

December 2019 Market Watch

2019 ended on a positive note with U.S. domestic equity markets closing the year higher. The S&P 500 was up +28.9% year-to-date (YTD). Overall, the month of December was fairly quiet ahead of the holidays, though ending up +3.0% in the month. To recap the year, labor market strength continued to bring confidence as unemployment numbers fell to 50-year lows of 3.5%. U.S. GDP growth had slowed to 2.1% from 3.0% in 2018 as a result of trade tensions with China. Global GDP growth slowdown to 3.6% had also been a concern, as China's growth rate contracts. As a result, manufacturing and trade volumes have declined. However, labor strength did help consumer spending with retail sales holding steady. The Federal Reserve also made three interest rate cuts in the year.

2019 was also a year of geopolitical uncertainty - from the U.S.-China trade tensions to no-deal Brexit in Europe, the fear of global risk escalation and its impact to the markets brought on much skepticism. However, 2019 surprised on the upside and December was a quiet month on the geopolitical front - not a lot of progress with the U.S.-China trade negotiations ahead of the January 15 Phase One deal signing date in 2020.

Looking ahead in 2020, markets continue to watch for direction from the pace of global growth, trade talks with China, Brexit outcomes, and the U.S. Federal Reserve rate policy moves.

| | Date | 1 Week Ago | | 1 Month Ago | | 1 Year Ago | | YTD |
|-----------------------------------|----------|------------|---------|-------------|---------|------------|---------|---------|
| | 12/31/19 | 12/24/19 | % chg * | 11/30/19 | % chg * | 12/31/18 | % chg * | % chg * |
| DJIA | 28,538.4 | 28,515.5 | 0.1% | 28,051.4 | 1.7% | 23,327.5 | 22.3% | 22.3% |
| S&P 500 | 3,230.8 | 3,223.4 | 0.2% | 3,141.0 | 2.9% | 2,506.9 | 28.9% | 28.9% |
| NYSE Comp Index | 13,913.0 | 13,895.1 | 0.1% | 13,545.2 | 2.7% | 11,374.4 | 22.3% | 22.3% |
| NASDAQ Composite | 8,972.6 | 8,952.9 | 0.2% | 8,665.5 | 3.5% | 6,635.3 | 35.2% | 35.2% |
| Russell 2000 | 1,668.5 | 1,678.0 | -0.6% | 1,624.5 | 2.7% | 1,348.6 | 23.7% | 23.7% |
| MSCI EM (Emerging Markets) | 1,114.7 | 1,109.1 | 0.5% | 1,040.0 | 7.2% | 965.8 | 15.4% | 15.4% |
| MSCI EAFE | 2,036.9 | 2,029.8 | 0.4% | 1,974.5 | 3.2% | 1,719.9 | 18.4% | 18.4% |
| Japan Nikkei 225 | 23,656.6 | 23,830.6 | -0.7% | 23,293.9 | 1.6% | 20,014.8 | 18.2% | 18.2% |
| FTSE 100 | 7,542.4 | 7,632.2 | -1.2% | 7,346.5 | 2.7% | 6,728.1 | 12.1% | 12.1% |
| SSE Comp Index | 3,050.1 | 2,982.7 | 2.3% | 2,872.0 | 6.2% | 2,493.9 | 22.3% | 22.3% |

US Equity Sector Performance

| | Dec | YTD | 1 Yr Ret. |
|-------------------------------|-------|-------|-----------|
| Consumer Discretionary | 2.8% | 27.9% | 27.9% |
| Consumer Staples | 2.4% | 27.6% | 27.6% |
| Energy | 6.0% | 11.8% | 11.8% |
| Financials | 2.7% | 32.1% | 32.1% |
| Health Care | 3.6% | 20.8% | 20.8% |
| Industrials | -0.1% | 29.4% | 29.4% |
| Information Tech | 4.5% | 50.3% | 50.3% |
| Materials | 3.1% | 24.6% | 24.6% |
| Communication Services | 2.0% | 32.7% | 32.7% |
| Utilities | 3.4% | 26.3% | 26.3% |
| Real Estate | 1.2% | 28.5% | 28.5% |

US Equity Style Performance

| | Dec | YTD | 1 Yr Ret. |
|----------------------------|------|-------|-----------|
| Dow Jones Utilities | 3.2% | 23.3% | 23.3% |
| DJ TRANS Avg. | 0.5% | 20.8% | 20.8% |
| Russell 1000 Value | 2.8% | 26.5% | 26.5% |
| Russell 1000 Growth | 3.0% | 36.4% | 36.4% |
| Russell 2000 Value | 3.5% | 22.4% | 22.4% |
| Russell 2000 Growth | 2.3% | 28.5% | 28.5% |

ROCKLAND
TRUST

Investment
Management Group

Major U.S. domestic equity indices closed in positive territory for the year. All sectors remain positive year-to-date (YTD), as the S&P ended the year at new highs. From a sector standpoint, Information Tech (+50.3%), Communication Services (+32.7%) and Financials (+32.1%) led YTD gains.

