



The Concord Advisory Group, Ltd.

October 2018 Market Highlights

“October, Volatile as Usual”

The Concord Advisory Group, Ltd.

www.concordadvisory.com

700 Alexander Park | Suite 203 | Princeton, NJ 08540

Phone: (609) 987-9000

Concord Advisory Group: *October 2018 Market Highlights*

Commentary: *“October, Volatile as Usual”*

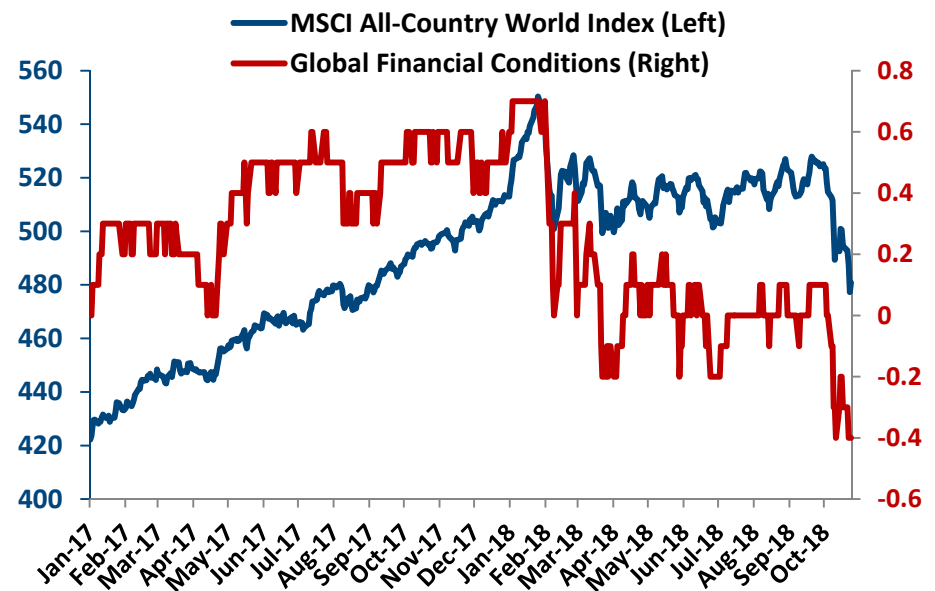


October has a reputation for being the most volatile trading month of the year, and data actually supports the perception. Six of the twenty largest point drops and nine of the twenty largest percentage losses in the DJIA have occurred in October. October also leads all other months in the number of daily gains or losses greater than 1% (Bloomberg 10/15/18). While not as severe as Black Monday October 1987 or the Crash of October 1929, October 2018 was an unpleasant experience for investors.

Tighter financial conditions explain a good portion of recent market performance. Most financial conditions indexes dropped in October, along with equity markets. These indexes combine measures of credit, liquidity, rates, and volatility to approximate the change in the amount of liquidity available to economies and markets.

Higher U.S. real interest rates and the corresponding strengthening of the U.S. dollar have been the largest sources of stress. As real interest rates increase, investors avoid interest-rate-sensitive investments and move money away from higher risk economies and into the U.S. This effect is evident in returns of homebuilders (-30.2% YTD) and emerging markets (-15.7%), respectively. The good news for markets is that the tightening of financial conditions is rescindable. Higher inflation looks unlikely to materialize, which may allow the Federal Reserve to slow or halt its rate hikes.

One of the biggest lessons to learn from corrections is that portfolio losses in dollars are largest when valuations are highest. Global equity market losses in October totaled approximately seven trillion dollars. Coming into October, the S&P 500 was up over 10%, and ended the month up only 3% for the year. Failure to rebalance equity gains into fixed income investments leaves investors with their largest exposure to equities when prices are highest. Volatile October months reinforce the view that rebalancing continues to be the most effective way to grow and protect a diversified investment portfolio.

