

3rd Quarter 2019 Update

Equity markets have posted very strong returns for the year with domestic equities outperforming the broad international space. Third quarter performance, however, was somewhat mixed.

Equity Market Performance

	<u>QTD</u>	<u>YTD</u>
S&P 500 (large cap)	1.70%	20.55%
MSCI EAFE (International index net return)	-1.07%	12.80%
Russell 2000 (small cap)	-2.40%	14.18%

The U.S./China trade agreement weighed on equity markets and led to increased volatility during the quarter. In response to a potentially slowing economy, the Federal Reserve cut rates .25% at 2 meetings (total .50% rate cut), and there is the possibility of additional rate cuts. The 10-year treasury interest rate fell during the quarter, and the Barclays Aggregate, which is a good representation of the broad fixed income market, was up 2.27%.

The impact on the economy from the U.S./China trade negotiations and the Federal Reserve's interest rate policy will likely be significant drivers of market performance for the remainder of the year. U.S. economic growth is expected to slow, but the employment situation and consumers continue to be in a strong position, so we are not likely headed for a recession in the near term.

Given the market rally and with modest earnings growth expected in 2019, domestic equity market valuations are less attractive than they were at the end of last year but are not overly stretched. We should expect increased volatility and more moderate investment performance for the remainder of the year.

Please give me a call with any questions.

Source: Morningstar, federalreserve.gov, Treasury.gov

The performance data shown represents past performance, which is not a guarantee of future results.

Return data is as of 09/30/2019. Index returns are total returns except for MSCI EAFE which is a net return.