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# **The Concord Advisory Group, Ltd.**

## *August 2018 Market Highlights* *“The Longest Bull Market”*

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# Concord Advisory Group: August 2018 Market Highlights

## Commentary: “The Longest Bull Market”

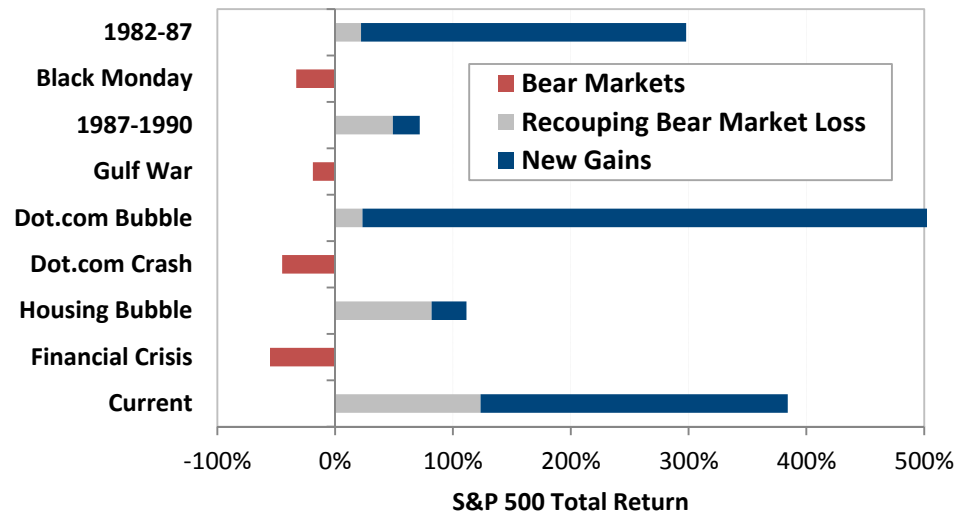


In this past month, there has been a good amount of disagreement about whether or not the current bull market is the longest in modern financial history. The debate hinges around the start-date of the current bull market and if the dot.com bull market began in 1987 or in 1990. Practically speaking, the debate is immaterial, because either way, the current bull market for stocks is either the first or the second longest in history. The more interesting question is “Does the unusually long length of this bull market mean that a correction is imminent?”

As the chart shows, a higher percentage of market gains in this cycle were generated off of losses from the pervious bear market. The financial crisis was so severe that stocks needed to more than double to gain back the ground lost. Although this bull market is longer in length than the dot.com bubble, the overall expansion of valuations has been much less severe.

Modern bull markets usually do not die of old age, but rather an event or series of events causes a correction, often accompanied by a recession. Aggressive monetary tightening caused a bear market and a recession in 1981/1982. The oil price spike during the Gulf War caused a bear market in 1991. A combination of events, including 9/11, the Enron and WorldCom accounting scandals, higher interest rates, and slowing earnings caused the dot.com bubble to burst. Most recently, homeowners, unable to make payments on their mortgages, created a global liquidity crisis that led to the 2008 financial crisis.

Examining today’s bull market, there does not seem to be an immediate catalyst for it to end. Corporate earnings growth continues to exceed expectations and a near-term recession looks unlikely. While unexpected outcomes often occur, the biggest known risks, (slowing Chinese growth, tightening monetary policy, and trade tensions), all look relatively benign. The record length of this bull market is cause to stay vigilant, but not to fundamentally change allocations.

