

October 2020 Market Watch

As the race continues across the globe to produce a COVID-19 vaccine, stocks closed lower for a consecutive second month. As we head into the colder months, concerns of economic headwinds reemerged as cases increased and restrictions were reintroduced, mainly in Europe and in the U.S. This resurgence created a spike in market volatility that erased the first few weeks of gains in October.

The upcoming U.S. election dominated headlines alongside virus news throughout the month. The markets view a near-term stimulus package that could be unlocked by a blue wave as outweighing the potential tax increase headwinds.

U.S. economic data showed that manufacturing activity accelerated this month as the ISM manufacturing index gained strength at 59.3 versus September's miss of 55.4. A reading of above 50 indicates expansion in manufacturing, accounting for 11.3% of the U.S. economy. Third quarter earnings season kicked off and provided optimism as nearly 65% of the S&P 500 have reported results; and more than 86% have surpassed consensus earnings estimates, well above the 73% one and five-year averages (according to FactSet).

All eyes are on the upcoming election on November 3 and the continued stimulus package stalemate.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	10/31/20	10/24/20	% chg*	9/30/20	% chg*	10/31/19	% chg*	% chg*
DJIA	26,501.6	28,335.6	-6.5%	27,781.7	-4.6%	27,046.2	-2.0%	-7.1%
S&P 500	3,270.0	3,465.4	-5.6%	3,363.0	-2.8%	3,037.6	7.7%	1.2%
NYSE Comp Index	12,429.3	13,199.9	-5.8%	12,701.9	-2.1%	13,171.8	-5.6%	-10.7%
NASDAQ Composite	10,911.6	11,548.3	-5.5%	11,167.5	-2.3%	8,292.4	31.6%	21.6%
Russell 2000	1,538.5	1,640.5	-6.2%	1,561.9	-3.5%	1,562.5	-1.5%	-7.8%
MSCI EM (Emerging Markets)	1,103.5	1,136.4	-2.9%	1,082.0	2.0%	1,042.0	5.9%	-1.0%
MSCI EAFE	1,780.1	1,884.3	-5.5%	1,855.3	-4.1%	1,955.5	-9.0%	-12.6%
Japan Nikkei 225	22,977.1	23,516.6	-2.3%	23,185.1	-0.9%	22,927.0	0.2%	-2.9%
FTSE 100	5,577.3	5,860.3	-4.8%	5,866.1	-4.9%	7,248.4	-23.1%	-24.0%
SSE Comp Index	3,224.5	3,278.0	-1.6%	3,218.1	0.2%	2,929.1	10.1%	5.7%

US Equity Sector Performance

	Oct	YTD	1 Yr Ret.
Consumer Discretionary	-2.9%	19.8%	24.7%
Consumer Staples	-2.8%	1.2%	4.9%
Energy	-4.4%	-50.4%	-46.4%
Financials	-0.8%	-20.9%	-14.6%
Health Care	-3.7%	1.1%	10.1%
Industrials	-1.4%	-5.4%	-1.2%
Information Tech	-5.1%	22.1%	34.5%
Materials	-0.8%	4.6%	11.3%
Communication Services	0.8%	9.5%	15.8%
Utilities	5.0%	-0.9%	0.6%
Real Estate	-3.6%	-9.7%	-10.4%

US Equity Style Performance

	Oct	YTD	1 Yr Ret.
Dow Jones Utilities	5.3%	-2.4%	-1.1%
DJ TRANS Avg.	-1.1%	3.1%	7.5%
Russell 1000 Value	-1.3%	-12.7%	-7.6%
Russell 1000 Growth	-3.4%	20.1%	29.2%
Russell 2000 Value	3.6%	-18.7%	-13.9%
Russell 2000 Growth	0.8%	4.7%	13.4%

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Major U.S. domestic equity indices all closed lower. From a sector standpoint, Technology (-5.1%), Energy (-4.4%) and Health Care (-3.7%) led the laggards; while utilities (+5.0%) and Communication Services (+0.8%) were the only gainers.

Internationally, Emerging Market (MSCI EM +2.0% MTD) and Developed International Equities (MSCI EAFE -4.1% MTD) closed mixed. China contributed positively to EMs as their recovery is reflected in their GDP growth – improved to 4.2% in Q3 from 3.2% in the prior quarter. China also passed a law restricting exports of controlled items, allowing the government to act against countries that abuse export controls in a way that harm's China's interests, effective Dec 1. Britain, France and Germany imposed lockdowns as COVID-19 cases increased. Brexit negotiations reemerged as the deadline of Jan 1 2021 is fast approaching.

U.S. government debt yields continued to hover around record lows. Treasury rates increased slightly in the 10-Yr yield at 0.85% and the 2-Yr yield at 0.15%. Corporate bonds were broadly flat. And as Europe became concerned with renewed virus cases, the German Bund yield further slides down 10 basis points.

The Bloomberg Commodity Index gained +1.4% in the month, but is down -11.2% YTD. Crude oil fell -11.0% as energy companies have cut back drilling, cut back staff, and written off assets. M&A activity picked up though in the sector. Gold is down -0.8% MTD, but is overall up +23.4% YTD.

Bond Markets (%)

	10/31/20	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.10	0.10	1.55
US Benchmark Bond – 6 Mth	0.11	0.11	1.56
US Benchmark Bond – 2 Yr	0.15	0.13	1.52
US Benchmark Bond – 5 Yr	0.38	0.28	1.52
US Benchmark Bond – 10 Yr	0.85	0.68	1.69
US Benchmark Bond – 30 Yr	1.64	1.45	2.18

US Bond Sector Performance

	Oct	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.37%	5.59%	5.44%

Exchange Rates (per US dollar)

	10/31/20	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.333	1.336	1.314
Mexican Peso	21.278	22.076	19.172
Euro	0.858	0.853	0.896
British Pound	0.773	0.774	0.773
Swiss Franc	0.917	0.919	0.987
Chinese Yuan	6.700	6.811	7.035
Indian Rupee	74.108	73.780	70.929
Japanese Yen	104.540	105.530	108.105

Commodities (In US dollars)

	10/31/20	1 Mth Ago	1 Yr Ago
Gold	1,879.90	1,895.50	1,514.80
Crude Oil	35.79	40.22	54.18
US Dollar Index	94.04	93.93	97.15
Bloomberg Commodity Index	71.84	70.85	79.24

Interest Rates (%)

	10/31/20	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	4.75
Federal Funds Rate	0.09	0.09	1.60
Libor Rate 30 Day	0.14	0.15	1.78
Libor Rate 3 Months	0.22	0.23	1.90
30yr Fixed Mortgage	2.81	2.88	3.78

Economic Sentiment

	10/31/20	1 Yr Ago
Unemployment Rate	7.90%	3.60%
Average Single Family Home	346,600	308,900
Capacity Utilization	71.50%	76.99%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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