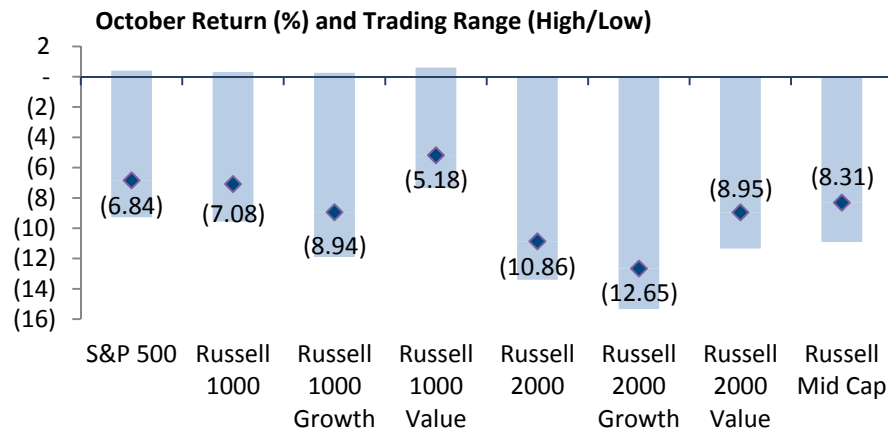


Concord Advisory Group: October 2018 Market Highlights

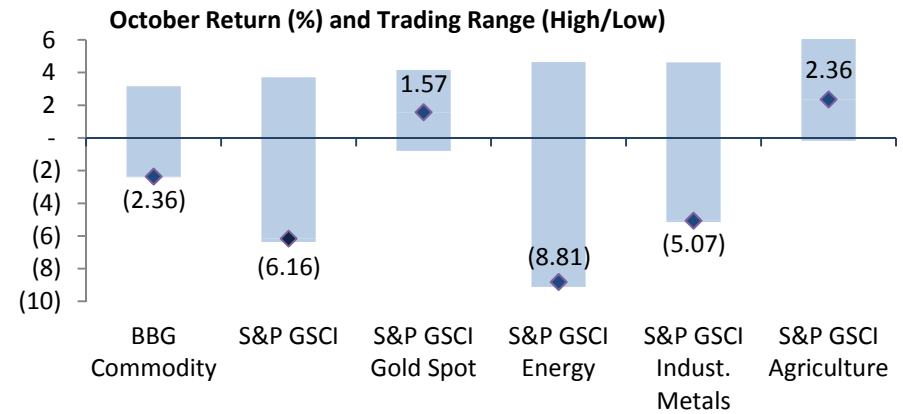
Monthly Charts



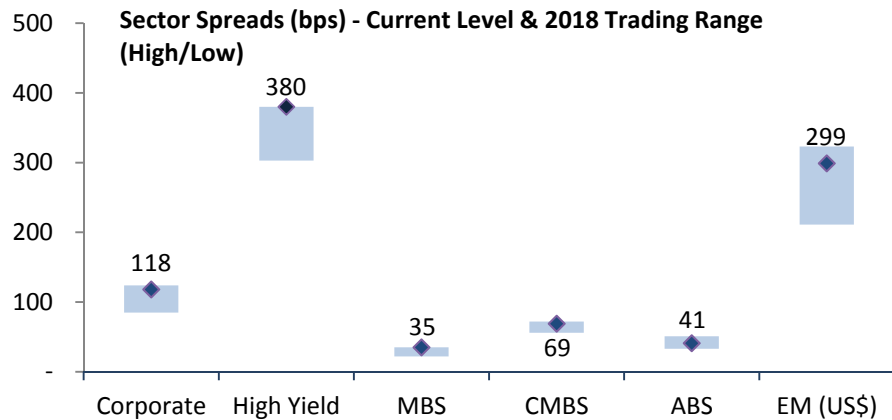
U.S. Equities: A broad market sell-off, globally, marked the worst month for U.S. equities in seven years. Value stocks protected capital better than growth stocks in the downturn.