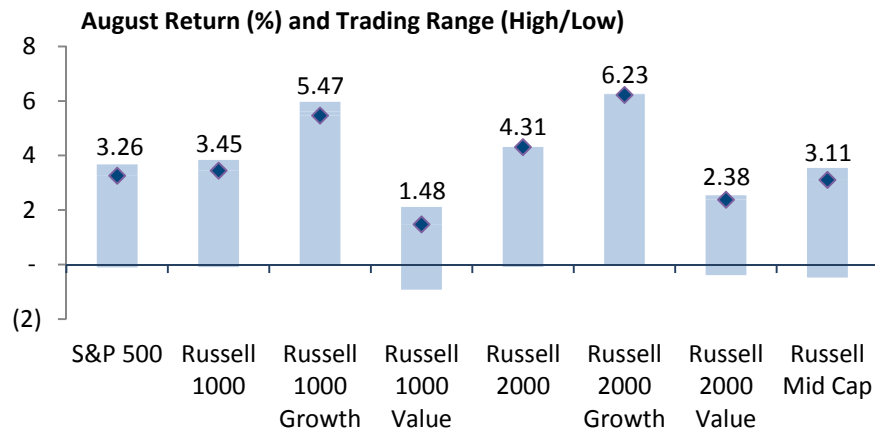


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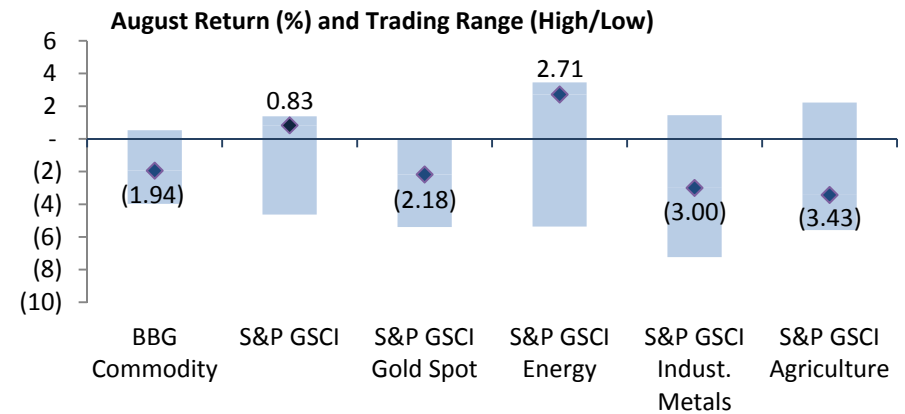
## Monthly Charts



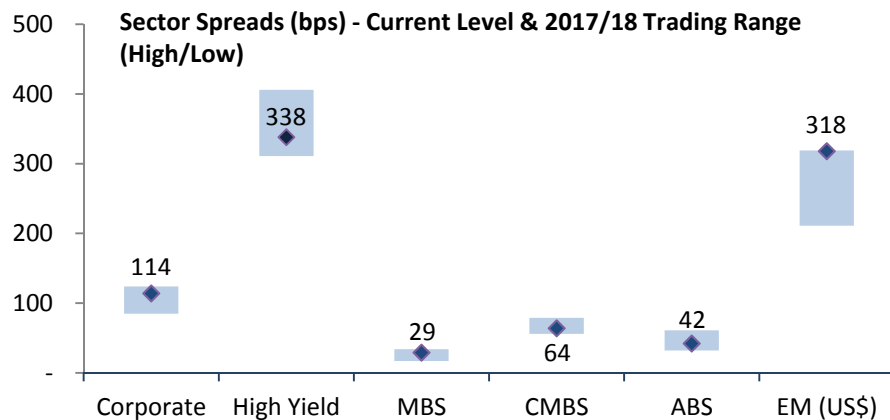
**U.S. Equities:** U.S. equity markets touched new highs in August, on the continued news of strong earnings and benign inflation. Smaller, growth companies fared best.



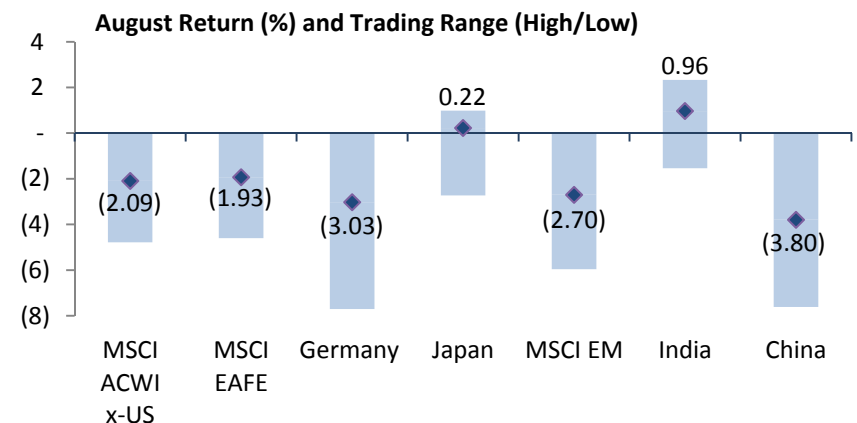
**Commodities:** Strong demand has put upward pressure on energy prices. Worries about China growth rates and trade tension have held down metals and agricultural prices.



