



The Concord Advisory Group, Ltd.

September 2019 Market Highlights *“Wave a Wand Pricing”*

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www.concordadvisory.com

700 Alexander Park | Suite 203 | Princeton, NJ 08540

Phone: (609) 987-9000

Concord Advisory Group: *September 2019 Market Highlights*

Commentary: “Wave a Wand Pricing”

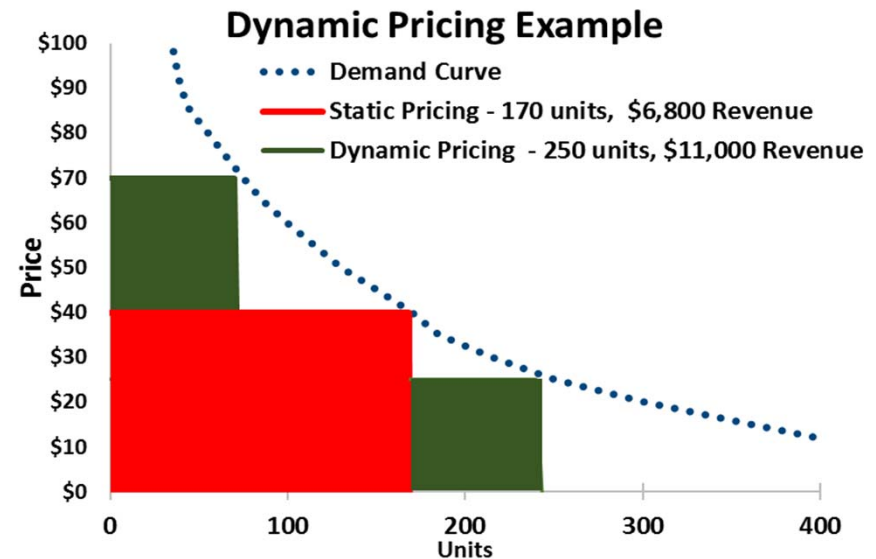


My son (please forgive the personal reference) is obsessed with Harry Potter and desperately wants to see the Harry Potter play on Broadway. It is a two-part show, about 5 hours long, with separate ticketing. Prices for premium seats are around \$300 for each of the two parts; total cost for a family of four would be about \$2,400 plus fees. However, if you spend time looking at tickets across various show dates, you will notice that prices vary widely. If tickets are unsold close to the performance date, prices drop dramatically. Premium tickets often sell for around \$100, and sometimes less, during the week of the performance. In many instances, people in premium seats paid one-third of the cost that the person sitting next to them paid, and frequently less than the people in the balconies.

Harry Potter tickets are an extreme example of dynamic pricing. In dynamic pricing, companies set and adjust prices based on current market demand. In legacy business models, companies set prices at a level to maximize profitability – the red section in the accompanying chart. Dynamic pricing seeks to capture more of the area under the demand curve (green plus red sections) by strategically adjusting prices to charge customers the maximum amount they are willing to pay. Dynamic pricing has historically been utilized in hotels and air travel, but the expansion of e-commerce and artificial intelligence (AI) have raised its usage and effectiveness to a much higher level.

AI is a game-changer in setting prices. For example, airline stocks have historically been lousy investments with numerous bankruptcies; however, U.S. airlines, and their stock prices are now performing well. Low fuel costs have obviously helped; however, setting prices to “as much as the customer will bear” through AI algorithms is a big part of their recent success. Online retailers are able to employ AI algorithms to adjust product pricing as often as they like, another clear advantage over brick and mortar retail stores.

Technology is enabling companies to become more productive in managing their resources. Beyond dynamic pricing, improving inventory management, higher labor productivity, and targeted advertising have allowed companies to improve profit margins. These higher margins help explain the paradox of low economic growth rates and high stock prices.

