

October 2019 Market Watch

U.S. domestic equity markets finished higher in October, continuing September gains. Markets experienced a boost in October from better-than-expected third quarter earnings. Of the 206 S&P 500 companies that reported, 78% have topped analyst expectations, according to FactSet.

While earnings have been strong, economic data continued to send mixed signals. The U.S. Producer Price Index (PPI) decreased by -0.3% versus an expected increase of +0.2%, the biggest monthly drop since Feb 2015. Production at U.S. factories also fell (-0.5%) by the most in five months as collateral of sluggish global demands, the trade war, and the General Motors strike. The ISM Manufacturing Index declined to 47.8, missing the 50.4 estimate and suggesting manufacturing contraction. The unemployment rate went up from 3.5% to 3.6%, in line with expectations. At the end of the month, the U.S. Federal Reserve (Fed) cut interest rates for the third time this year by 25 basis points (bps), an expected move as U.S. economic growth slowed to an annual rate of 1.9%. The Fed also signaled that any additional cuts will be on hold as they assess the impact of previous cuts on the economy.

Looking ahead, U.S.-China trade developments are finalizing "Phase One" of the deal agreement. The European Union further extended the Brexit deal negotiation to January 31 of next year.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	10/31/19	10/24/19	% chg	9/30/19	% chg	10/31/18	% chg	Return*
DJIA	27,046.2	26,805.5	0.9%	26,916.8	0.5%	25,115.8	7.7%	15.9%
S&P 500	3,037.6	3,010.3	0.9%	2,976.7	2.0%	2,711.7	12.0%	21.2%
NYSE Comp Index	13,171.8	13,118.9	0.4%	13,004.7	1.3%	12,208.1	7.9%	15.8%
NASDAQ Composite	8,292.4	8,185.8	1.3%	7,999.3	3.7%	7,305.9	13.5%	25.0%
Russell 2000	1,562.5	1,550.2	0.8%	1,523.4	2.6%	1,511.4	3.4%	15.9%
MSCI EM (Emerging Markets)	1,042.0	1,037.4	0.4%	1,001.0	4.1%	955.9	9.0%	7.9%
MSCI EAFE	1,955.5	1,941.9	0.7%	1,889.4	3.5%	1,815.2	7.7%	13.7%
Japan Nikkei 225	22,927.0	22,750.6	0.8%	21,755.8	5.4%	21,920.5	4.6%	14.6%
FTSE 100	7,248.4	7,328.3	-1.1%	7,408.2	-2.2%	7,128.1	1.7%	12.1%
SSE Comp Index	2,929.1	2,940.9	-0.4%	2,905.2	0.8%	2,602.8	12.5%	17.4%

US Equity Sector Performance

	Oct	YTD	1 Yr Ret.
Consumer Discretionary	0.3%	22.9%	15.8%
Consumer Staples	-0.1%	23.1%	14.0%
Energy	-2.3%	3.6%	-11.0%
Financials	2.4%	22.5%	11.7%
Health Care	5.1%	11.0%	8.6%
Industrials	1.1%	23.9%	14.9%
Information Tech	3.9%	36.5%	22.6%
Materials	0.0%	17.2%	13.5%
Communication Services	3.0%	25.4%	15.5%
Utilities	-0.8%	24.4%	23.7%
Real Estate	-0.1%	29.5%	26.6%

US Equity Style Performance

	Oct	YTD	1 Yr Ret.
Dow Jones Utilities	-1.3%	21.7%	18.2%
DJ TRANS Avg.	1.4%	16.0%	4.8%
Russell 1000 Value	1.4%	19.5%	11.2%
Russell 1000 Growth	2.8%	26.8%	17.1%
Russell 2000 Value	2.4%	15.5%	3.2%
Russell 2000 Growth	2.8%	18.6%	6.4%

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Major U.S. domestic equity indices closed in positive territory for a second month in a row. From a sector standpoint, results were mixed. Healthcare (+5.1%), Info Tech (+3.9%) and Comm. Services (+3.0%) led gains, while Energy (-2.3%) and Utilities (-0.8%) led losses. All sectors remain positive year-to-date (YTD).

Emerging Market (MSCI EM +4.1% and Developed International Equities (MSCI EAFE +3.5%) ended positive for the month alongside their U.S. peers. While the U.S.-China trade talks made little progress, geopolitical tensions eased in the month of October. The Phase One Trade Deal, announced by the U.S. President, could see the U.S. easing tariffs and China purchasing more U.S. agricultural products. In the U.K, although the Brexit deal was extended, the U.K. Prime Minister agreed to put a customs border in the Irish Sea, avoiding a hard border in Ireland. The U.K. departure deadline is now January 31, 2020.

Following the announcement of the Fed rate cut at the end of October, Treasury rates fell across the board. However, relative to last month, the 10-year and 30-year Treasury rates rose slightly while shorter maturities declined.

The Bloomberg Commodity Index gained +1.9% MTD. Crude oil closed slightly higher at \$54.18/barrel (+0.2%) after last month's global supply disruption when Saudi Arabia's oil facilities were attacked earlier this month. Gold settled higher this month at \$1,514.80/ounce (+2.8%).

Bond Markets (%)

	10/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	1.55	1.82	2.33
US Benchmark Bond – 6 Mth	1.56	1.82	2.43
US Benchmark Bond – 2 Yr	1.52	1.62	2.88
US Benchmark Bond – 5 Yr	1.52	1.55	2.98
US Benchmark Bond – 10 Yr	1.69	1.68	3.15
US Benchmark Bond – 30 Yr	2.18	2.12	3.40

Commodities (In US dollars)

	10/31/19	1 Mth Ago	1 Yr Ago
Gold	1,514.80	1,472.90	1,215.00
Crude Oil	54.18	54.07	65.31
US Dollar Index	97.15	99.02	96.90
Bloomberg Commodity Index	79.24	77.78	83.19

US Bond Sector Performance

	Oct	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	0.29%	5.49%	7.79%

Interest Rates (%)

	10/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	4.75	5.00	5.25
Federal Funds Rate	1.60	1.90	2.18
Libor Rate 30 Day	1.78	2.02	2.31
Libor Rate 3 Months	1.90	2.09	2.56
30yr Fixed Mortgage	3.78	3.65	4.83

Exchange Rates (per US dollar)

	10/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.314	1.324	1.313
Mexican Peso	19.172	19.744	20.251
Euro	0.896	0.917	0.883
British Pound	0.773	0.811	0.783
Swiss Franc	0.987	0.997	1.006
Chinese Yuan	7.035	7.138	6.974
Indian Rupee	70.929	70.869	73.945
Japanese Yen	108.105	108.075	112.855

Economic Sentiment

	10/31/19	1 Yr Ago
Unemployment Rate	3.60%	3.80%
Average Single Family Home	310,500	295,300
Capacity Utilization	77.50%	79.30%

*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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