



The Concord Advisory Group, Ltd.

September 2018 Market Highlights *“Looking Past the Trade War”*

The Concord Advisory Group, Ltd.

www.concordadvisory.com

700 Alexander Park | Suite 203 | Princeton, NJ 08540

Phone: (609) 987-9000

Concord Advisory Group: September 2018 Market Highlights

Commentary: “Looking Past the Trade War”

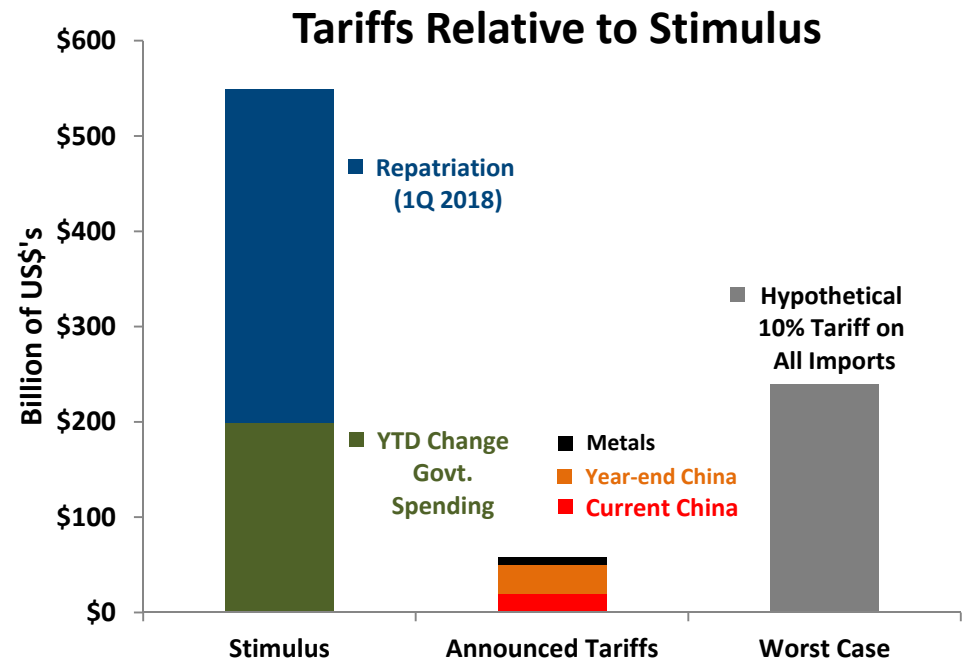


Economic theory holds that free trade leads to higher growth rates and lower inflation, and economists universally agree that interfering with free trade is negative for the economy. The most cited historic economic example of the detrimental effects of tariffs dates back to the Smoot-Hawley Tariff Act of 1930, which is widely believed to have exacerbated the Great Depression. Given the broad consensus on the benefits of free trade, one might expect that the United States, the antagonist of the current trade dispute, would underperform. However, the opposite has occurred as U.S. growth has accelerated and the U.S. equity market (+10.6% YTD) is significantly outperforming emerging markets (-7.7%) and other developed countries (-1.4%).

U.S. equity markets are focusing on economic growth and stimulus and looking past the tariffs, which are insignificant compared to the stimulus the government has created. The 2017 corporate and individual tax cut, increased government spending, and repatriation of foreign earnings are far more stimulative than the tariffs are contractionary.

The news headlines on the tariffs make them appear more onerous than they actually are. For example, many recent headlines read similar to “The U.S. Imposes Tariffs on \$200 Billion of Chinese goods”. This sounds scary, but since the tariff is 10% (increasing to 25% at next year), the current cost to the economy is only \$20 billion. The tariffs on steel and aluminum will only total \$7.5 billion based on last year’s import levels. Even if the U.S. imposed a 10% tariff on all goods entering the country, a beyond worst case scenario, the tariff would amount to \$240 billion dollars, well below the levels of increased stimulus.

