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INVESTMENT MANAGERS

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Stocks have now recovered their losses from fourth quarter 2018 and reached new all-time highs in October. Large cap stocks in the S&P 500 index closed the month up 2.17% bringing its year-to-date return to 23.16%. Small cap stocks in the Russell 2000 index had a monthly gain of 2.63%, and a year-to-date gain of 17.18%. International stocks in the MSCI EAFE index were also up 3.59% for the month with year-to-date returns at 16.86%. Emerging market stocks were even stronger with a 4.22% gain for the month bringing their year-to-date return to 10.36%.

U.S. GDP growth slowed to 1.9% in the third quarter. In October, 128,000 jobs were added but the unemployment rate increased slightly to 3.6% due to an increase in the participation rate. Wage growth was up 3% from the prior year.

Positive earnings and optimism on trade helped push indexes to new record highs this month. Approximately 70% of companies have reported third quarter earnings and an above-average proportion of companies have beaten their earnings and revenue estimates. Further, company guidance has been mostly positive. Out of the S&P 500 companies that have reported, total earnings have decreased -0.6%. Earnings are expected to be down -2.6% once all companies have reported.

U.S. and China trade talks appear to be trending in a positive direction. The two countries took a small step in coming towards an agreement with the U.S. postponing planned tariffs on goods imported from China, and China committing to increasing purchases of U.S. agricultural products. The U.S. is also seeking to halt China's currency manipulation. Protection of American intellectual property rights have not yet been agreed upon and won't likely be easily resolved.

Looking elsewhere, the United Kingdom has again delayed their exit from the European Union because they haven't been able to agree on the terms of a deal. Now there will be a general election on December 12th where Brexit will be the main issue on voters' minds. The results of the election could possibly even overturn the original vote to Brexit.

The Federal Reserve lowered the Fed Funds rate again in October to a range of 1.50% to 1.75%. This was the third rate cut this year. In doing so, they also indicated that this may have been the last rate cut for a while. The yield on the 10-year Treasury bond rose this month from 1.64% to 1.73%. The yield curve is no longer inverted which reassures those who were concerned that the bond market was signaling a recession.

Markets could remain somewhat volatile throughout the rest of the year as impeachment and trade issues loom. However, historically, we are entering a time of the year where stocks are typically stronger. With stocks near record highs, it is a good time to reevaluate your risk tolerance and make adjustments if necessary. If you have any questions about your account, please do not hesitate to contact us.