

October 2018 Market Watch

Domestic markets sold off sharply during October, despite an economic backdrop that continues to be fairly positive. Corporate earnings remain strong and U.S. employment is at levels not seen in many years. Strong hiring and low unemployment are giving U.S. workers their best pay raises in nearly a decade. After 97 straight months with payroll gains and unemployment reaching 3.7% this past month, a 49 year low, average hourly wages increased 3.1% for the month, which marked its biggest year-over-year gain since 2009. The share of Americans in their prime working age, as defined between 25 and 54 years old, who are working or looking for work is also at its highest rate (82.3%) since 2010. Nonetheless, stocks sold off in the month due to concerns that the recent trend of economic strength will not continue. Investors point to a host of issues as a cause for the sell-off including rising interest rates, political uncertainty and instability coming out of Washington, expectations for slower growth in corporate earnings going forward, and the implementation of restrictive tariffs with our largest trade partner, China.

In October, all of the major domestic indices finished in negative territory, led by the Russell 2000 (-10.9% MTD) and NASDAQ Composite (-9.2% MTD). Despite the difficult month, the NASDAQ remains by far the best

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	10/31/18	10/24/18	%chg	9/30/18	% chg	10/31/17	% chg	Return*
DJIA	25,115.8	24,583.4	2.2%	26,458.3	-5.1%	23,377.2	7.4%	1.6%
S&P 500	2,711.7	2,656.1	2.1%	2,914.0	-6.9%	2,575.3	5.3%	1.4%
NYSE Comp Index	12,208.1	11,969.7	2.0%	13,082.5	-6.7%	12,341.0	-1.1%	-4.7%
NASDAQ Composite	7,305.9	7,108.4	2.8%	8,046.4	-9.2%	6,727.7	8.6%	5.8%
Russell 2000	1,511.4	1,468.7	2.9%	1,696.6	-10.9%	1,502.5	0.6%	-1.6%
Japan Nikkei 225	21,920.5	22,091.2	-0.8%	24,120.0	-9.1%	22,011.6	-0.4%	-3.7%
MSCI EM (Emerging Markets)	955.9	953.1	0.3%	1,047.9	-8.8%	1,119.1	-14.6%	-17.5%
MSCI EAFE	1,815.2	1,797.6	1.0%	1,973.6	-8.0%	2,002.5	-9.4%	-11.5%
FTSE 100	7,128.1	6,963.0	2.4%	7,510.2	-5.1%	7,493.1	-4.9%	-3.9%
SSE Comp Index	2,602.8	2,603.3	0.0%	2,821.4	-7.7%	3,393.3	-23.3%	-21.3%

US Equity Sector Performance

	October	YTD	1 Yr Ret.
Consumer Discretionary	-11.3%	7.0%	15.2%
Consumer Staples	2.3%	-1.1%	6.8%
Energy	-11.3%	-4.6%	1.8%
Financials	-4.7%	-4.6%	0.6%
Health Care	-6.7%	8.8%	11.3%
Industrials	-10.8%	-6.5%	-1.0%
Information Tech	-8.0%	11.0%	12.3%
Materials	-9.5%	-11.9%	-9.4%
Communication Services	-5.7%	-5.0%	6.5%
Utilities	2.0%	4.7%	1.0%
Real Estate	-1.5%	0.1%	2.4%

US Equity Style Performance

	October	YTD	1 Yr Ret.
Dow Jones Utilities	1.8%	1.4%	-2.6%
AMEX DJ TRANS Avg.	-10.4%	-3.0%	5.9%
Russell 1000 Value	-5.2%	-1.5%	3.0%
Russell 1000 Growth	-8.9%	6.6%	10.7%
Russell 2000 Value	-9.0%	-2.5%	-0.6%
Russell 2000 Growth	-12.7%	1.1%	4.1%

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performer on a YTD (+5.8% YTD) and one year basis (+8.6% YoY), relative to the other major U.S. indices.

Only two of the eleven S&P 500 sectors (Consumer Staples +2.3% MTD & Utilities +2.0% MTD) finished the month in positive territory. The worst performing sectors in October were Energy (-11.3% MTD), Consumer Discretionary (-11.3% MTD), and the Industrials (-10.8% MTD) sectors. On a year-to-date basis, the Information Technology sector (+11.0% YTD) remains the best performer.

International markets were also sharply negative throughout the month, led on the way down by Japan's Nikkei 225 (-9.1% MTD) and the MSCI Emerging Markets Index (-8.8% MTD). The UK's FTSE 100 was the best former in October (-5.1% MTD).

Interest rates rose sharply across the yield curve despite the selloff in stocks during the month. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased fourteen basis points (bps) to 2.33%, while the yield on the 30-Year U.S. Treasury bond increased twenty bps to 3.40%.

The Bloomberg Commodity Index finished down -2.4% MTD in October. Crude oil closed the month at \$65.31/barrel (-10.8% MTD), while gold settled at \$1,215.00/ounce (+1.6% MTD).

Bond Markets (%)

	10/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond - 3 Mth	2.33	2.19	1.13
US Benchmark Bond - 6 Mth	2.49	2.36	1.28
US Benchmark Bond - 2 Yr	2.88	2.81	1.59
US Benchmark Bond - 5 Yr	2.98	2.95	2.01
US Benchmark Bond - 10 Yr	3.15	3.05	2.37
US Benchmark Bond - 30 Yr	3.40	3.20	2.88

Commodities (In US dollars)

	10/31/18	1 Mth Ago	1 Yr Ago
Gold	1,215.00	1,196.20	1,270.50
Crude Oil	65.31	73.25	54.38
US Dollar Index	96.90	94.74	94.43
Bloomberg Commodity IDX	83.19	85.20	86.19

US Bond Sector Performance

	October	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.04%	0.08%	-1.02%

Interest Rates (%)

	10/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	5.25	5.25	4.25
Federal Funds Rate	2.18	1.92	1.16
Libor Rate 30 Day	2.31	2.26	1.24
Libor Rate 3 Months	2.56	2.40	1.38
30yr Fixed Mortgage	4.83	4.72	3.94

Exchange Rates (per US dollar)

	10/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.313	1.293	1.289
Mexican New Peso	20.251	18.699	19.130
Euro	0.883	0.861	0.858
British Pound	0.783	0.767	0.753
Swiss Franc	1.006	0.977	0.997
Chinese Yuan	6.974	6.881	6.627
Indian Rupee	73.945	72.490	64.771
Japanese Yen	112.855	113.585	113.630

Economic Sentiment

	10/31/18	1 Yr Ago
Unemployment Rate	3.70%	4.10%
Average Single Family Home	298,100	288,400
Capacity Utilization	78.10%	76.80%

*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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