The tariffs and repatriation of dollars held by U.S. companies abroad have helped strengthen the dollar, thereby creating some bargains in international markets. When the dust eventually settles from the trade war, the most likely outcome is that Washington gains some modest concessions from its trading partners. Under this scenario, we would expect the dollar to weaken and for the equity performance spread between the U.S. and the rest of the world to narrow.

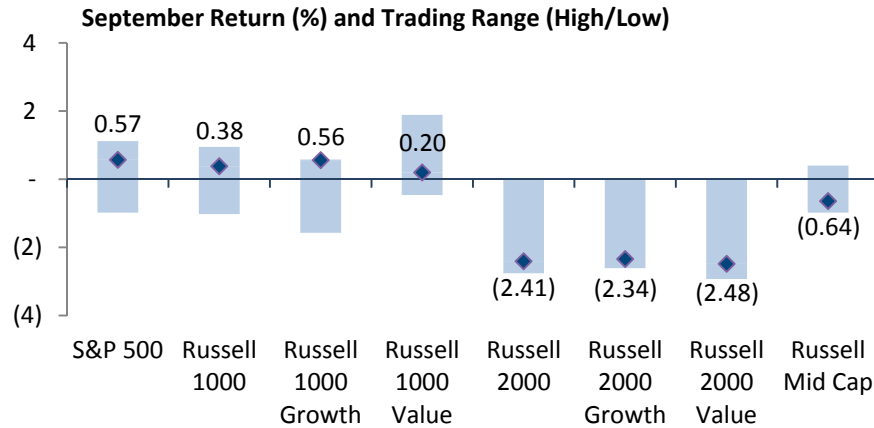


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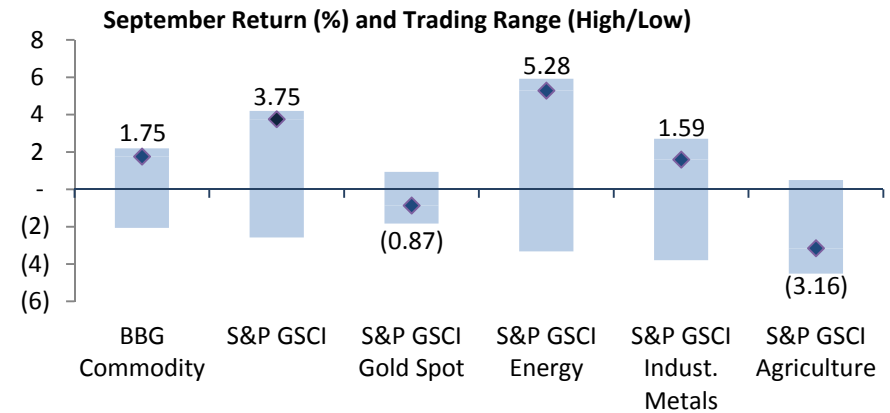
Monthly Charts



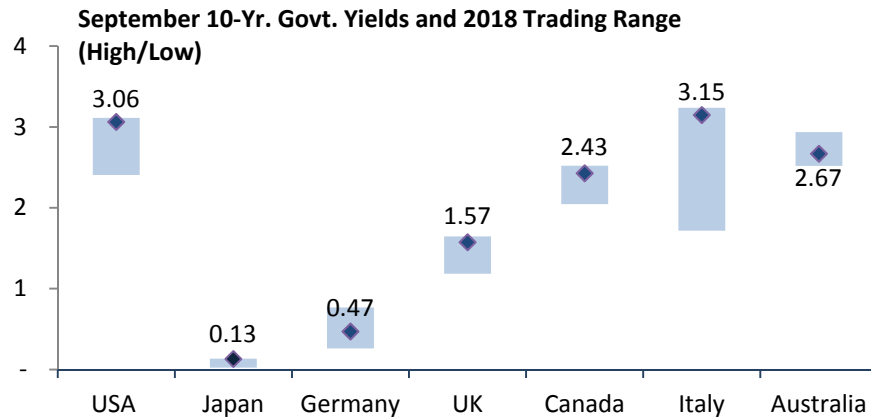
U.S. Equities: A strong economy and confident consumers helped to keep U.S. equities in positive territory during September. Large stocks narrowed their year-to-date performance deficit compared to small caps.



