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# The Concord Advisory Group, Ltd.

## *July 2018 Market Highlights*

### *“Would You Rather?”*

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# Concord Advisory Group: July 2018 Market Highlights

## Commentary: “Would You Rather?”

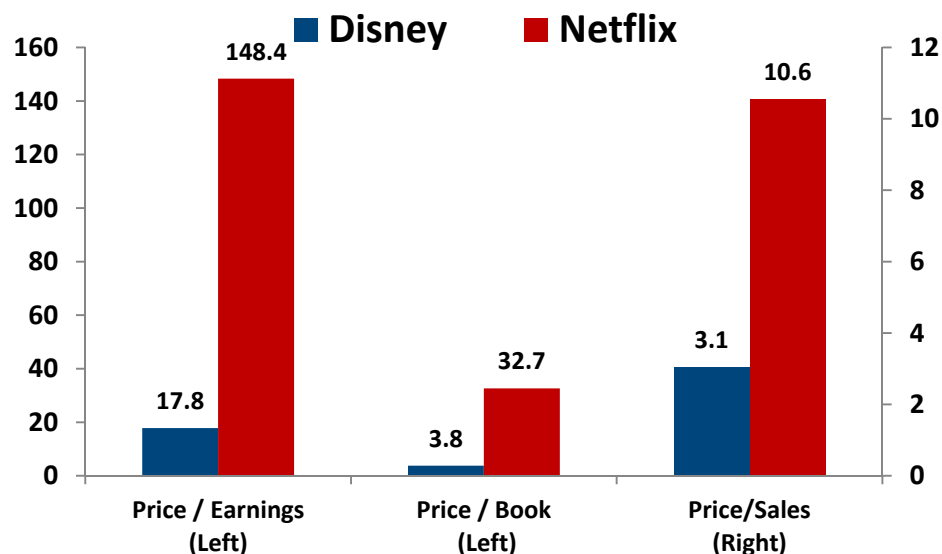


If you spend a lot of time around young children with big imaginations, you probably have been, or may at some point be, peppered with a number of “Would you rather” questions. “Would you rather catch a porcupine or be sprayed by a skunk?” “Would you rather be bitten by a shark or be struck by lightning?” Often the questioning devolves into more gross and silly topics, so we will stop the examples at two. In many ways, investing is a multi-layer “would you rather” question. Would you rather own stocks or bonds, growth or value, domestic or international? Today we compare two pairs of equity investments with similar market valuations. Which would you rather own?

First, the publicly-tradable market value of the MSCI India Index is just below the market value of Facebook. The MSCI India Index consists of 79 companies that represent 85% of the Indian equity universe. India, with 1.3 billion people, has arguably the best demographics of any major country and the highest medium-term growth potential among large emerging market countries at 6.7%, according to Fitch. Facebook has approximately 1.5 billion daily users and is adding users at a 3% annual rate. As impressive as Facebook has been, should Facebook be worth approximately the same amount as India’s entire public stock market?

Second, The Walt Disney Company’s market capitalization is approximately fifteen percent higher than that of Netflix. Netflix is the dominant company in the streaming space, which is threatening to disrupt the entire cable industry. Disney, which owns ESPN, ABC, Lucasfilms, Pixar, Marvel, and theme parks, is launching their own streaming service to compete with Netflix next year. Looking at the data in the accompanying chart, would you rather own Disney or Netflix?

It is incredibly difficult to determine a fair-value price for Facebook, Netflix, and the other technology companies that have led the market higher, because their market valuations are derived from market share and growth expectations, and not from earnings. With the outsized increases in valuations that these companies have experienced, some caution is required.