Emerging Market (MSCI EM +15.4% YTD) and Developed International Equities (MSCI EAFE +18.4% YTD) closed the year higher as well. The U.S.-China Phase One Trade Deal made little progress and continues to be negotiated. Political unrest and protests across the globe (in Hong Kong, France, Argentina) fueled by discontent with governments have yet to reach meaningful outcomes.

U.S. Treasury rates decreased across the board YTD. The 10-Yr closed at 1.92% (vs. 2.68% in 2018) and 2-Yr at 1.57% (vs. 2.50% in 2018). Over the past year, there were periods when the yield curve flattened and inverted as long-term rates fell below short-term rates – signaling a possible recession if prolonged. In Europe, German Bunds hit lows in 2019 while the German economy experienced a year of turbulence with exports down.

The Bloomberg Commodity Index gained +5.44% YTD. Crude oil was up +34.5% YTD, aided by OPEC countries agreeing to output cuts in the first quarter of 2020 at December's meeting. Gold ended the year with strong gains (+18.9% YTD) on the back of persisting global risks.

Bond Markets (%)

| | 12/31/19 | 1 Mth Ago | 1 Yr Ago |
|---------------------------|----------|-----------|----------|
| US Benchmark Bond – 3 Mth | 1.55 | 1.58 | 2.45 |
| US Benchmark Bond – 6 Mth | 1.59 | 1.61 | 2.50 |
| US Benchmark Bond – 2 Yr | 1.57 | 1.60 | 2.50 |
| US Benchmark Bond – 5 Yr | 1.69 | 1.62 | 2.51 |
| US Benchmark Bond – 10 Yr | 1.92 | 1.78 | 2.68 |
| US Benchmark Bond – 30 Yr | 2.39 | 2.20 | 3.01 |

Commodities (In US dollars)

| | 12/31/19 | 1 Mth Ago | 1 Yr Ago |
|---------------------------|----------|-----------|----------|
| Gold | 1,523.10 | 1,465.60 | 1,281.30 |
| Crude Oil | 61.06 | 55.17 | 45.41 |
| US Dollar Index | 96.06 | 98.20 | 95.74 |
| Bloomberg Commodity Index | 80.89 | 77.11 | 76.72 |

US Bond Sector Performance

| | Dec | YTD | 1 Yr Ret. |
|---|--------|-------|-----------|
| Bloomberg Barclays U.S. Govt. Intrm. TR | -0.03% | 5.20% | 5.20% |

Interest Rates (%)

| | 12/31/19 | 1 Mth Ago | 1 Yr Ago |
|---------------------|----------|-----------|----------|
| Prime Rate | 4.75 | 4.75 | 5.50 |
| Federal Funds Rate | 1.56 | 1.56 | 2.41 |
| Libor Rate 30 Day | 1.76 | 1.70 | 2.50 |
| Libor Rate 3 Months | 1.91 | 1.91 | 2.81 |
| 30yr Fixed Mortgage | 3.72 | 3.68 | 4.51 |

Exchange Rates (per US dollar)

| | 12/31/19 | 1 Mth Ago | 1 Yr Ago |
|-----------------|----------|-----------|----------|
| Canadian Dollar | 1.297 | 1.328 | 1.366 |
| Mexican Peso | 18.884 | 19.506 | 19.694 |
| Euro | 0.891 | 0.907 | 0.875 |
| British Pound | 0.755 | 0.773 | 0.785 |
| Swiss Franc | 0.968 | 0.999 | 0.986 |
| Chinese Yuan | 6.966 | 7.027 | 6.866 |
| Indian Rupee | 71.378 | 71.738 | 69.815 |
| Japanese Yen | 108.675 | 109.510 | 109.715 |

Economic Sentiment

| | 12/31/19 | 1 Yr Ago |
|----------------------------|----------|----------|
| Unemployment Rate | 3.50% | 3.90% |
| Average Single Family Home | 309,600 | 294,600 |
| Capacity Utilization | 77.30% | 79.46% |

*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.

ROCKLAND
TRUST

Investment
Management Group

**Not FDIC Insured • Not Bank Guaranteed • May Lose Value • Not a Deposit •
Not Insured by any Federal Government Agency**

Investments in stocks, bonds, mutual funds, and other securities are not bank deposits or obligations, are not guaranteed by any bank, and are not insured or guaranteed by the FDIC (Federal Deposit Insurance Corp.), the Federal Reserve Board, or any other government agency. Investments in stocks, bonds, and mutual funds involve risks, including possible loss of principal.