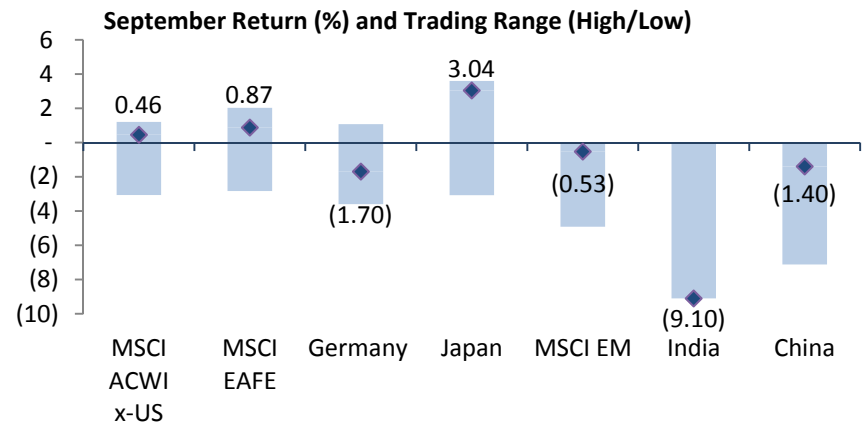
Commodities: Broad commodities prices ended the month with modest gains. Improving growth rates and worries of supply disruptions continue to lift energy prices.



Fixed Income: U.S. interest rates increased across the yield curve, causing longer-term bond to underperform. Credit sectors outperformed, with the lowest credit quality bonds performing best.



International Equities: Developed markets enjoyed modestly positive returns, boosted by the re-election of Japan's Prime Minister. Emerging markets continued to lag.

