR USD	0.96	1.10	5.38	7.84	2.26	1.20	1.33
REITs	FTSE Nareit All REITs TR	1.14	6.79	28.83	24.21	11.28	9.31	13.99
	Wilshire US REIT TR USD	1.01	7.28	28.49	23.26	9.66	8.17	13.69

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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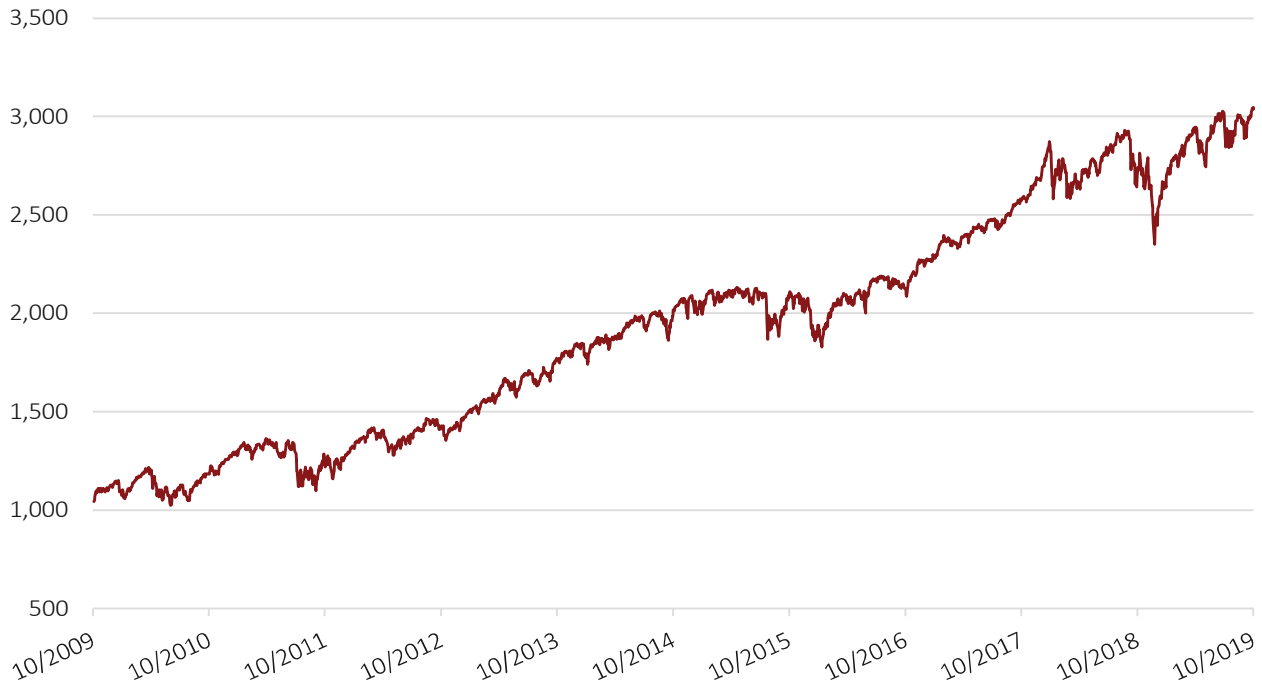
DeMarche Dashboard

