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MARKETS TAKE A PUNCH

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EQUITIES

Data as of: 09/20/2019

| Index | Price | WTD% | QTD% | YTD% |
|---------------------|----------|-------|-------|-------|
| DJIA | 26935.07 | -1.05 | 1.26 | 15.47 |
| S&P 500 | 2992.07 | -0.51 | 1.71 | 19.36 |
| Nasdaq | 8117.67 | -0.72 | 1.39 | 22.34 |
| Russell 2000 | 1559.75 | -1.17 | -0.44 | 15.66 |
| Russell 1000 Growth | 1618.19 | -0.28 | 1.99 | 23.09 |
| Russell 1000 Value | 1268.27 | -0.60 | 1.08 | 15.97 |
| Comm. Services | 170.66 | -0.96 | 3.92 | 22.97 |
| Cons. Disc. | 948.16 | -2.16 | 0.27 | 21.32 |
| Cons. Staples | 618.90 | -0.61 | 3.61 | 18.59 |
| Energy | 452.25 | 0.99 | -4.04 | 6.65 |
| Financial Svcs | 466.96 | -1.00 | 1.75 | 17.95 |
| Health Care | 1066.19 | 0.99 | -0.59 | 6.49 |
| Industrials | 656.39 | -1.47 | 0.72 | 21.07 |
| Info. Tech. | 1410.44 | -0.76 | 2.76 | 29.60 |
| Materials | 366.12 | -0.86 | -0.28 | 15.63 |
| Real Estate | 242.82 | 2.05 | 6.54 | 26.23 |
| Utilities | 324.07 | 2.19 | 6.94 | 20.65 |
| MSCI EAFE* | 1913.69 | -0.30 | -0.02 | 14.00 |
| MSCI EM* | 1016.57 | -0.92 | -2.82 | 7.46 |

* MSCI EAFE and EM values as of 09/19/19

- Markets** took several punches this week and have not gone to the mat. Investors woke up Monday, September 16, to news of the attack on Saudi Arabia’s oil facilities and surging crude futures prices. Economic data from China showed weaker than expected activity in August. The Federal Reserve (Fed) had to intervene and relieve short-term funding pressures in the U.S. money markets, pumping approximately \$200 billion into the U.S. banking system. And, at the conclusion of its monetary policy meeting, the Fed lowered its target for the federal funds rate by 0.25%, to a range of 1.75–2%, a move that pleased some investors and disappointed others. Fortunately, domestic economic data was supportive, with news on industrial production and existing home sales coming in ahead of forecasts.
- Given all this news, we would have expected a great deal of **market volatility**, yet a market “fear gauge” preferred by investors, the CBOE Volatility Index (VIX), held steady. Although intraday trading at times swung quickly, the major equity markets held up fairly well and remained within shouting distance of record levels.
- Large cap **equities** outperformed small caps, while the growth style of investing modestly outpaced value. In each instance, the size and style dynamics slightly reversed the strength enjoyed by small caps and value in the previous week’s trading. Developed markets gained against their emerging counterparts, though it appears the latter may benefit from the recent corporate tax reduction in India.
- Defensive **sectors** outpaced the economically sensitive (cyclical) sectors, with the sectors most sensitive to interest rates—real estate and utilities—performing best. Energy’s outperformance came from the jump in oil prices on Monday after the Saudi oil disruption. Consumer discretionary and industrials were among the week’s laggards.

FIXED INCOME, CURRENCIES, AND COMMODITIES

Data as of: 09/20/19

| Yield | Latest | EOW | EOQ | EOY |
|------------|--------|------|------|------|
| 90 Day UST | 1.87 | 1.96 | 2.12 | 2.45 |
| 2 Yr UST | 1.68 | 1.79 | 1.75 | 2.48 |
| 10 Yr UST | 1.72 | 1.90 | 2.00 | 2.69 |
| 30 Yr UST | 2.16 | 2.37 | 2.52 | 3.02 |

| Fixed Income* | Yield | % Return | | |
|------------------|-------|----------|-------|-------|
| | | WTD | QTD | YTD |
| US Agg | 2.36 | 0.75 | 1.72 | 7.93 |
| US Agg Govt. | 1.82 | 0.84 | 1.71 | 6.98 |
| US TIPS | 1.99 | 0.60 | 1.17 | 7.39 |
| Munis | 1.92 | 0.08 | 1.20 | 6.36 |
| HY Munis | 4.10 | 0.35 | 2.38 | 9.20 |
| Inv. Grade | 3.02 | 1.15 | 2.33 | 12.42 |
| High Yield | 6.18 | 0.22 | 1.65 | 11.76 |
| MBS | 2.52 | 0.28 | 1.13 | 5.34 |
| Global Agg | 1.36 | 0.53 | 0.75 | 6.36 |
| Intl. Treasuries | 0.16 | 0.70 | 3.00 | 9.53 |
| JPM EMBI | 6.01 | 0.69 | -1.53 | 9.09 |

| Currencies & Commodities | Price | % Change | | |
|--------------------------|--------|----------|-------|-------|
| | | WTD | QTD | YTD |
| US Dollar | 98.47 | 0.00 | 2.43 | 2.39 |
| EUR/USD | 1.10 | 0.09 | -3.12 | -3.90 |
| USD/JPY | 107.55 | -0.32 | -0.30 | -1.92 |
| WTI Oil | 58.49 | 6.64 | 0.03 | 28.80 |
| Gold | 1523 | 1.59 | 7.75 | 18.89 |
| Copper | 2.59 | -4.00 | -4.50 | -1.50 |

*Data as of 09/19/19

The yield presented refers to the corresponding index except for the U.S. Treasury (UST) data, which is of individual Treasury note securities and not an index. The Currency and Commodity data presented are quotes of the exchange rate. This data is from FactSet.

- Fixed income** markets responded well to the expected rate cut by the Fed and saw gains across the board, even as the Fed provided less conviction in its plans for additional rate cuts than markets may have anticipated. Separately the New York Fed was aggressively injecting liquidity into the banking system to keep short-term lending rates between banks in line with targets. Long-term rates fell slightly more than short-term, flattening the yield curve slightly and resulting in better returns from more interest-rate-sensitive fixed income investments, particularly investment-grade corporate bonds.
- Oil prices** soared this week after attacks on Saudi Arabian oil facilities. The attack knocked out approximately 6% of overall global production, and crude oil jumped nearly 15% on Monday. Oil settled lower the remainder of the week as predictions for how quickly they could bring production capacity back on line exceeded expectations. **Gold** saw some safe-haven buying after pulling back the past two weeks. The **U.S. dollar** got a bit of a boost from the Fed news but ended the week little changed amid euro weakness.

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