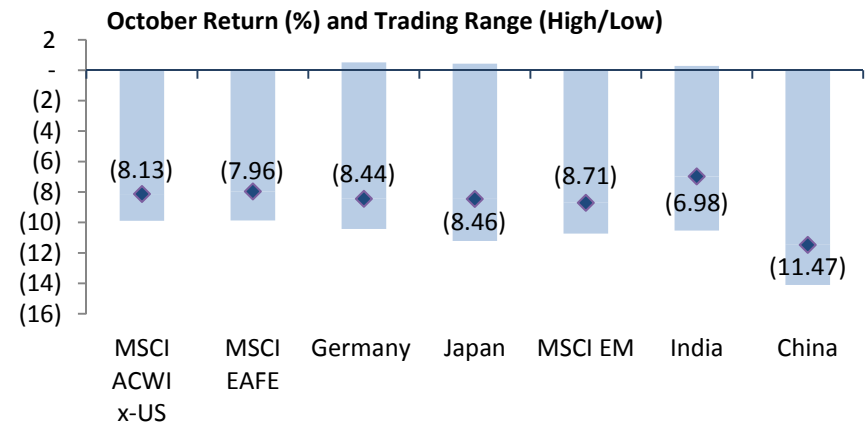
Commodities: The energy sector pulled commodities lower as concerns about global growth and new supply were deleterious to prices. However, gold prices improved, as investors moved towards the safe haven asset.



Fixed Income: Bond returns were negative as interest rates increased and credit spreads widened. Lower energy prices negatively impacted high yield bonds.



International Equities: Non-U.S. equities were broadly negative in October. Local currency returns were also negative but a stronger dollar generated steeper declines for U.S. dollar-based investors.

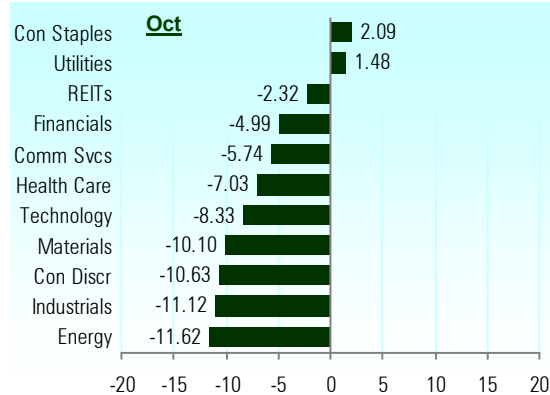


Concord Advisory Group: October 2018 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	-6.84%	-3.25%	3.01%	7.35%	11.52%	11.34%
Russell 1000	-7.08%	-3.51%	2.67%	6.98%	11.31%	11.05%
Russell 1000 Growth	-8.94%	-3.43%	6.62%	10.71%	13.67%	13.43%
Russell 1000 Value	-5.18%	-3.59%	-1.46%	3.03%	8.88%	8.61%
Russell MidCap	-8.31%	-6.07%	-1.47%	2.79%	9.04%	8.97%
Russell 2000	-10.86%	-9.26%	-0.60%	1.85%	10.68%	8.01%
Russell 2000 Growth	-12.65%	-9.39%	1.11%	4.13%	10.72%	8.75%
Russell 2000 Value	-8.95%	-9.10%	-2.46%	-0.59%	10.52%	7.18%
MSCI ACWI	-7.49%	-6.36%	-3.96%	-0.52%	7.74%	6.15%
MSCI World	-7.34%	-5.67%	-2.31%	1.16%	7.91%	6.80%
MSCI ACWI Ex-U.S.	-8.13%	-9.65%	-10.97%	-8.24%	4.37%	1.63%
MSCI EAFE	-7.96%	-8.95%	-9.28%	-6.85%	3.62%	2.02%
MSCI EM	-8.71%	-11.65%	-15.72%	-12.52%	6.52%	0.78%
Bloomberg Commodity	-2.16%	-2.05%	-4.14%	-1.73%	-0.69%	-7.31%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.79%	-0.79%	-2.38%	-2.05%	1.04%	1.83%
Barclays Capital Global Aggregate	-1.12%	-1.87%	-3.46%	-2.05%	1.52%	0.33%
Barclays Capital Intermediate Aggregate	-0.31%	-0.24%	-1.05%	-1.23%	0.48%	0.85%
Barclays Capital Universal	-0.84%	-0.77%	-2.23%	-1.95%	1.59%	2.15%
Barclays Capital Government	-0.47%	-0.63%	-2.08%	-1.92%	0.22%	1.15%
Barclays Capital Credit	-1.40%	-1.23%	-3.49%	-2.81%	2.34%	2.81%
Barclays Capital Municipal	-0.62%	-1.01%	-1.01%	-0.51%	1.90%	3.25%
Barclays Capital High Yield	-1.60%	-0.32%	0.93%	0.97%	6.60%	4.68%
Barclays Capital Mortgage	-0.63%	-0.64%	-1.70%	-1.52%	0.74%	1.75%
Barclays Capital 1-3 Yr Gov/Credit	0.11%	0.39%	0.52%	0.34%	0.77%	0.82%
Citigroup 3-Month Treasury Bill	0.18%	0.52%	1.47%	1.66%	0.86%	0.52%
Citigroup World Govt Bond	-1.10%	-2.30%	-3.62%	-2.09%	1.32%	-0.21%
Barclays Capital U.S. TIPS	-1.43%	-1.77%	-2.27%	-1.24%	1.46%	0.97%
ML Investment Grade Convertible	-2.18%	-1.54%	4.58%	4.17%	12.65%	11.62%