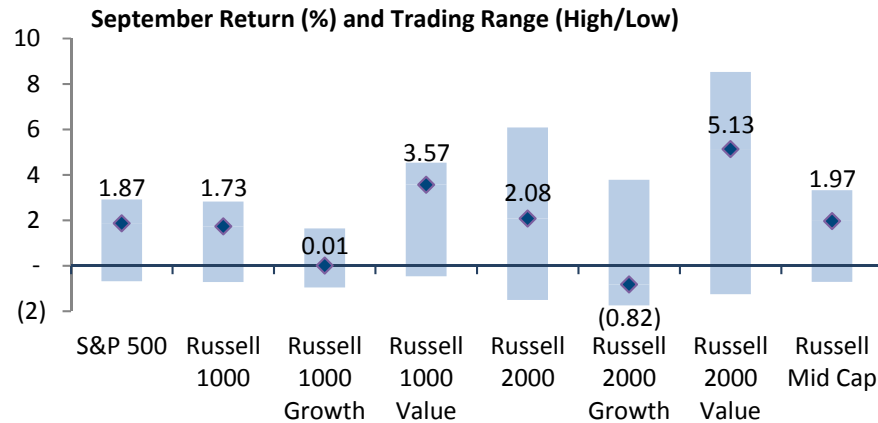


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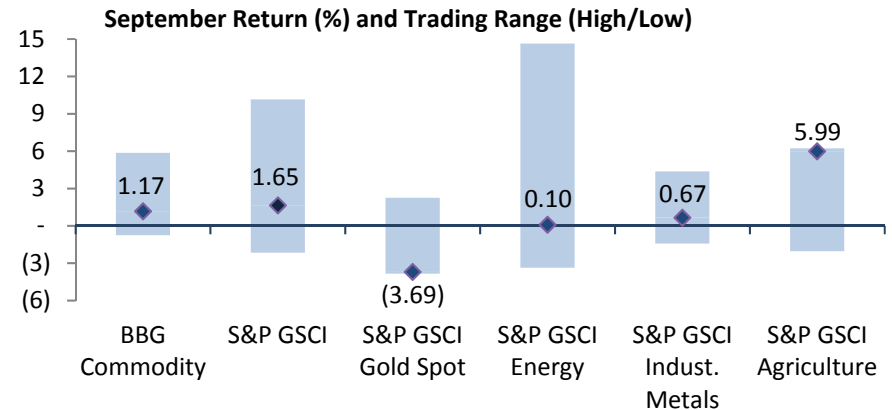
Monthly Charts



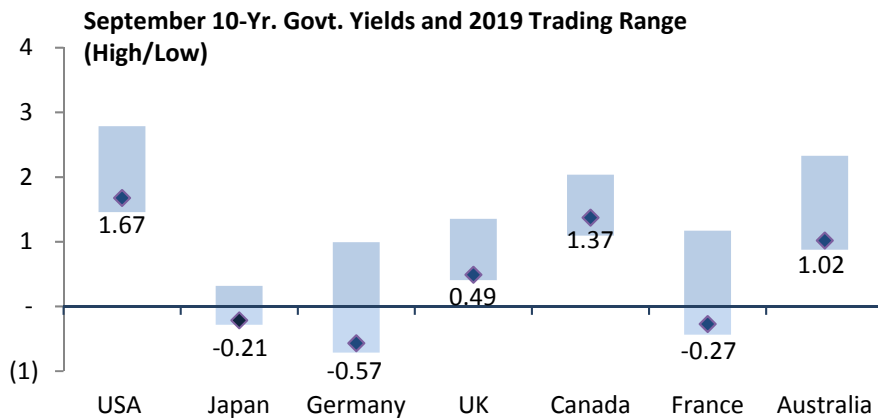
U.S. Equities: A rebound in longer-term interest rates and better-than-expected economic data prompted positive equity returns and a rotation into value sectors.



