



The Concord Advisory Group, Ltd.

September 2017 Market Highlights

“Sometimes Greed is Good”

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Concord Advisory Group: *September 2017 Market Highlights*

Commentary: *“Sometimes Greed is Good”*



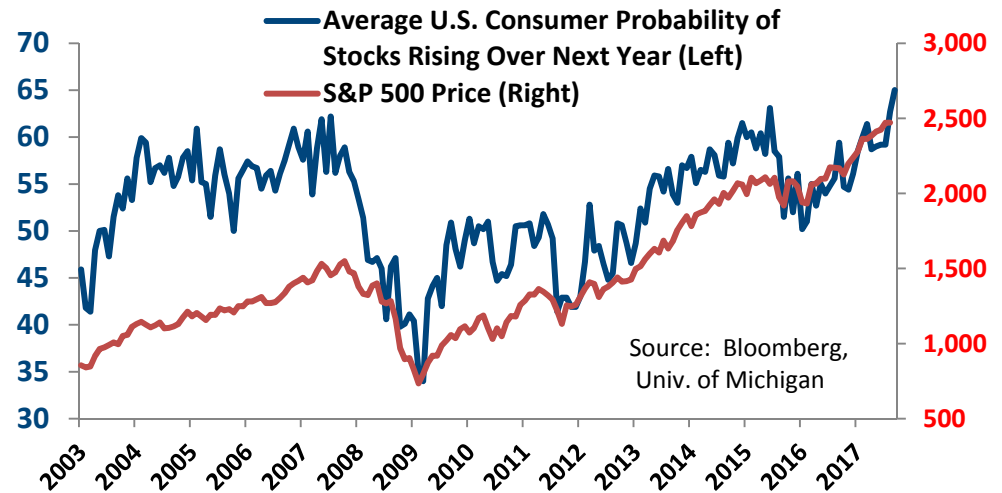
Perhaps Warren Buffett's most salient advice to investors is “Be fearful when others are greedy and greedy when others are fearful.” It does not require a deep look into markets to determine that today there is an abundance of greed and little in the way of fear. Besides the obvious record high price levels of many equity markets and the exceptionally low levels of market volatility, there are some less obvious, but interesting signals that greed, or over-optimism, has entered into investors' outlooks.

Gallup has been surveying investors' optimism levels for twenty years. Their Investor Optimism Index recently surged to +138, its highest level since September 2000. Even more stark, the index rose 98 points over the last 18 months, the largest such increase in the survey's history. Respondents to the University of Michigan's consumer sentiment survey placed an average probability that stock prices would be higher one-year from now at 65%, the highest level since inception in 2002 (see chart).

There are some good reasons for optimism, the most prominent being that the global economy appears to be improving. However, this is typically the time in the cycle when some investors are tempted to engage in destructive and greedy investment behaviors, such as returns chasing, sacrificing liquidity, adding leverage, and overspending.

Being a contrarian is difficult. It is even more difficult to be a contrarian against an appreciating stock market, because the historical observation has been that markets, even overvalued ones, can extend gains for years. It is much easier to identify attractive entry points during bear markets than it is to identify exit points in bull markets. The challenge for portfolio allocators today is to balance the need to participate in the bull market while maintaining the flexibility to add risk if better opportunities present themselves.

Record Level of Consumer Optimism in Equities

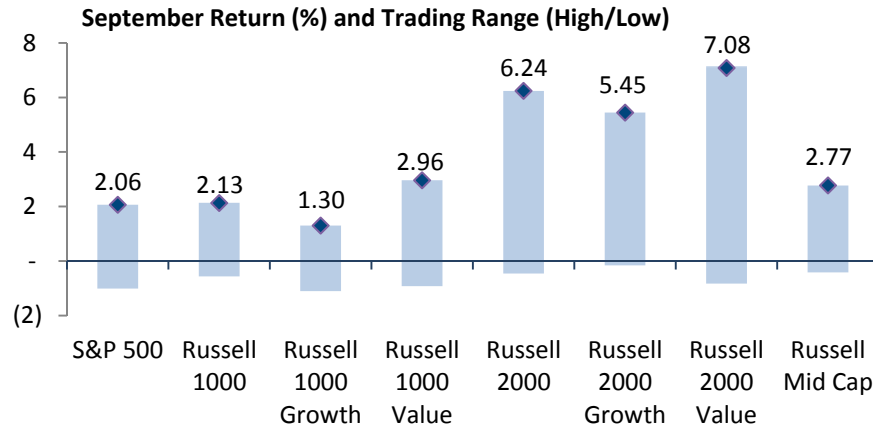


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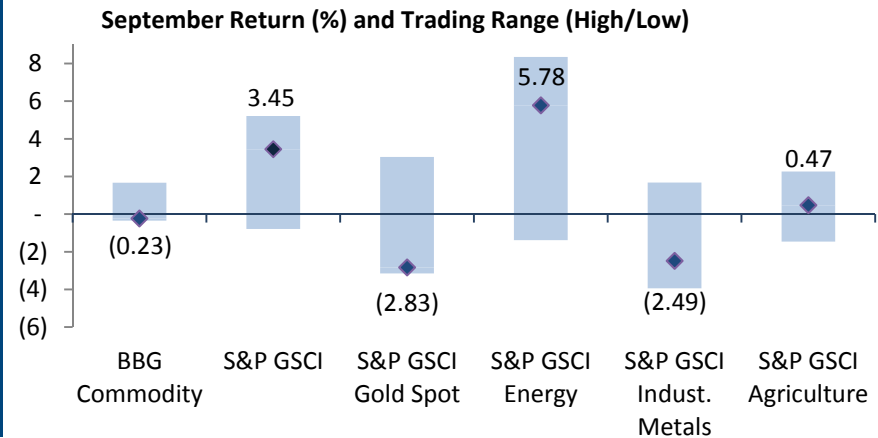
Monthly Charts