Data and Commentary for Periods Ended 10/31/2019

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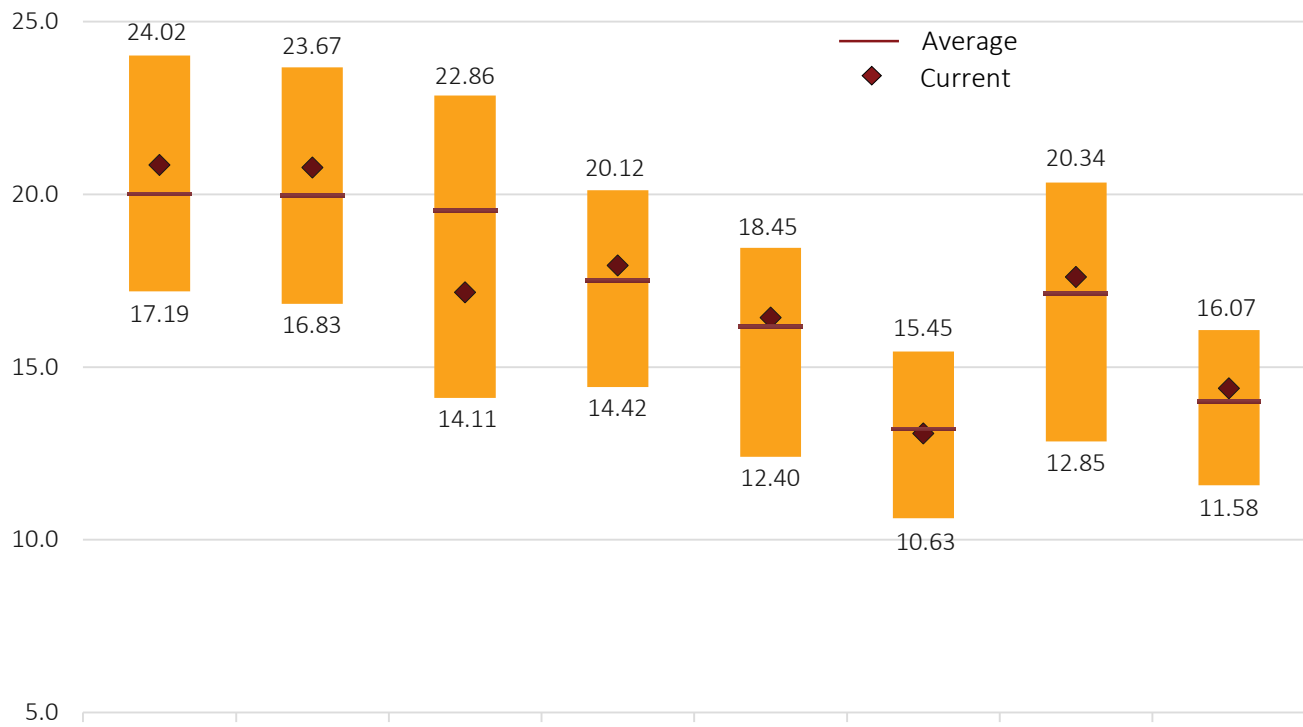
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S&P 500 Price Level