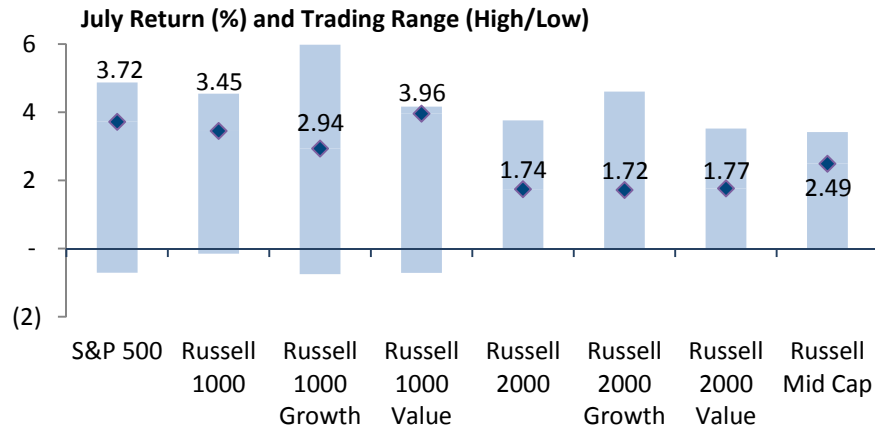


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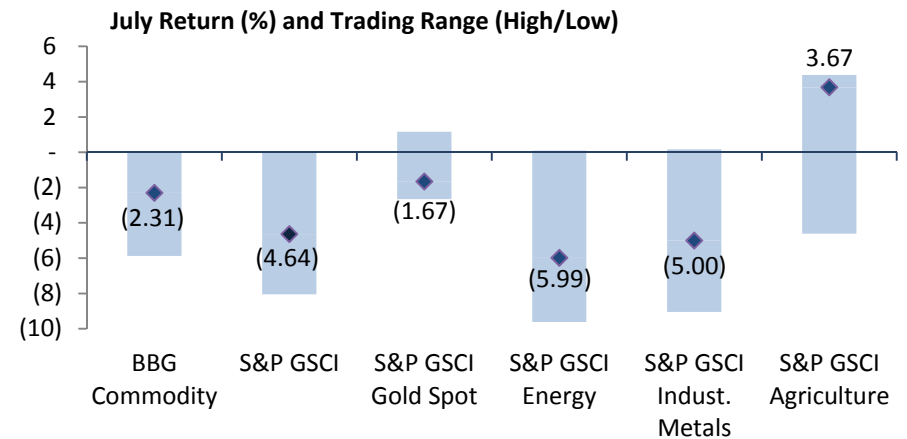
## Monthly Charts



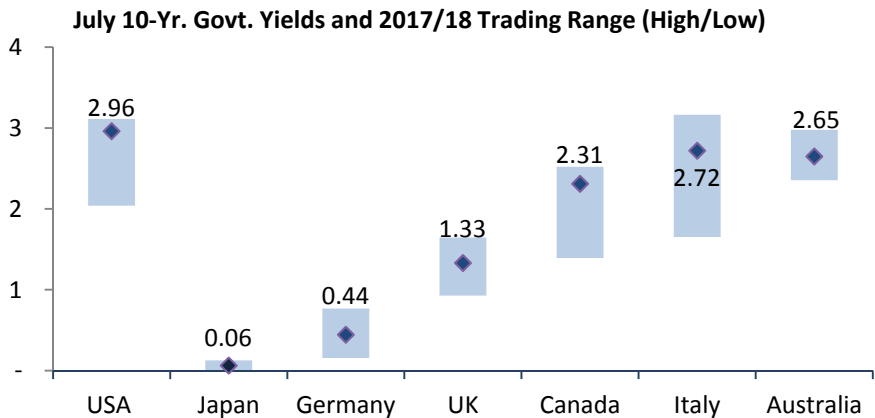
**U.S. Equities:** U.S. equity markets ended July in positive territory on strong earnings reports, despite a pull-back among the previously high-flying 'FANG' stocks (i.e., Facebook, Amazon, Netflix and Google).



