Entrust Financial LLC® Market Commentary – Third Quarter, 2019

Groundhog Day In The Third Quarter

Market news during the third quarter has many investors feeling as though their favorite channel may be stuck in a loop. Financial headlines were again dominated by the topics that have become familiar in 2019, including volatility in the stock market, the U.S.- China tariff war and the latest perspective of the Federal Reserve. Despite the wild ride in the equity markets, stocks ended the quarter mostly unchanged from the prior three months.

Data from the third quarter continues to confirm that the U.S. is firmly in the later stage of the economic cycle. As our economy slows, volatility in the stock market tends to increase. The volatility in recent months was exacerbated by the prolonged trade negotiations between the U.S. and China. Lack of meaningful progress in these talks has hurt our economic data, predominantly in the manufacturing sector. Not surprisingly, we expect the recent market volatility to continue for some time.

In an attempt to respond to our slowing economy, the Federal Reserve cut interest rates not once, but twice during the third quarter, which only added to investors' sense of Groundhog Day. This move has been mirrored by several central banks around the world as developed markets globally are experiencing the same slowdown as the U.S. The impact of these rate decreases remains to be seen.

Here are some highlights from the third quarter:

- The Standard & Poor's 500 Index rose just 1.19% for the quarter but is up 18.74% year to date
- The U.S. unemployment rate fell slightly to 3.7% and wages have increased by 3.2% over the past 12 months
- Utility stocks led the way in equities with a gain of 9.33% for the sector
- The Federal Reserve cut interest rates by a total of .50% over the course of the quarter
- The Institute of Supply Management's Manufacturing Index fell to its lowest levels since June 2009

While a slowing economy may not be preferred, it is important to remember that this slowdown is natural following the robust expansion of the previous years. It is the cyclical nature of the economy that informs the significance of the asset allocation decision for long-term results.

Entrust FINANCIAL LLC®

FOR A BETTER EXPERIENCE.

Following are results for indices of asset classes commonly used to build our Entrust globally diversified portfolios:

Asset Class Review

	Q3 2019	2019 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	1.42%	20.53%	3.87%	13.19%	10.62%	13.23%
US Small Cap Equity	-2.40%	14.18%	-8.89%	8.23%	8.19%	11.19%
International Equity	-1.07%	12.80%	-1.34%	6.48%	3.27%	4.90%
Emerging Market Equity	-4.25%	5.89%	-2.02%	5.97%	2.33%	3.37%
Global Real Estate	5.72%	22.15%	15.08%	5.42%	7.36%	9.71%
US Corporate Bond	3.05%	12.91%	12.78%	4.44%	4.65%	5.43%
US Government Bond	2.51%	7.79%	10.59%	2.28%	2.95%	3.06%
International Bond	-0.58%	4.38%	5.34%	0.43%	0.87%	1.27%

The above chart is for illustrative purposes only and does not attempt to predict actual results of any particular investment. Past performance is no guarantee of future results. It is not possible to invest directly into an index.
Source: Morningstar Direct- US Large Cap is represented by the Russell 1000 Index; US Small Cap is represented by the Russell 2000 Index; International is represented by MSCI EAFE Index; Emerging Markets are represented by the MSCI Emerging Markets Index; Global Real Estate is represented by the S&P Global REIT Index; US Corporate Bonds is represented by the Morningstar US Corp Bond Index; US Government Bonds is represented by the Morningstar US Government Bond Index; International Bonds are represented by the Barclays Global Aggregate Bond ex USD Index. Returns as of 9/30/2019.

For those interested in more in-depth technical analysis of the capital markets world-wide:

Results in North America

- U.S. Equities rose modestly, resulting in a 18.74% return year to date
- The Energy sector had the steepest declines, in part due to the bombing of two oil facilities in Saudi Arabia
- Tariffs on more than $125 billion of Chinese goods went into effect on September 1
- The U.S. dollar strengthened versus the Euro but declined versus the Yen
- Netflix experienced one of the lowest quarterly returns, dropping 27% after reporting slowing subscription data

Entrust
FINANCIAL LLC®

FOR A BETTER EXPERIENCE.

International Results

- European stocks rose after the introduction of renewed monetary stimulus measures, including a cut to interest rates by the European Central Bank
- British stocks lagged the overall market as Brexit negotiations continue and the October 31 deadline for Parliament looms
- Japanese stocks experienced a sharp rally in September, despite weak economic data and impending tax hike
- Political unrest and trade troubles hit the Hong Kong economy, resulting in decreased GDP and exports
- Australian stocks rose 3% after an interest rate cut by their central bank in July
- Volatility caused by U.S. – China trade negotiations was felt far and wide, continuing to weigh on Emerging Market stocks and currencies throughout the quarter

Fixed Income

- The U.S. Federal Reserve cut interest rates by 0.25% in both July and September, citing weakening global growth and modest inflation
- U.S. Bond returns were strengthened due to interest rate cuts in July and September, with investment-grade corporate debt gaining 3.05%
- The 10-year U.S. Treasury spread ended at 1.68%, down 32 basis points in the quarter
- In addition to an interest rate cut, the European Central Bank also revived a bond-buying stimulus program that had previously been phased-out
- Debt issuance in the U.S. and abroad continued to pick up in response to lower rates

940 West Valley Rd, Suite 1902, Wayne, PA 19087 | 610-687-3515 | www.entrustfinancial.com