Source: Standard & Poors

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

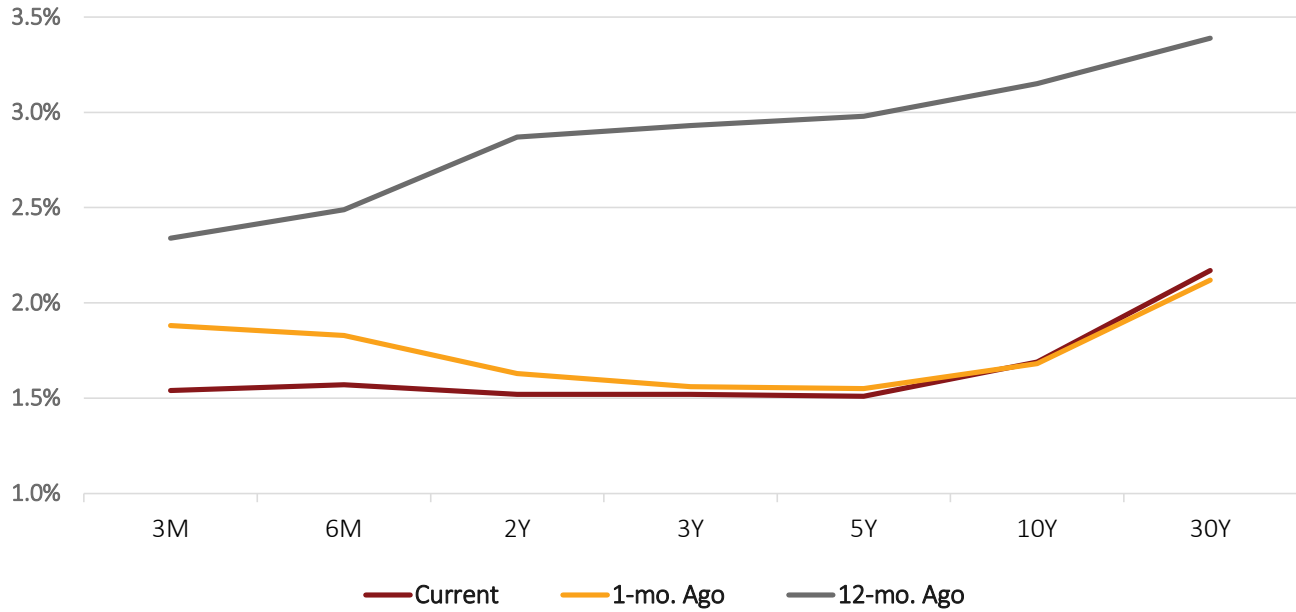


	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Jan-18	Jan-18	Nov-17	Jan-18	May-17	Jan-18	Mar-17	Jul-17
Low Month	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18	Oct-15	Dec-18	Dec-18