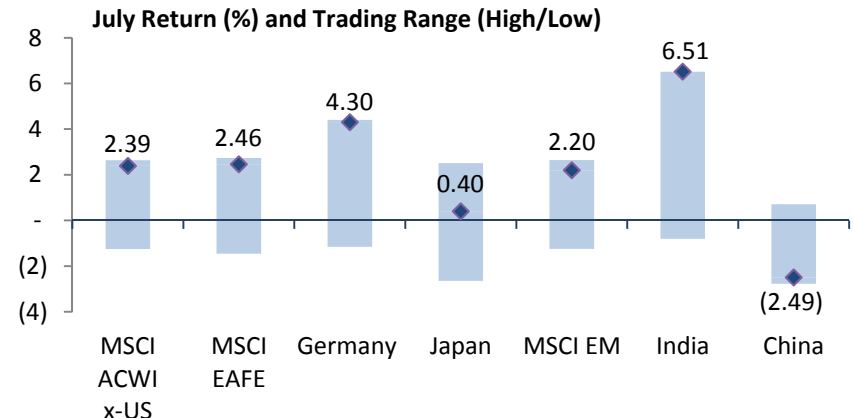
**Commodities:** Broad commodities were lower as oil prices fell on expanding supply. Industrial metals prices declined on rising trade tensions and concerns about China growth.



**Fixed Income:** Yields rose globally, and the yield curve continued to flatten in the U.S. Credit sectors outperformed, as positive economic news led to tighter spreads.



**International Equities:** Both developed and emerging markets trailed U.S. equities but posted gains during the month, benefitting from a weaker U.S. dollar.

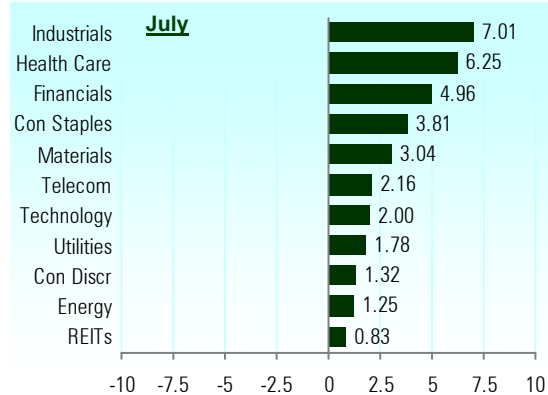


# Concord Advisory Group: July 2018 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	3.72%	6.87%	6.47%	16.24%	12.52%	13.12%
Russell 1000	3.45%	6.78%	6.40%	16.19%	12.20%	12.96%
Russell 1000 Growth	2.94%	8.48%	10.40%	22.84%	14.81%	15.83%
Russell 1000 Value	3.96%	4.83%	2.20%	9.54%	9.51%	10.04%
Russell MidCap	2.49%	5.54%	4.90%	13.45%	10.21%	11.51%
Russell 2000	1.74%	8.69%	9.54%	18.73%	12.04%	11.33%
Russell 2000 Growth	1.72%	8.97%	11.58%	22.91%	11.08%	12.38%
Russell 2000 Value	1.77%	8.34%	7.31%	14.37%	12.92%	10.19%
MSCI ACWI	3.02%	2.59%	2.57%	10.97%	8.95%	9.04%
MSCI World	3.12%	3.72%	3.57%	11.88%	8.95%	9.49%
MSCI ACWI Ex-U.S.	2.39%	-1.85%	-1.46%	5.94%	6.00%	5.59%
MSCI EAFE	2.46%	-1.07%	-0.36%	6.40%	5.03%	5.86%
MSCI EM	2.20%	-5.52%	-4.61%	4.36%	8.94%	5.25%
Bloomberg Commodity	-2.13%	-4.22%	-2.14%	2.73%	-1.61%	-7.06%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.02%	0.61%	-1.59%	-0.80%	1.49%	2.25%
Barclays Capital Global Aggregate	-0.17%	-1.36%	-1.62%	-0.48%	2.45%	1.21%
Barclays Capital Intermediate Aggregate	-0.02%	0.59%	-0.99%	-0.80%	1.11%	1.79%
Barclays Capital Universal	0.21%	0.61%	-1.47%	-0.56%	1.99%	2.60%
Barclays Capital Government	-0.41%	0.49%	-1.46%	-1.20%	0.61%	1.41%
Barclays Capital Credit	0.72%	0.75%	-2.29%	-0.66%	2.89%	3.36%
Barclays Capital Municipal	0.24%	1.48%	-0.01%	0.99%	2.69%	3.76%
Barclays Capital High Yield	1.09%	1.47%	1.25%	2.60%	6.12%	5.35%
Barclays Capital Mortgage	-0.11%	0.64%	-1.06%	-0.41%	1.21%	2.25%
Barclays Capital 1-3 Yr Gov/Credit	0.05%	0.44%	0.13%	0.00%	0.71%	0.81%
Citigroup 3-Month Treasury Bill	0.15%	0.45%	0.93%	1.40%	0.68%	0.42%
Citigroup World Govt Bond	-0.41%	-1.90%	-1.35%	-0.36%	2.51%	0.75%
Barclays Capital U.S. TIPS	-0.48%	0.34%	-0.51%	1.17%	1.69%	1.43%
ML Investment Grade Convertible	1.81%	0.81%	6.22%	13.22%	13.60%	12.86%

