

# September 2018 Market Watch

Domestic markets were largely mixed in September despite many indicators that continue to point to a strong U.S. economy. Consumer confidence climbed to an 18-year high in September, supported by a strong labor market. The unemployment rate stands at 3.7%, the lowest level since 1969. Real gross domestic product (GDP) increased at an annual rate of +4.2% in the second quarter of 2018, according to the third estimate released by the Bureau of Economic Analysis. This marks the highest growth rate since the third quarter of 2014. Nonetheless, some investors are less optimistic and point to rising interest rates and a potential trade war with China as areas of concern. There are also worries about how long the current bull market can last given that domestic stocks have largely moved in a positive direction for the past nine years. The current bull market, by some measures, is now the longest in history, although this in and of itself provides no useful information to investors about where we are today in terms of valuations, growth estimates going forward, or the current state of investors' risk appetite or aversion.

In September, the Dow Jones Industrial Average (+1.9% MTD) and S&P 500 (+0.4% MTD) were the best performers. The Russell 2000 (-2.5% MTD) and NASDAQ Composite (-0.8% MTD) were both negative for the month, but remain the best performers YTD.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	9/30/18	9/23/18	%chg	8/31/18	% chg	9/30/17	% chg	Return*
<b>DJIA</b>	26,458.3	26,743.5	-1.1%	25,964.8	1.9%	22,405.1	18.1%	7.0%
<b>S&amp;P 500</b>	2,914.0	2,929.7	-0.5%	2,901.5	0.4%	2,519.4	15.7%	9.0%
<b>NYSE Comp Index</b>	13,082.5	13,236.4	-1.2%	13,016.9	0.5%	12,209.2	7.2%	2.1%
<b>NASDAQ Composite</b>	8,046.4	7,987.0	0.7%	8,109.5	-0.8%	6,496.0	23.9%	16.6%
<b>Russell 2000</b>	1,696.6	1,712.3	-0.9%	1,740.8	-2.5%	1,490.9	13.8%	10.5%
<b>Japan Nikkei 225</b>	24,120.0	23,869.9	1.0%	22,865.2	5.5%	20,356.3	18.5%	6.0%
<b>MSCI EM (Emerging Markets)</b>	1,047.9	1,051.4	-0.3%	1,056.0	-0.8%	1,081.7	-3.1%	-9.5%
<b>MSCI EAFE</b>	1,973.6	1,995.0	-1.1%	1,962.0	0.6%	1,973.8	0.0%	-3.8%
<b>FTSE 100</b>	7,510.2	7,490.2	0.3%	7,432.4	1.0%	7,372.8	1.9%	1.0%
<b>SSE Comp Index</b>	2,821.4	2,797.5	0.9%	2,725.3	3.5%	3,348.9	-15.8%	-14.7%

## US Equity Sector Performance

	September	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	1.0%	20.6%	32.5%
<b>Consumer Staples</b>	1.0%	-3.3%	2.9%
<b>Energy</b>	2.6%	7.5%	13.9%
<b>Financials</b>	-2.2%	0.1%	8.7%
<b>Health Care</b>	2.9%	16.6%	18.3%
<b>Industrials</b>	2.2%	4.8%	11.2%
<b>Information Tech</b>	-0.3%	20.6%	31.5%
<b>Materials</b>	-2.1%	-2.7%	4.0%
<b>Communication Services</b>	4.3%	0.8%	4.4%
<b>Utilities</b>	-0.6%	2.7%	2.9%
<b>Real Estate</b>	-2.5%	1.7%	4.7%

## US Equity Style Performance

	September	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	-0.8%	-0.4%	-0.4%
<b>AMEX DJ TRANS Avg.</b>	0.7%	8.4%	16.4%
<b>Russell 1000 Value</b>	0.2%	3.9%	9.5%
<b>Russell 1000 Growth</b>	0.6%	17.1%	26.3%
<b>Russell 2000 Value</b>	-2.5%	7.1%	9.3%
<b>Russell 2000 Growth</b>	-2.3%	15.8%	21.1%

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Sector performance during the month was also fairly split as six of the eleven S&P 500 sectors finished in positive territory. The newly formed Communication Services sector, which now includes the legacy telecom companies along with former technology bellwethers like Google and Facebook, was the best performer in September finishing up +4.3% MTD. The Health Care (+2.9% MTD), Energy (+2.6% MTD), and Industrials (+2.2% MTD) sectors were also sharply positive during the month, while Real Estate (-2.5% MTD), Financials (-2.2% MTD), and Materials (-2.1% MTD) underperformed significantly.

International markets were mostly positive throughout the month, led by Japan's Nikkei 225 (+5.5% MTD) and China's SSE Composite Index (+3.5% MTD). The MSCI Emerging Markets (EM) index continued its YTD slide and finished down again in September (-0.8% MTD).

The Federal Reserve raised rates in September, marking the third such rate rise thus far in 2018. This led to rates rising across the yield curve 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 nine basis points (bps) to 2.19%, while the yield on the 10-Year U.S. Treasury bond increased twenty bps to 3.05%.

The Bloomberg Commodity Index finished up +1.7% MTD in September. Crude oil closed the month at \$73.25/barrel (+4.9% MTD), while gold settled at \$1,196.20/ounce (-0.9% MTD).

## Bond Markets (%)

	9/30/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.19	2.10	1.06
US Benchmark Bond – 6 Mth	2.36	2.27	1.20
US Benchmark Bond – 2 Yr	2.81	2.62	1.47
US Benchmark Bond – 5 Yr	2.95	2.73	1.92
US Benchmark Bond – 10 Yr	3.05	2.85	2.31
US Benchmark Bond – 30 Yr	3.20	3.01	2.87

## US Bond Sector Performance

	September	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	-0.51%	-0.36%	-1.18%

## Exchange Rates (per US dollar)

	9/30/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.293	1.304	1.251
Mexican New Peso	18.699	19.121	18.159
Euro	0.861	0.859	0.846
British Pound	0.767	0.769	0.745
Swiss Franc	0.977	0.967	0.968
Chinese Yuan	6.881	6.830	6.643
Indian Rupee	72.490	70.926	65.320
Japanese Yen	113.585	110.885	112.565

## Commodities (In US dollars)

	9/30/18	1 Mth Ago	1 Yr Ago
Gold	1,196.20	1,206.70	1,284.80
Crude Oil	73.25	69.80	51.67
US Dollar Index	94.74	95.08	92.88
Bloomberg Commodity IDX	85.20	83.74	84.46

## Interest Rates (%)

	9/30/18	1 Mth Ago	1 Yr Ago
Prime Rate	5.25	5.00	4.25
Federal Funds Rate	1.92	1.92	1.16
Libor Rate 30 Day	2.26	2.11	1.23
Libor Rate 3 Months	2.40	2.32	1.33
30yr Fixed Mortgage	4.72	4.52	3.83

## Economic Sentiment

	9/30/18	1 Yr Ago
Unemployment Rate	3.70%	4.20%
Average Single Family Home	304,500	290,500
Capacity Utilization	78.10%	75.66%

\*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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