



SEPTEMBER MARKET COMMENTARY

October 2019

U.S. Markets

An improving trade outlook and constructive economic data helped lift stocks in September.

The Dow Jones Industrial Average led the way, gaining 1.95 percent. The Standard & Poor's 500 Index tacked on 1.72 percent, while the NASDAQ Composite trailed, advancing 0.46 percent.¹

After stumbling out of the gate, markets advanced on news that U.S. and Chinese negotiators would meet in early October. A string of good economic reports, which eased recession concerns, also helped.

Quick Rotation

Stock prices continued their advance, though some investors were unnerved by a sharp rotation toward value and small-cap stocks, yet away from growth stocks. Investors who had been worried about the economy glimpsed some data affirming consumer strength.

Stocks drifted lower in the second half of September, an attack on two major oil facilities in Saudi Arabia prompted a spike in oil prices but had less impact on the equity markets. Investors also had a muted reaction to the Federal Reserve's widely anticipated 25-basis-points cut in the federal funds rate.

News-Driven Market

The tone of the markets shifted in the wake of a White House whistleblower report. However, stock prices rebounded after the release of additional information. A rumor that the White House might be considering a ban on American investments in Chinese companies drove stocks lower, but prices rebounded again on the last day of trading.

What Investors May Be Talking About in October

For nearly two years, investors' moods have swung with each twist in the ongoing trade saga between the U.S. and China. Trade talks are scheduled to resume on October 10.³ The markets are expected to be looking for two key developments from these talks. One is whether future talks appear to be on the horizon. Investors have shown that they can be satisfied with the promise of continued negotiation, especially considering the alternative.

The second key outcome is the post-meeting messaging coming from each nation. If countries communicate a positive message about the meeting, it could provide a boost to investor sentiment.

World Markets

Overseas markets trended largely higher amid monetary easing in the European Union, falling worries about Brexit, and increasing optimism on U.S.-China trade talks. The MSCI-EAFE, which measures stock market performance of developed countries outside the U.S. and Canada, rose 2.54 percent.⁴ Major markets in Europe were higher, with gains in France, picking up 3.60 percent; Germany, 4.09 percent; the United Kingdom, 2.79 percent.⁵ Pacific Rim stocks showed gains. Australia added 1.27 percent; Japan, 5.08 percent. Argentina's Merval index picked up 18.12%, rebounding from August's stunning decline.⁶

U.S. MARKET RECAP FOR SEPTEMBER 2019

S&P 500	NASDAQ	Russell 1000	10-Year Treasury
+1.71%	+0.46%	+1.58%	+1.68%
Month	Month	Month	Month
+18.74%	+20.56%	+18.78%	-1.02%
Year-to-Date	Year-to-Date	Year-to-Date	Year-to-Date

WORLD MARKET RECAP FOR SEPTEMBER 2019

Emerging Markets	September	Year-to-Date
Hang Seng (China)	+1.43%	+0.95%
Kospi (Korea)	+4.84%	+1.08%
Nikkei (Japan)	+5.08%	+8.70%
Sensex (India)	+3.57%	+7.21%
Jakarta Composite (Indonesia)	-2.52%	-0.41%
Bovespa (Brazil)	+3.57%	+19.18%
IPS All-Share (Mexico)	+2.93%	+5.45%
Merval (Argentina)	+18.12%	-4.05%
ASX 200 (Australia)	+1.27%	+18.45%
Europe	September	Year-to-Date
DAX (Germany)	+4.09%	+17.70%
CAC 40 (France)	+3.60%	+20.02%
Dow Jones Russia Index (Russia)	+3.81%	+24.81%
FTSE 100 (Great Britain)	+2.79%	+10.23%

Yahoo Finance, September 30, 2019. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Indicators

Gross Domestic Product

Economic growth for the second quarter remained unchanged at 2.0 percent. Strong consumer spending was offset by weak exports and a contraction in business investment.⁷

Employment

The August employment report was mixed, with slower hiring, a steady unemployment rate (3.7 percent), and accelerating wage growth (higher by 3.2 percent, year-over-year).⁸

Retail Sales

Retail sales rose 0.4 percent, driven by a sharp increase in motor vehicle and parts purchases.⁹

Industrial Production

Industrial output rose 0.6 percent, a sharp rebound from July's revised 0.1-percent decline.

Housing

Lower mortgage rates helped spur a 12.8-percent jump in housing starts, with new home building reaching a level not seen since June 2007.¹¹ Existing home sales rose 1.3

percent in August, the fastest pace since March 2018. ¹² In a further sign that falling mortgage rates have lifted the housing sector, new homes sales bounded 7.1 percent higher.¹³

Consumer Price Index

Prices of consumer goods moved slightly higher in August, rising 0.1 percent. Excluding the more-volatile food and energy sectors, inflation was a more-robust 0.3 percent. It was the third consecutive month in which core inflation had registered a 0.3-percent gain.¹⁴

Durable Goods Orders

Orders for long-lasting goods rose 0.2 percent, muted by weakness in business investment.¹⁵

The Fed

Federal Reserve policymakers voted 7-3 to cut the federal funds rate by 0.25 percent, the second such cut this summer. Chairman Jerome Powell framed this cut as an effort to sustain economic growth amid headwinds, chief among them being trade uncertainty.

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Please consult your financial advisor for additional information.

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