Source: Standard & Poors, FTSE/Russell, MSCI

U.S. Treasury Yield Curves

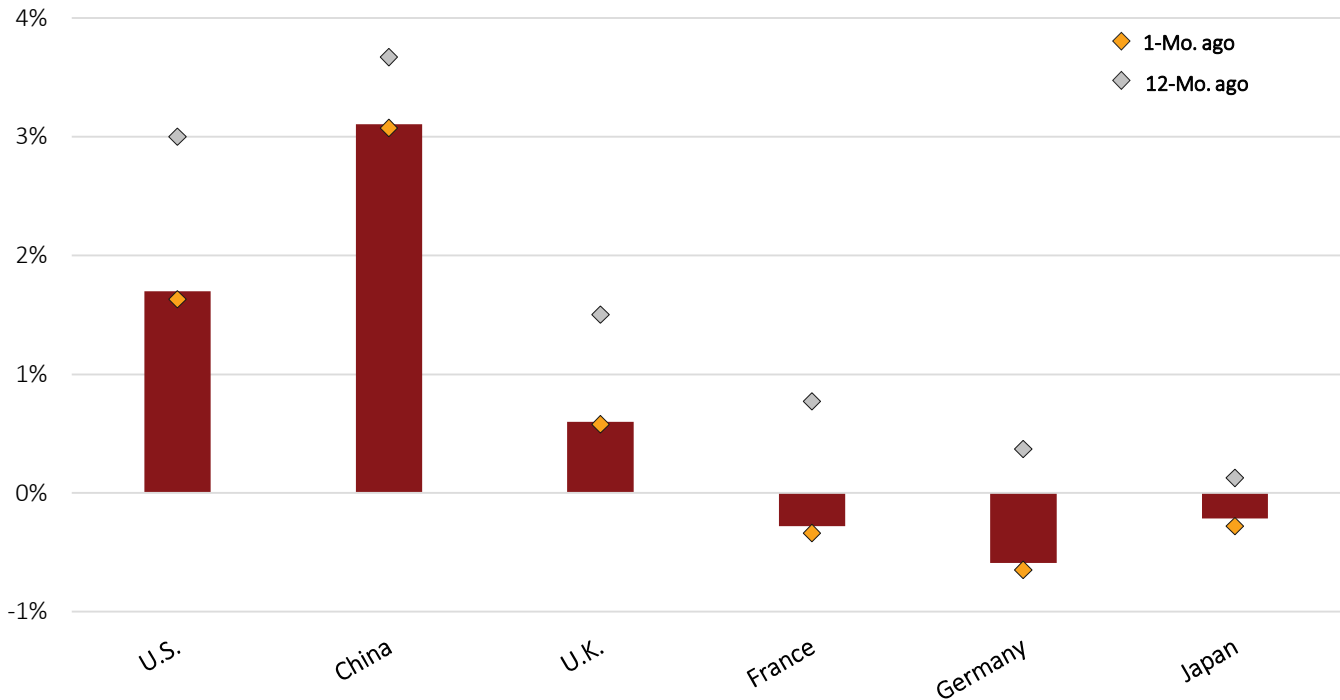
as of 10/31/2019



Source: Federal Reserve Bank of St. Louis

10-Year Sovereign Yields

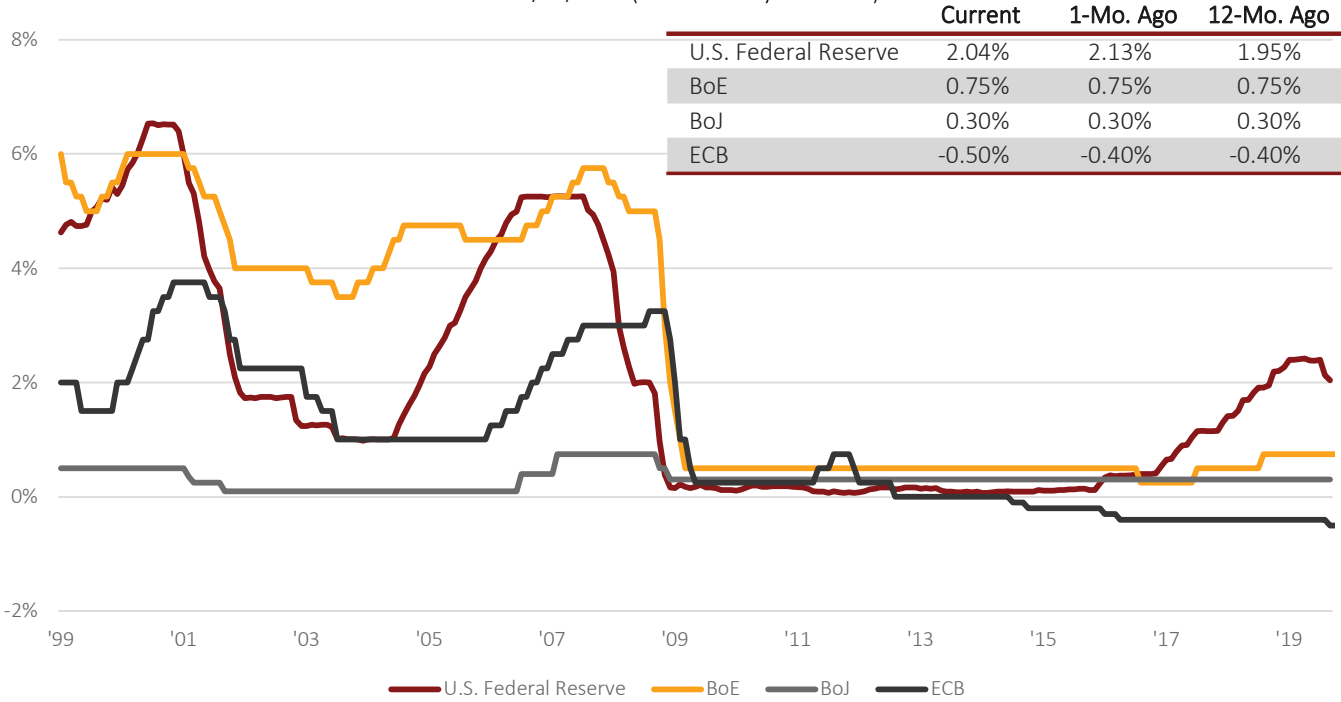
as of 9/30/2019 (most recently available)



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

Central Bank Policy Rates

as of 9/30/2019 (most recently available)



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

Corporate Bond Average Spread (bps)