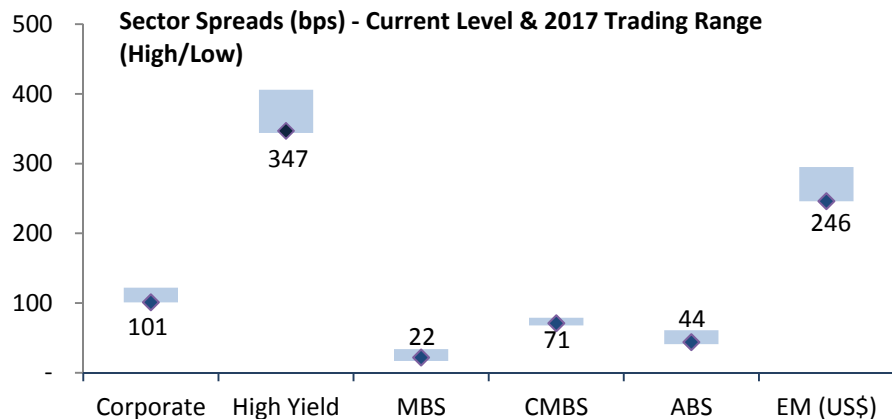
U.S. Equities: U.S. equity markets ended September at record highs, driven higher by optimism surrounding potential tax code reform and a more hawkish stance by the Federal Reserve.



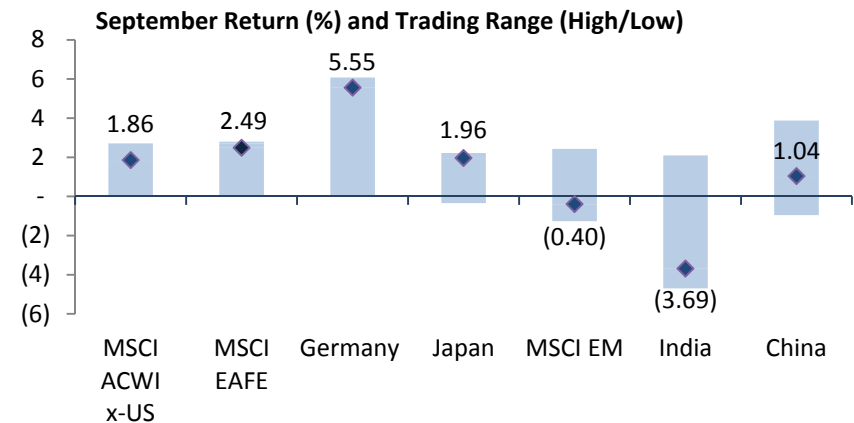
Commodities: A strengthening dollar negatively impacted gold and industrial metals prices in September. U.S. crude oil prices rose nearly 10% during the month.



Fixed Income: Interest rates increased as the Fed confirmed that it will start deducing the size of its balance sheet in October. Credit sectors outperformed as spreads narrowed further in September.



International Equities: Developed market equities outpaced the U.S. and emerging markets. European stocks benefitted from solid earnings growth and an improving global economy.