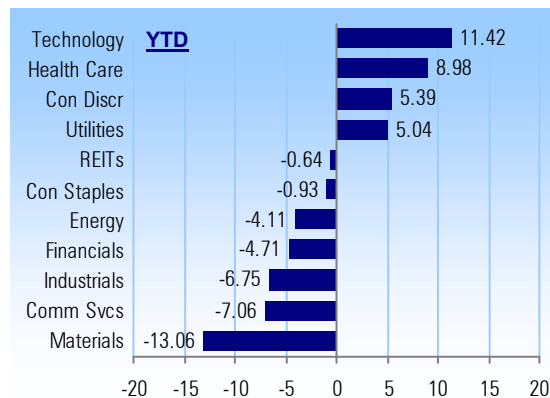
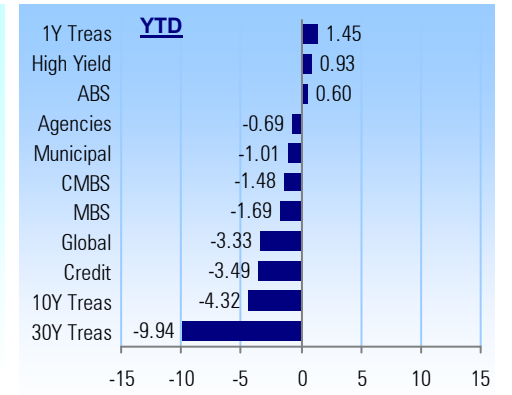
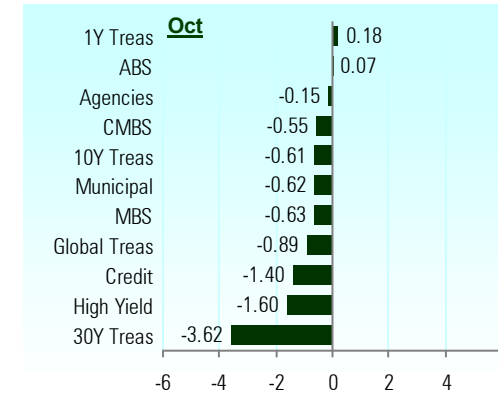
Equity Sector Returns (%)



Equity Style Returns (%)

	Value	Core	Growth
Large	-5.18	-7.08	-8.94
Mid	-7.20	-8.31	-9.90
Small	-8.95	-10.86	-12.65

Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	-1.46	2.67	6.62
Mid	-4.30	-1.47	2.16
Small	-2.46	-0.60	1.11

Treasury Yield Curve

