

535 Wellington Way, Suite 260 Lexington, KY 40503 Phone (859) 252-2780 Toll Free (877) 252-2780 Fax (859) 252-2740 www.DermannSmith.com

The markets rebound as trade tensions cool

The markets have a lot to contend with as we close out the third quarter and the month of September. Financial fundamentals are taking a back seat to political considerations and trending sentiment partly because the data has been mixed, reports Raymond James' Doug Drabik, managing director for fixed income research. Raymond James Chief Economist Scott Brown says job gains and wage growth should support consumer spending growth into 2020, more than offsetting a slow patch in business investment, while the Federal Reserve (Fed) has again lowered short-term interest rates to ensure against downside risks.

Adding to the mix are impeachment inquiries, unsettled Brexit, growth concerns in Germany and China, and pending U.S. elections. Trade negotiations between the U.S. and China remain uncertain, though officials are set to meet in both October and November, increasing optimism for a mini-deal. However, Washington Policy Analyst Ed Mills expects fluctuating sentiments between the two countries to fuel market volatility through the 2020 election.

On the other hand, Chief Investment Officer Larry Adam credits cooling trade tensions between the U.S. and China, an additional Fed rate cut of 25 basis points (bps) and solid domestic U.S. economic data for a rebound in risk-asset performance this month, which led the S&P 500 to rise to within 1% of all-time highs. The U.S. dollar also rose to its highest level since May 2017, and the 10-year Treasury yield bounced approximately 25 bps after it hit its year-to-date lows and lowest level (1.46%) since July 2016 on September 3.

In September, the Fed had to address a liquidity crunch in the repo market, which briefly spiked money market rates. In response, it may bring forward the start of a mini quantitative easing, according to Fed Chair Jerome Powell.

The month ended positively for the S&P 500 (1.72%), Dow Jones Industrial Average (1.95%), NASDAQ (0.46%) and the Russell 2000 Index (1.91%). The quarter also ended positively for the S&P 500 (1.19%) and the Dow Jones Industrial Average (1.19%), but negatively for the NASDAQ (-0.09%) and Russell 2000 Index (-2.76%).

	12/31/18 Close	9/30/19 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	23,327.46	26,916.83	+3,589.37	+15.39%
NASDAQ	6,635.28	7,999.34	+1,364.06	+20.56%
S&P 500	2,506.85	2,976.74	+469.89	+18.74%
MSCI EAFE	1,719.94	1,895.72	+175.78	+10.22%
Russell 2000	1,348.56	1,523.37	+174.81	+12.96%
Bloomberg Barclays Aggregate Bond	2,046.60	2,219.97	+173.37	+8.47%

Performance reflects price returns as of 4:00 p.m. ET on September 30, 2019

Should anything change, I'll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in me.

Amy Smith Harper, CFP®
 Financial Advisor, RJFS

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