FOURTH STREET PERFORMANCE PARTNERS
Independent Investment Consultants

September 2018: Market Review

In another month underscored by trade skirmishes and strong U.S. economic data, global equity indexes posted mixed results. The S&P 500 Index hit another record high during the month, adding +0.57% and posting gains of +10.56% year-to-date. The Dow Jones Industrial Average also surged to an all-time high in September and was up +1.97% for the month, ending with a +8.83% return since December. The NASDAQ Composite fell -0.70% during the month but has added +17.48% year-to-date.

In U.S. economic news, investors shrugged off a new series of tariffs between the U.S. and China as domestic equities climbed higher. Gains were aided by a strengthening U.S. economy as consumer confidence hit the highest level since 2000. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up +0.44% in July, while on a year-over-year basis, prices were +6.00% higher than a year ago. Among commodities, WTI crude oil ended September at $73 a barrel, up from August's closing price of $70 as supply concerns push prices higher. Gold closed the month at $1,1191 per troy ounce, down from $1,200 at the end of August.

Growth-style equities posted another month of outperformance as growth stocks outperformed across all capitalizations. Growth equities also continued their year-to-date outperformance by a wide margin. Among large cap stocks, the Russell 1000 Growth Index gained +0.56% in September, returning +17.09% year-to-date. The Russell 1000 Value Index added +0.20% for the month, which brought its year-to-date return to +3.92%. For small cap stocks, the Russell 2000 Growth Index sank -2.34% for the month but is up +15.76% so far this year. The Russell 2000 Value Index lost -2.48% yet is up +7.14% so far in 2018. In mid cap equities, the Russell Midcap Growth Index fell -0.43% in September but has added +13.38% year-to-date. The Russell Midcap Value Index declined -0.79% for the month but has risen +3.13% so far this year.

Most international equity indexes inched higher in September despite ongoing trade tensions and a strong U.S. dollar. The MSCI EAFE Index gained +0.87% for the month, resulting in a year-to-date loss of -1.43%. The MSCI Europe Index added +0.36% in September but has posted a -2.46% return so far this year. The MSCI Pacific Index gained +1.81% during the month yet has fallen -2.84% in 2018. The worst performer in international equities was the MSCI Emerging Markets Index, losing -0.53% as returns were negatively impacted by weakness in India (-9.16%), ongoing headwinds from China (-1.66%), tighter U.S. monetary policy, and concerns regarding global trade tensions. The MSCI Emerging Markets Index is down -7.68% so far this year.

Strong U.S. economic growth, rising inflation, and rising interest rates left most U.S. fixed income indexes in negative territory in September. The yield on the 10-Year Treasury closed September at 3.06%, up from August's close of 2.85%. The Bloomberg Barclays U.S. Aggregate Bond Index fell -0.64% for the month, extending its year-to-date loss to -1.60%. The Bloomberg Barclays U.S. Treasury Index lost -0.93% in September and is down -1.67% so far this year. The Bloomberg Barclays Treasury 20+ Year Index declined -3.05% during the month, leaving it with a return of -5.92% so far in 2018. The only positive performer, the Bloomberg Barclays Corporate High Yield Index, rose +0.56% in September and is up +2.57% year-to-date.

A robust U.S. economy continues to be a tailwind for corporate earnings and domestic equity indexes. However, ongoing trade tensions, historically high equity valuations, and a strong U.S. dollar continue to be a cause for concern for global equity markets.