Greetings!

We hope you experienced an enjoyable summer with friends and family. We certainly enjoyed closing the season out on a warm note with a few Indian summer weeks! The leaves are starting to change though and fall is here. Time as it always does, will pass quickly and before you know it the Holidays will be upon us. Amid enjoying your favorite fall activities, during this time of year we encourage our clients to consider a few things such as:

- End of year tax savings strategies – making the right tax moves at the end of year could make a significant impact on your tax liability
- Review your IRA required minimum distributions to ensure you avoid costly penalties
- Examine your estate plan and reflect any life changes that may have occurred during the year, including beneficiary designations
- Prepare charitable donations and planned giving in order to receive tax benefits

Our team is always available to discuss these items and more to ensure your comprehensive solution continues to address all of your needs.

While we look ahead to Q4, let's take a moment to look back and review the latest market and economic activities over the third quarter of 2019 from our team of experts. For additional in-depth analysis, you may view recordings of our team as they share insights on various local and national media outlets, as well as our latest monthly Market Watch at www.RocklandTrust.com/Wealth&Investments.

Key Takeaways from Q3 2019:

- US real GDP growth remains solid, but a slowing pace is in focus
- Labor market remains strong with unemployment extremely low at 3.5%
- US-China trade discussions remain a roller coaster
- Fed cut rates twice this quarter
- Split decision at September Fed meeting potentially creating a higher hurdle for future moves

US Economy

The US economy continues to grow, albeit at a slower rate than last quarter. Second quarter real GDP growth was 2.3% year-over-year, compared to the 3.2% in the first quarter. While the pace of real GDP growth has slowed, it is important to note that this pace is roughly in-line with the average growth rate we have experienced during this current expansion and slightly below the 50-year average rate of 2.7%. While Q3 numbers have not officially been released, current estimates are suggesting a further slowing to 2.0% year-over-year growth in the third quarter of 2019. In part, this slowdown reflects a reduction in business investment spending, exports, and inventory build-up, which have been affected by the ongoing trade negotiations with China.

Trade talks were generally positive at the end of Q3, as President Trump postponed the scheduled October 1st tariff increase by a couple of weeks and China reciprocated by taking favorable action toward US agriculture products. Time will tell if the tariff roller coaster will continue, as the upcoming 2020 US presidential election may put pressure on President Trump to de-escalate tensions.

Traditional Asset Class Returns Q3 2019

Asset Class	Benchmark	Q3
US Stocks	S&P 500	1.70%
US Gov't Bonds	BbgBarc US Govt Intermediate	1.18%
Cash	BbgBarc US Treasury Bill 1-3 Mon	0.54%

US Stocks

The S&P 500 finished 1.70% higher on a total return basis in Q3 and is now up 20.55% year-to-date. Eight out of the 11 S&P 500 sectors were positive, with Utilities (+9.33% QTD), Real Estate (+7.71% QTD), and Consumer Staples (+6.11% QTD) leading the way. The laggard for the quarter was the Energy sector, which finished down -6.30% due to a decline in oil and gas prices.

From a market capitalization perspective, Large and Mid-Cap US stocks outperformed Small and Micro-Cap US stocks in the quarter. Fears of a global slowdown may be a major factor, as Small and Micro-cap company stocks are generally highly leveraged and thus more susceptible to economic downturns. They are also more concentrated in the Financials and Industrials sectors which can cause weakness during fears of an economic slowdown.

From a style perspective, Value stocks (Russell 3000 Value +1.23% QTD, +17.47% YTD) slightly outperformed growth stocks (Russell 3000 Growth +1.10% QTD, +22.75% YTD), but still continue to lag year-to-date. Growth stocks, which are defined as companies that may be growing at a faster rate than the overall market and generally pay little in dividends due to heavy reinvestment of earnings, have outpaced Value stocks by roughly 2.5% per year over the past 15 years.

US Bonds

For the fourth consecutive quarter we saw a decline in interest rates; since September 30, 2018 the 10-year US Treasury has dropped 139 basis points from 3.06% to where we finished the quarter at 1.67%. In August, we saw volatility across the yield curve as trade tensions with China continued to drive the headlines, and, concerns of slowing global growth heightened. The 30-year US Treasury fell below 2% for the first time as investors continued to drive strong demand for safe, higher-yielding US Treasuries. We saw a reversal in September when investors began to feel more optimistic about a trade deal and economic growth which drove US government bond yields to post their biggest weekly advance in more than six years. As widely expected, the Federal Reserve cut interest rates by 25 basis points. Since the rate cut was anticipated well ahead of time and little changed from the July policy statement, there was minimal reaction from the bond market on the announcement.

When we see these wide swings in interest rate movements, it is believed that investors are trading more on market sentiment and momentum rather than on published economic data. Throughout the year we've seen uncertainty with trade and tariff concerns, global political issues, and waning global growth. Despite the headlines weighing heavily on interest rates, we have seen a surge in corporate bond issuance as US corporations look to take advantage of favorable interest rates helping to reduce their borrowing costs.

Overall the US Government and Credit markets had strong absolute returns for both the quarter and year-to-date. As we approach year end we look ahead to the remaining Federal Reserve meetings, particularly the December meeting to see if there will be any additional rate cuts. There was a split at the September Fed meeting with 3 members dissenting against another rate cut. This may be an indication that the Central Bank will be slow to cut rates again without seeing more signs of a slowdown in the US.

Diversifying Asset Classes

Buoyed by two Federal Reserve interest rate cuts in the quarter, US Real Estate was one of the best performing diversifying asset classes in the quarter (+7.69%). The pullback in oil and gas prices had a negative impact on MLPs (-5.02%) and Commodity (-1.84%) markets. Emerging Market equities (-4.25%) remain a laggard due to concerns of a global growth slowdown and ongoing trade war concerns.

Asset Class	Benchmark	Q3
Foreign Stocks	MSCI EAFE	-1.07%
Emerging Markets Stocks	MSCI Emerging Markets	-4.25%
US Mid Cap Stocks	Russell Mid-Cap	0.48%
US Small Cap Stocks	Russell 2000	-2.40%
REITs	MSCI US REIT	7.69%
Commodities	Bloomberg Commodity	-1.84%
MLPs	Alerian MLP	-5.02%
Managed Futures	Morningstar US Managed Futures	3.07%
Foreign Bonds	FTSE WGBI Non-USD	-0.11%
Emerging Market Bonds	JPM EMBI Global	1.34%
US Inflation Protected Bonds	BbgBarc US Treasury TIPS	1.35%
Floating Rate Loans	Credit Suisse Leveraged Loan	0.92%
US High Yield Bonds	BbgBarc US Corp High Yield	1.33%
Convertible Bonds	ICE BofAML Convertible Bonds	0.15%

Conclusion

There is no shortage of news headlines centered on the topics of the market, our economy, and politics. It can be easy to get wrapped up in the daily commotion. Our hope is that you can have peace of mind that any uncertainty can stop with us. It is of great importance that we maintain a steady understanding of current market and economic conditions to ensure our client's portfolios remain appropriately allocated. Our research team constantly monitors market developments so our clients remain prepared for any turn the market may take. Together, we set your portfolios asset allocation to match your unique goals and risk tolerance. Should any movement in the market concern you, rest assured, what we established in the beginning will see you though fluctuation - we are prepared and encourage you to stay the course. We have weathered many market and economic environments and are committed to staying focused on helping you reach your financial goals.

Sincerely,

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