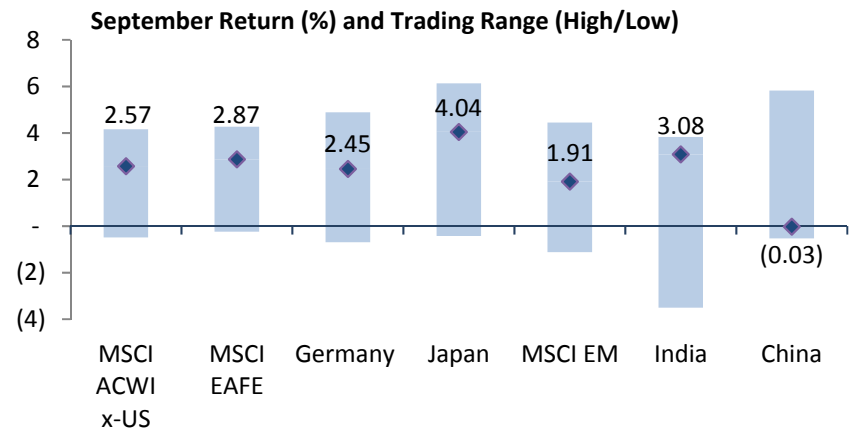
Commodities: The attack on Saudi oil facilities caused a mid-month spike in oil prices. The spike was short lived, as supply concerns eased quickly, and demand growth is constrained.



Fixed Income: Intermediate and longer-term bonds produced negative returns as easing trade tensions and a liquidity squeeze in cash markets pushed bond yields higher.



International Equities: International equities gained ground as the ECB cut rates and restarted bond purchases. In emerging markets, India introduced a surprise tax cut, and the RBI has been cutting its key rate.