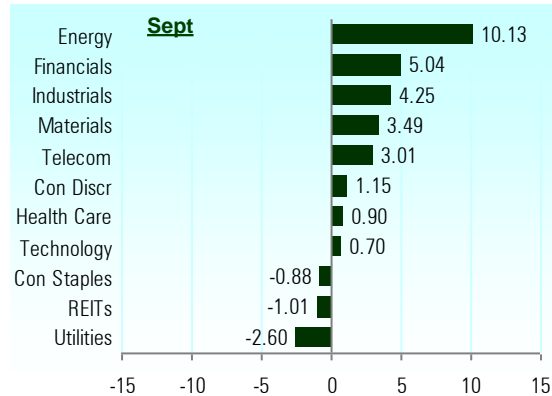


Concord Advisory Group: September 2017 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	2.06%	4.48%	14.24%	18.61%	10.81%	14.22%
Russell 1000	2.13%	4.48%	14.17%	18.54%	10.63%	14.27%
Russell 1000 Growth	1.30%	5.90%	20.72%	21.94%	12.69%	15.26%
Russell 1000 Value	2.96%	3.11%	7.92%	15.12%	8.53%	13.20%
Russell MidCap	2.77%	3.47%	11.74%	15.32%	9.54%	14.26%
Russell 2000	6.24%	5.67%	10.94%	20.74%	12.18%	13.79%
Russell 2000 Growth	5.45%	6.22%	16.81%	20.98%	12.17%	14.28%
Russell 2000 Value	7.08%	5.11%	5.68%	20.55%	12.12%	13.27%
MSCI ACWI	1.93%	5.18%	17.25%	18.65%	7.43%	10.20%
MSCI World	2.24%	4.84%	16.01%	18.17%	7.69%	10.99%
MSCI ACWI Ex-U.S.	1.86%	6.16%	21.13%	19.61%	4.70%	6.97%
MSCI EAFE	2.49%	5.40%	19.96%	19.10%	5.04%	8.38%
MSCI EM	-0.40%	7.89%	27.78%	22.46%	4.90%	3.99%
Bloomberg Commodity	-0.15%	2.52%	-2.87%	-0.29%	-10.41%	-10.47%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.48%	0.85%	3.14%	0.07%	2.71%	2.06%
Barclays Capital Global Aggregate	-0.90%	1.76%	6.25%	-1.26%	1.30%	0.48%
Barclays Capital Intermediate Aggregate	-0.38%	0.72%	2.34%	0.25%	2.25%	1.75%
Barclays Capital Universal	-0.35%	1.01%	3.67%	0.96%	3.11%	2.53%
Barclays Capital Government	-0.84%	0.38%	2.25%	-1.56%	2.01%	1.25%
Barclays Capital Credit	-0.22%	1.35%	5.08%	1.96%	3.86%	3.22%
Barclays Capital Municipal	-0.51%	1.06%	4.66%	0.87%	3.19%	3.01%
Barclays Capital High Yield	0.90%	1.98%	7.00%	8.88%	5.83%	6.36%
Barclays Capital Mortgage	-0.22%	0.96%	2.32%	0.30%	2.44%	1.96%
Barclays Capital 1-3 Yr Gov/Credit	-0.12%	0.34%	1.06%	0.66%	1.05%	0.91%
Citigroup 3-Month Treasury Bill	0.09%	0.26%	0.56%	0.65%	0.28%	0.19%
Citigroup World Govt Bond	-1.20%	1.81%	6.38%	-2.69%	0.88%	-0.43%
Barclays Capital U.S. TIPS	-0.64%	0.86%	1.72%	-0.73%	1.62%	0.02%
ML Investment Grade Convertible	1.46%	5.34%	15.62%	20.93%	11.77%	13.63%

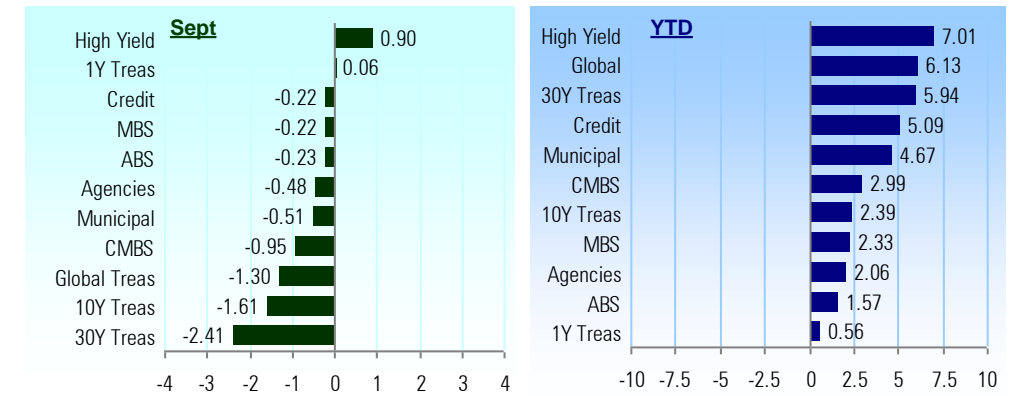
Equity Sector Returns (%)



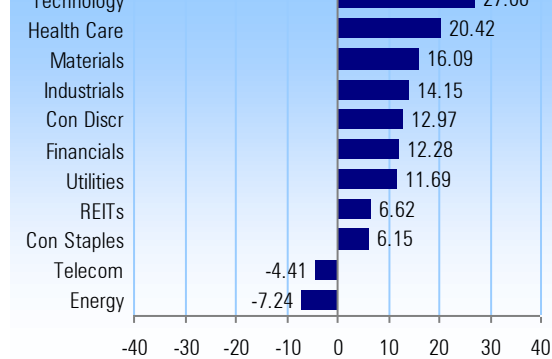
Equity Style Returns (%)



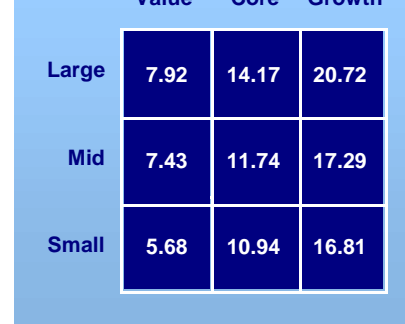
Fixed Income Sector Returns (%)



Equity Sector Returns (%)



Equity Style Returns (%)



Treasury Yield Curve

