

October 2019

~ Economic & Market Insights ~

### Monthly Summary

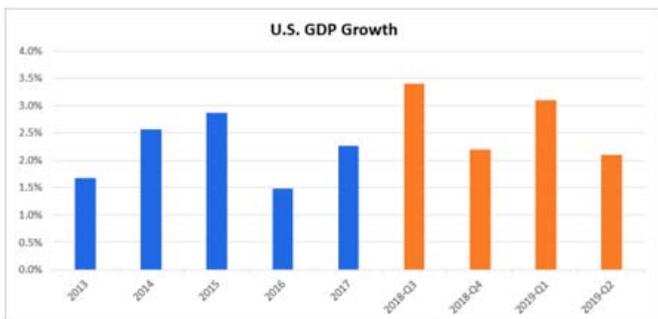
Investors were on edge exiting the third quarter as the United States' trade negotiations with China were going nowhere, global bond yields were falling, and economic data was highlighting slower growth around the world. Fast forward one month and perception has turned more favorable. Trade negotiations advanced, the Brexit deadline was extended avoiding a hard exit for the time being, and select economic data was more encouraging than anticipated. The U.S. Federal Reserve also delivered a widely expected 25 basis point interest rate reduction, the third so far this year. This relatively positive news was enough to push U.S. large-cap equity markets to fresh all-time highs. U.S. yields rose ever so slightly in-line with improved sentiment, although they remained well below levels reached earlier this year.

The world economy remains in a tight spot despite a recovery in sentiment. Most signs point to slower growth across most major developed and emerging market countries. In particular, Europe and Japan are stuck between the proverbial 'rock and hard place' as their vast monetary easing attempts have largely failed to stimulate extensive growth and inflation. China, the gorilla within emerging markets, has also seen its growth level come down, although the People's Bank of China is committed to prop up activity at next to any cost.

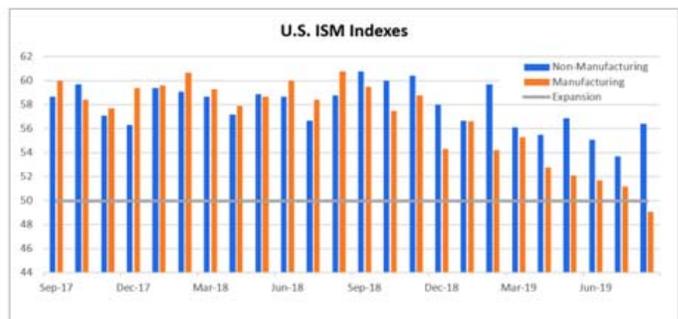
Comparatively, the U.S. remains in a better position with the consumer being a core bright spot. This reflects historically low unemployment levels and associated wage growth. That said, the domestic economy is also flashing select warning signals as economic growth and business spending have declined recently. Elsewhere in the U.S. economy, things are mixed. The housing market is riding a healthy tailwind from falling borrowing costs and average national home prices continued to rise in recent months, albeit at a slower pace. Limited inventory at entry-level price points has especially boosted prices in that portion of the market. Third-quarter corporate earnings, despite still falling, exceeded expectations. Consumer confidence, on the other hand, fell over the past three months to the surprise of many economists. Ultimately, the impending holiday season will be an important indicator of the forward health of the domestic consumer.

Equity markets were positive over October. In contrast to much of this year, international markets outperformed U.S. counterparts and smaller market-cap securities outperformed large-caps. Many equity markets continue to have impressive year-to-date returns well into the double-digits. Bond markets fared well amidst a supportive credit environment and little change in yields. Overall, a diversified portfolio is the best defense against today's uncertain and confusing landscape that is likely to include heightened levels of volatility going forward.

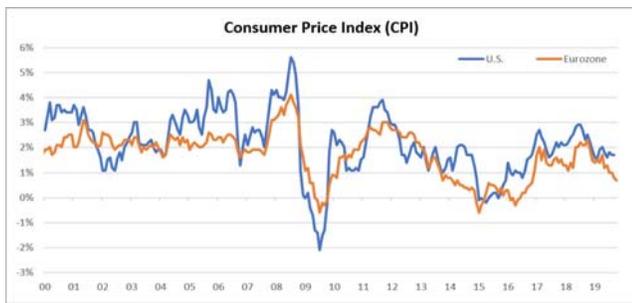
### Economic Observations



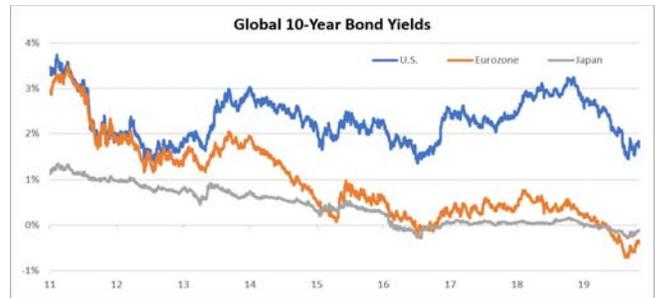
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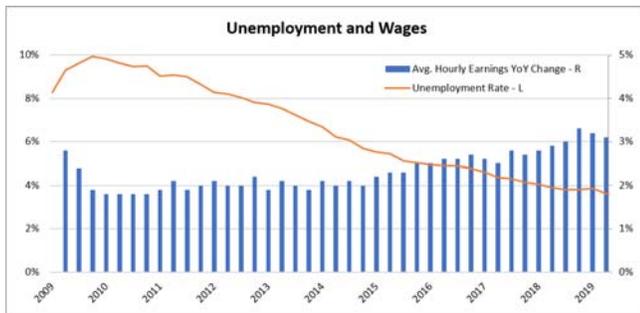
Institute for Supply Management



U.S. Bureau of Labor Statistics



Bloomberg



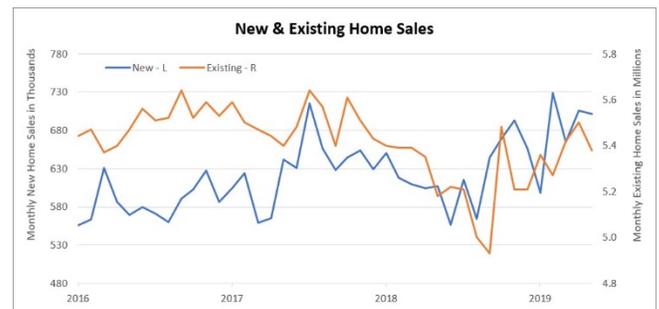
U.S. Bureau of Labor Statistics



Conference Board



S&P/Case Shiller



U.S. Bureau of the Census

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