Fourth Street Performance Partners
Independent Investment Consultants

September 2015: Market Review

Global equity markets ended September in negative territory as global growth concerns continue to weigh on investors. Following its worst month since May 2010, the Dow Jones Industrial Average dropped another (1.35%), lowering its year-to-date return to (6.95%). The S&P 500 Index lost (2.47%) in September and is down (5.29%) year-to-date. The NASDAQ Composite finished the month down (3.27%), moving to a loss of (2.45%) so far in 2015. All three indices experienced their worst quarterly performance since the third quarter of 2011.

The Federal Reserve chose not to raise interest rates at its September meeting this year, as the recent turmoil and volatility in the global economy has given the Federal Reserve enough reason to pause with their intended rate hike. In U.S. economic news, the final reading of second quarter real GDP was revised to 3.9% annual growth, up from the second estimate's 3.7% rate. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices rose 0.7% in July, while on a year-over-year basis, prices were 4.7% higher than a year ago. Commodities dropped in September, as WTI crude oil ended the month at $45, down from $49 at the end of last month. Gold closed September at $1115 per troy ounce, down from August's closing price of $1132.

Value-style equities and growth-style equities declined across all capitalizations with small cap growth stocks significantly underperforming small cap value for the month. Among large cap stocks, the Russell 1000 Value Index fell (3.02%) during the month, dropping its 2015 return to (8.96%), while the Russell 1000 Growth Index lost (2.47%), and moved negative for the calendar year, down (1.54%). In small cap stocks, the Russell 2000 Growth Index dipped (6.32%), and is now negative in 2015 falling (5.47%) this year, while the Russell 2000 Value Index lost (3.46%) and has fallen (10.06%) year-to-date. The Russell Midcap Index closed the month down (3.60%), decreasing its year-to-date return to (5.84%).

Both developed and emerging international equity markets were down again in September, as continued fears of slowing Chinese and European growth, and lower commodity prices moved the markets lower. The MSCI EAFE Index ended the month down (5.08%) and has lost (5.28%) in U.S. dollars year-to-date. The MSCI Europe Index dropped (4.67%) during September, giving the index a return of (5.20%) so far in 2015. The MSCI Pacific Index fell (5.80%), and is now down (5.54%) for the year. Markets in Brazil experienced double-digit drops for the third straight month in September, down (11.88%) and have now plummeted (39.38%) for the year. The MSCI Emerging Markets Index fell (3.01%) in September and is down (15.48%) in 2015.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed September at 2.06%, down from 2.14% at the end of August. The Barclays U.S. Aggregate Bond Index was up 0.68% in September, and has now gained 1.13% for the year. The Barclays U.S. Treasury Index rose 0.88% during the month and has increased 1.80% in 2015. The Barclays Treasury 20+ Year Index gained 1.52%, but remains negative (0.21%) year-to-date. The Barclays Corporate High Yield Index closed the month down (2.60%), moving it into the red for the year, (2.45%).

The Federal Reserve decided not to increase rates at its September meeting due to challenging global economic conditions. Now, the market waits to see if the Federal Reserve will raise rates for the first time in over nine years during the fourth quarter. U.S. economic data continues to be positive, but growth concerns in China and other emerging markets will continue to be a significant factor in the Federal Reserve's decision making process.