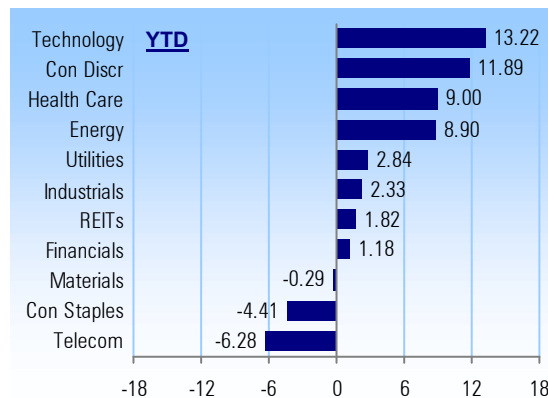
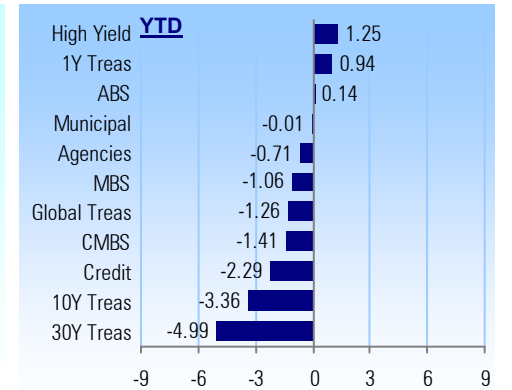
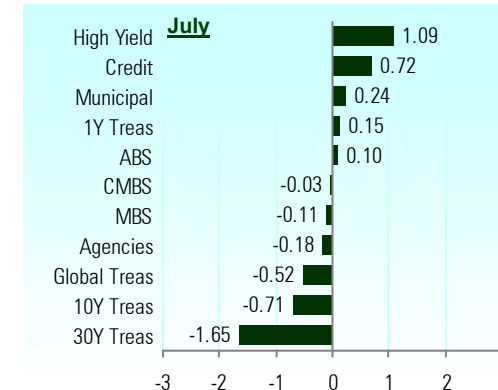
## Equity Sector Returns (%)



## Equity Style Returns (%)

Style	Value	Core	Growth
Large	3.96	3.45	2.94
Mid	2.72	2.49	2.15
Small	1.77	1.74	1.72

## Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	2.20	6.40	10.40
Mid	2.56	4.90	7.66
Small	7.31	9.54	11.58

## Treasury Yield Curve