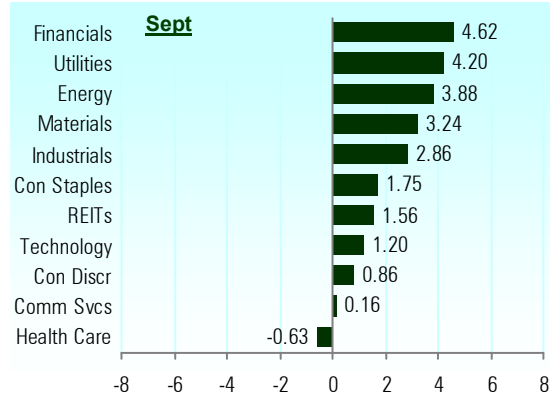


Concord Advisory Group: September 2019 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	1.87%	1.70%	20.55%	4.25%	13.39%	10.84%
Russell 1000	1.73%	1.42%	20.53%	3.87%	13.18%	10.62%
Russell 1000 Growth	0.01%	1.48%	23.30%	3.71%	16.89%	13.39%
Russell 1000 Value	3.57%	1.36%	17.83%	4.02%	9.44%	7.80%
Russell MidCap	1.97%	0.48%	21.95%	3.20%	10.70%	9.10%
Russell 2000	2.08%	-2.40%	14.19%	-8.88%	8.23%	8.19%
Russell 2000 Growth	-0.82%	-4.17%	15.35%	-9.62%	9.80%	9.08%
Russell 2000 Value	5.13%	-0.58%	12.82%	-8.24%	6.54%	7.17%
MSCI ACWI	2.10%	-0.03%	16.20%	1.39%	9.71%	6.65%
MSCI World	2.13%	0.54%	17.61%	1.84%	10.21%	7.19%
MSCI ACWI Ex-US	2.57%	-1.80%	11.55%	-1.24%	6.33%	2.90%
MSCI EAFE	2.87%	-1.07%	12.80%	-1.34%	6.48%	3.27%
MSCI EM	1.91%	-4.25%	5.90%	-2.02%	5.97%	2.33%
Bloomberg Commodity	1.17%	-1.84%	3.13%	-6.57%	-1.50%	-7.18%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.53%	2.27%	8.53%	10.31%	2.93%	3.38%
Barclays Capital Global Aggregate	-1.02%	0.71%	6.30%	7.58%	1.58%	1.99%
Barclays Capital Intermediate Aggregate	-0.23%	1.38%	6.17%	8.08%	2.39%	2.74%
Barclays Capital Universal	-0.43%	2.13%	8.80%	10.07%	3.23%	3.62%
Barclays Capital Government	-0.83%	2.39%	7.67%	10.41%	2.27%	2.90%
Barclays Capital Credit	-0.65%	2.99%	12.63%	12.65%	4.34%	4.53%
Barclays Capital Municipal	-0.80%	1.58%	6.77%	8.58%	3.20%	3.66%
Barclays Capital High Yield	0.36%	1.33%	11.39%	6.34%	6.06%	5.37%
Barclays Capital Mortgage	0.07%	1.36%	5.59%	7.79%	2.32%	2.80%
Barclays Capital 1-3 Yr Gov/Credit	-0.05%	0.70%	3.44%	4.66%	1.82%	1.59%
FTSE 3-Month Treasury Bill	0.17%	0.56%	1.78%	2.36%	1.53%	0.95%
FTSE World Govt Bond	-1.30%	0.85%	6.28%	8.14%	1.19%	1.80%
Barclays Capital U.S. TIPS	-1.36%	1.35%	7.60%	7.15%	2.22%	2.45%
BofAML Invest Grade Convertible	2.47%	5.42%	17.44%	13.69%	15.43%	12.17%

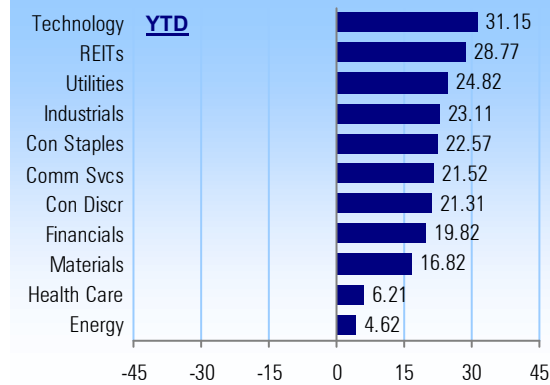
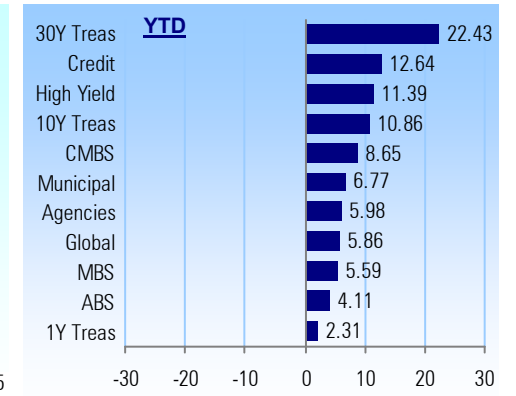
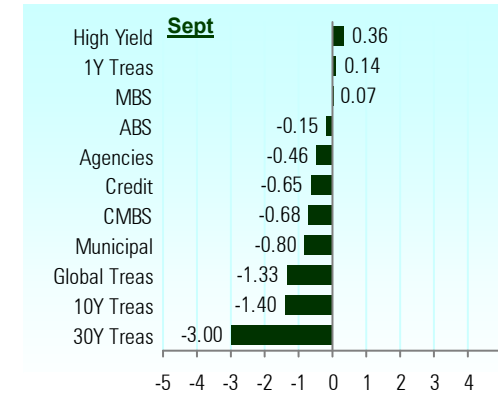
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	3.57	1.73	0.01
Mid	4.06	1.97	-1.14
Small	5.13	2.08	-0.82

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	17.83	20.53	23.30
Mid	19.46	21.95	25.22
Small	12.82	14.19	15.35

Treasury Yield Curve