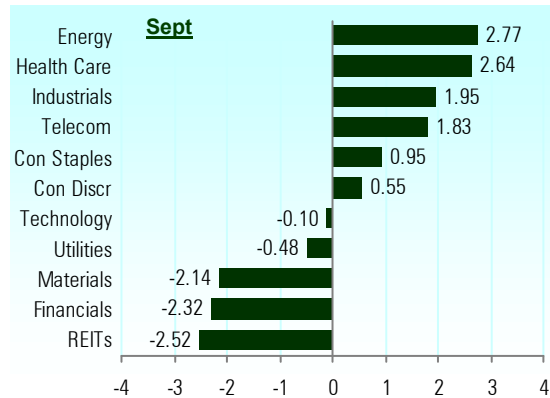


Concord Advisory Group: September 2018 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	0.57%	7.71%	10.56%	17.91%	17.31%	13.95%
Russell 1000	0.38%	7.42%	10.49%	17.76%	17.07%	13.67%
Russell 1000 Growth	0.56%	9.17%	17.09%	26.30%	20.55%	16.58%
Russell 1000 Value	0.20%	5.70%	3.92%	9.45%	13.55%	10.72%
Russell MidCap	-0.64%	5.00%	7.46%	13.98%	14.52%	11.65%
Russell 2000	-2.41%	3.58%	11.51%	15.24%	17.12%	11.07%
Russell 2000 Growth	-2.34%	5.52%	15.76%	21.06%	17.98%	12.14%
Russell 2000 Value	-2.48%	1.60%	7.14%	9.33%	16.12%	9.91%
MSCI ACWI	0.44%	4.28%	3.83%	9.77%	13.40%	8.67%
MSCI World	0.56%	4.98%	5.43%	11.24%	13.54%	9.28%
MSCI ACWI Ex-U.S.	0.46%	0.71%	-3.09%	1.76%	9.97%	4.12%
MSCI EAFE	0.87%	1.35%	-1.43%	2.74%	9.23%	4.42%
MSCI EM	-0.53%	-1.09%	-7.68%	-0.81%	12.36%	3.61%
Bloomberg Commodity	1.92%	-2.02%	-2.03%	2.59%	-0.11%	-7.18%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.64%	0.02%	-1.60%	-1.22%	1.31%	2.16%
Barclays Capital Global Aggregate	-0.86%	-0.92%	-2.37%	-1.32%	1.98%	0.75%
Barclays Capital Intermediate Aggregate	-0.47%	0.11%	-0.86%	-0.93%	0.95%	1.70%
Barclays Capital Universal	-0.43%	0.27%	-1.41%	-1.00%	1.98%	2.53%
Barclays Capital Government	-0.91%	-0.57%	-1.62%	-1.57%	0.26%	1.34%
Barclays Capital Credit	-0.34%	0.89%	-2.12%	-1.10%	2.98%	3.39%
Barclays Capital Municipal	-0.65%	-0.15%	-0.40%	0.35%	2.24%	3.54%
Barclays Capital High Yield	0.56%	2.40%	2.57%	3.05%	8.15%	5.54%
Barclays Capital Mortgage	-0.61%	-0.12%	-1.07%	-0.92%	0.98%	2.02%
Barclays Capital 1-3 Yr Gov/Credit	-0.07%	0.33%	0.41%	0.20%	0.73%	0.83%
Citigroup 3-Month Treasury Bill	0.17%	0.50%	1.29%	1.57%	0.80%	0.49%
Citigroup World Govt Bond	-1.02%	-1.62%	-2.55%	-1.54%	1.68%	0.20%
Barclays Capital U.S. TIPS	-1.05%	-0.82%	-0.84%	0.41%	2.04%	1.37%
ML Investment Grade Convertible	-0.71%	2.47%	6.91%	11.87%	15.42%	12.73%

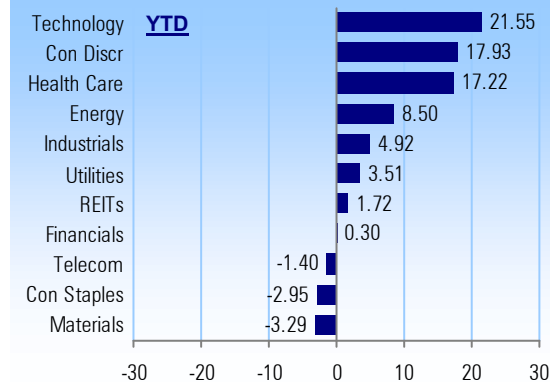
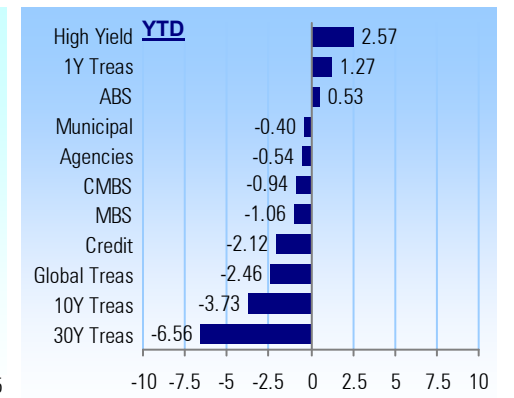
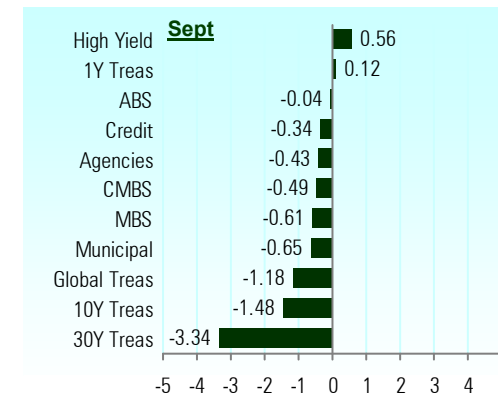
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	0.20	0.38	0.56
Mid	-0.79	-0.64	-0.43
Small	-2.48	-2.41	-2.34

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	3.92	10.49	17.09
Mid	3.13	7.46	13.38
Small	7.14	11.51	15.76

Treasury Yield Curve

