

August 2019 Market Watch

U.S. domestic equity markets finished lower in August, giving back July gains. Early in the month, attention shifted immediately away from the Fed rate cut decision to trade talks, as new and retaliatory tariffs resurfaced between the U.S. and China. These renewed trade tensions exacerbated growing global economic outlook concerns, especially as the latest flurry of data showed that global manufacturing data remains soft. The U.S. ISM Manufacturing Index (PMI), a reflection of business confidence, fell to the lowest level since early 2016, down 2.1 points from July to 49.1, missing the 51.1 estimate. A reading of more than 50 suggests economic expansion, while a reading below 50 suggests a contraction of the manufacturing sector. In addition, manufacturing new orders contracted while new export orders fell at the quickest pace for 10 years (according to IHS Market). The data suggests that the U.S. economy is not immune to global trade tensions with signals of slowing demand and production growth in August.

Looking ahead, U.S. lawmakers will be busy funding the domestic budget after a two-year budget deal was made in August. U.S.-China trade negotiations continue. In Europe, all eyes are on the European Central Bank (ECB) meeting, where the E.U. hopes for a stimulus package for its economy. In the U.K., Brexit is still without a plan as the October 31 deadline approaches.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	8/31/19	8/24/19	% chg	7/31/19	% chg	8/31/18	% chg	Return*
DJIA	26,403.3	25,628.9	3.0%	26,864.3	-1.7%	25,964.8	1.7%	13.2%
S&P 500	2,926.5	2,847.1	2.8%	2,980.4	-1.8%	2,901.5	0.9%	16.7%
NYSE Comp Index	12,736.9	12,416.4	2.6%	13,066.6	-2.5%	13,016.9	-2.2%	12.0%
NASDAQ Composite	7,962.9	7,751.8	2.7%	8,175.4	-2.6%	8,109.5	-1.8%	20.0%
Russell 2000	1,494.8	1,459.5	2.4%	1,574.6	-5.1%	1,740.8	-14.1%	10.8%
MSCI EM (Emerging Markets)	984.3	973.7	1.1%	1,037.0	-5.1%	1,056.0	-6.8%	1.9%
MSCI EAFE	1,842.6	1,826.7	0.9%	1,897.1	-2.9%	1,962.0	-6.1%	7.1%
Japan Nikkei 225	20,704.4	20,710.9	0.0%	21,521.5	-3.8%	22,865.2	-9.5%	3.4%
FTSE 100	7,207.2	7,095.0	1.6%	7,586.8	-5.0%	7,432.4	-3.0%	11.0%
SSE Comp Index	2,886.2	2,897.4	-0.4%	2,932.5	-1.6%	2,725.3	5.9%	15.7%

US Equity Sector Performance

	Aug	YTD	1 Yr Ret.
Consumer Discretionary	-1.3%	21.4%	2.5%
Consumer Staples	1.8%	21.2%	16.1%
Energy	-8.1%	2.1%	-20.2%
Financials	-4.9%	14.2%	-2.9%
Health Care	-0.5%	5.8%	-0.6%
Industrials	-2.6%	19.0%	0.6%
Information Tech	-1.5%	29.4%	6.6%
Materials	-2.8%	13.6%	-2.5%
Communication Services	-1.6%	21.2%	9.7%
Utilities	5.0%	20.1%	21.0%
Real Estate	4.9%	28.3%	20.5%

US Equity Style Performance

	Aug	YTD	1 Yr Ret.
Dow Jones Utilities	4.5%	18.6%	16.4%
DJ TRANS Avg.	-5.1%	11.7%	-9.0%
Russell 1000 Value	-2.9%	13.8%	0.6%
Russell 1000 Growth	-0.8%	23.3%	4.3%
Russell 2000 Value	-5.6%	7.3%	-14.9%
Russell 2000 Growth	-4.3%	16.3%	-11.0%

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Major U.S. domestic equity indices ended in negative territory for the month. From a sector standpoint, results were mixed. Energy (-8.1%) and Financials (-4.9%) led losses this month, while Utilities (+5.0%) and REITS (+4.9%) gained. Despite losses in the month, all sectors remain positive year-to-date (YTD).

Emerging Market (MSCI EM -5.1% and Developed International Equities (MSCI EAFE -2.9%) continued to underperform its U.S. peers in August. Early in the month, China devalued their currency for the first time since 2008, allowing it to break through the 7 levels against the USD – suspected to be a retaliatory move against the U.S. in the current trade war. Elsewhere in China, Hong Kong’s protests continue to be violent with no resolution in sight. In Europe, Germany’s economic contraction increased concerns of an imminent recession.

On the Fixed Income side, the 2-year Treasury rates briefly exceeded the 10-year rate, raising fears of a recession. Note that a prolonged yield curve inversion has preceded all major U.S. recessions since 1955. There was also an inversion back in March when the 3-month rates exceeded that of the 10-year. High yield corporates ended the month in modestly positive territory. Fixed income fund inflows continued at record pace.

The Bloomberg Commodity Index was down -2.5% MTD, but remained slightly positive +0.4% YTD. Crude oil closed lower at \$53.23/barrel (-9.1%) this month. Gold settled higher again at \$1,544.40/ounce (+7.4%) in August.

Bond Markets (%)

	8/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	1.98	2.04	2.07
US Benchmark Bond – 6 Mth	1.87	2.04	2.22
US Benchmark Bond – 2 Yr	1.50	1.87	2.62
US Benchmark Bond – 5 Yr	1.39	1.84	2.73
US Benchmark Bond – 10 Yr	1.50	2.02	2.85
US Benchmark Bond – 30 Yr	1.96	2.53	3.01

Commodities (In US dollars)

	8/31/19	1 Mth Ago	1 Yr Ago
Gold	1,544.40	1,437.80	1,206.70
Crude Oil	53.23	58.58	69.80
US Dollar Index	99.23	98.26	95.08
Bloomberg Commodity Index	77.00	78.96	83.74

US Bond Sector Performance

	Aug	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	1.80%	5.65%	7.45%

Interest Rates (%)

	8/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	5.25	5.50	5.00
Federal Funds Rate	2.13	2.41	1.92
Libor Rate 30 Day	2.09	2.22	2.11
Libor Rate 3 Months	2.14	2.27	2.32
30yr Fixed Mortgage	3.58	3.75	4.52

Exchange Rates (per US dollar)

	8/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.329	1.313	1.304
Mexican Peso	20.067	18.982	19.121
Euro	0.908	0.898	0.859
British Pound	0.821	0.817	0.769
Swiss Franc	0.989	0.990	0.967
Chinese Yuan	7.145	6.886	6.830
Indian Rupee	71.408	68.785	70.926
Japanese Yen	106.145	108.575	110.885

Economic Sentiment

	8/31/19	1 Yr Ago
Unemployment Rate	3.70%	3.80%
Average Single Family Home	319,100	305,500
Capacity Utilization	77.50%	79.28%

*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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