OCTOBER 2019 MARKET RECAP

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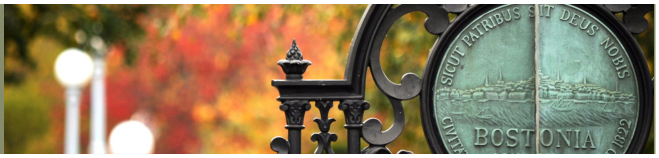

US Equity Markets					
Index	**October**	**YTD**	**1YR**	**3YR**	**5YR**
S&P 500	2.17%	23.16%	14.32%	14.90%	10.76%
Russell 3000	2.15%	22.68%	13.48%	14.46%	10.30%
Dow Jones Industrial Average	0.59%	18.19%	10.32%	16.97%	11.91%
Nasdaq	3.71%	26.07%	14.80%	18.26%	13.73%
S&P 400	1.13%	19.19%	8.99%	10.77%	8.35%
Russell 2000	2.63%	17.16%	4.87%	10.93%	7.35%

International Equity Markets					
MSCI Index	**October**	**YTD**	**1YR**	**3YR**	**5YR**
EAFE	3.59%	16.86%	11.04%	8.48%	4.30%
Europe	3.56%	17.96%	11.03%	8.80%	4.40%
Japan	4.85%	16.51%	9.16%	7.44%	6.89%
China	4.01%	12.09%	12.88%	10.26%	6.21%
Emerging Markets	4.22%	10.35%	11.86%	7.36%	2.93%
ACWI ex US	3.49%	15.45%	11.27%	8.07%	3.81%

Fixed Income Markets					
Bloomberg Barclays US Bond Index	**October**	**YTD**	**1YR**	**3YR**	**5YR**
Agg	0.30%	8.85%	11.51%	3.29%	3.24%
Treasury Bills	0.17%	1.94%	2.32%	1.54%	0.97%
Corporates	0.61%	13.89%	15.37%	5.00%	4.63%
High Yield	0.28%	11.71%	8.38%	6.03%	5.18%
Munis	0.18%	6.94%	9.42%	3.62%	3.55%

SOURCE: Bloomberg

October was another strong month for equities as the S&P 500 increased by +2.2% and is now up +23.2% for 2019. The market reached a new all-time high on October 30th (S&P: 3,050) due to optimism surrounding the US/China trade war and another Fed rate cut (see below). While we're pleased that the market is back to all-time highs, our **outlook will remain balanced** until a complete trade deal with China, where tariffs are eliminated, becomes more probable. The US/China trade war is still the biggest risk facing the market and economy, and we've seen the two sides reach cease fires followed by escalation and new tariffs before. Going forward, we will continue to incorporate new market developments with long-term asset allocation targets as part of our overall total net worth approach to comprehensive financial planning and investment management.

We'd like to highlight three key events in October:

US and China Agree to "Phase One" Deal

The ongoing US and China trade war took a positive step in October as the two sides agreed in principle to a phase one deal. In exchange for not increasing the rate on existing tariffs, China agreed to increase agricultural purchases, bolster its intellectual property protection (this is a key issue that appears will be addressed over phases one and two), improve its foreign exchange transparency, and expand market access for foreign financial services companies. Details of the agreement are still vague, and it looks more like a nice gesture between the two sides rather than real progress toward a grand bargain. Difficult issues remain, including, enforcement, Chinese government subsidies to state-owned enterprises, and complete intellectual property protection. President Trump and Chinese President Xi are expected to sign the phase one deal within the next several weeks. For now, the stock market is pleased that the trade war did not escalate, and that the two sides will continue to negotiate.

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Q3 2019 GDP

The United States economy continued to decelerate but grow at a decent pace as Q2 GDP increased by a +1.9% seasonally adjusted annual rate - better than the expected +1.6% consensus estimate. The +1.9% growth rate compares to +3.1% and +2.0% in the first and second quarters respectively. The economy has bifurcated with the consumer driving growth while the manufacturing sector has slowed to contraction territory. Consumer spending, which accounts for close to 70% of GDP, increased by +2.9% in the second quarter. The consumer is supported by a strong labor market and low unemployment. Tariffs continued to weigh on the economy as business investment declined for a second quarter in a row.

Consensus estimates for US GDP Growth ➡ Q4 2019: +2.1%, Full Year 2019: +2.3%, Full Year 2020: +1.7%.
The Gross Domestic Product (GDP) report is released by the Commerce Department's Bureau of Economic Analysis (BEA). The BEA defines GDP as the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment. The BEA releases three estimates for each quarter's GDP – the first estimate occurs about a month after the quarter ends.

FOMC Cuts Rates

At the October 30th meeting, the Federal Open Market Committee (FOMC) cut the federal funds rate by 25bps to 1.50% to 1.75%- this was the third rate cut of 2019. Going forward, the Fed signaled that it would likely pause on further rate cuts unless the economy slows significantly. The meeting statement replaced the phrase, the Fed will "act as appropriate to sustain the expansion" with "assess the appropriate path" of interest rates. The implication is that the Fed is likely finished cutting rates in the short-term.

At the press conference, Fed Chairman Powell signaled patience when he stated, "we see the current stance of monetary policy as likely to remain appropriate so long as economic data continues to align with our outlook." The Fed's current outlook still calls for a sustained economic expansion, a strong labor market, and inflation near 2%. Chairman Powell also set a high bar for future rate increases by stating the Fed would need to see "significant" and "persistent" increases inflation before they would even consider a hike.

Our view remains that trade policy will continue to drive monetary policy and further rate cuts will be needed only if the US and China trade war escalates. The longer that tariffs remain in place and the more President Trump threatens or implements new tariffs, the more likely the Fed will lower interest rates in response.

DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI ACWI ex USA Index captures a large and mid cap representation across 22 or 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries. With 2,211 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs. With 495 constituents, the index covers about 85% of this China equity universe. Currently, the index also includes Large Cap A shares represented at 5% of their free float adjusted market capitalization.

Investing involves risk including loss of principal. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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