**Fixed Income:** U.S. yields fell and the yield curve modestly flattened in August. Credit sector returns were mixed, as high yield outperformed, but investment-grade credit underperformed.



**International Equities:** Emerging market equities lagged, as Argentina's financial woes were felt across the 'BRATS' nations (i.e., Brazil, Russia, Argentina, Turkey and South Africa).

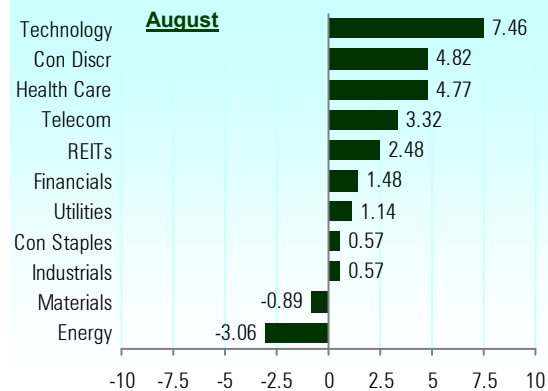


# Concord Advisory Group: August 2018 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	3.26%	7.76%	9.94%	19.66%	16.11%	14.52%
Russell 1000	3.45%	7.71%	10.07%	19.82%	15.84%	14.36%
Russell 1000 Growth	5.47%	9.61%	16.44%	27.23%	19.33%	17.47%
Russell 1000 Value	1.48%	5.76%	3.71%	12.47%	12.32%	11.22%
Russell MidCap	3.11%	6.40%	8.15%	17.89%	13.37%	12.80%
Russell 2000	4.31%	6.89%	14.26%	25.45%	16.11%	13.00%
Russell 2000 Growth	6.23%	8.90%	18.53%	30.72%	16.36%	14.20%
Russell 2000 Value	2.38%	4.82%	9.86%	20.05%	15.73%	11.72%
MSCI ACWI	0.79%	3.26%	3.38%	11.41%	11.85%	9.67%
MSCI World	1.24%	4.35%	4.85%	13.10%	11.92%	10.23%
MSCI ACWI Ex-U.S.	-2.09%	-1.64%	-3.53%	3.18%	8.08%	5.43%
MSCI EAFE	-1.93%	-0.74%	-2.28%	4.39%	7.04%	5.73%
MSCI EM	-2.70%	-4.70%	-7.18%	-0.68%	11.42%	5.04%
Bloomberg Commodity	-1.77%	-7.23%	-3.87%	0.51%	-1.89%	-8.01%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.64%	0.54%	-0.96%	-1.05%	1.76%	2.48%
Barclays Capital Global Aggregate	0.10%	-0.51%	-1.52%	-1.36%	2.45%	1.34%
Barclays Capital Intermediate Aggregate	0.60%	0.56%	-0.39%	-0.84%	1.33%	2.00%
Barclays Capital Universal	0.49%	0.56%	-0.98%	-0.93%	2.26%	2.82%
Barclays Capital Government	0.76%	0.36%	-0.71%	-1.50%	0.85%	1.67%
Barclays Capital Credit	0.51%	0.76%	-1.79%	-0.99%	3.27%	3.63%
Barclays Capital Municipal	0.26%	0.59%	0.25%	0.49%	2.71%	4.12%
Barclays Capital High Yield	0.74%	2.25%	2.00%	3.40%	7.00%	5.63%
Barclays Capital Mortgage	0.61%	0.55%	-0.46%	-0.53%	1.38%	2.43%
Barclays Capital 1-3 Yr Gov/Credit	0.35%	0.42%	0.49%	0.15%	0.85%	0.90%
Citigroup 3-Month Treasury Bill	0.16%	0.47%	1.11%	1.48%	0.74%	0.45%
Citigroup World Govt Bond	-0.20%	-0.89%	-1.55%	-1.72%	2.28%	0.80%
Barclays Capital U.S. TIPS	0.72%	0.64%	0.21%	0.83%	2.20%	1.88%
ML Investment Grade Convertible	1.36%	1.36%	7.67%	14.31%	15.20%	13.45%

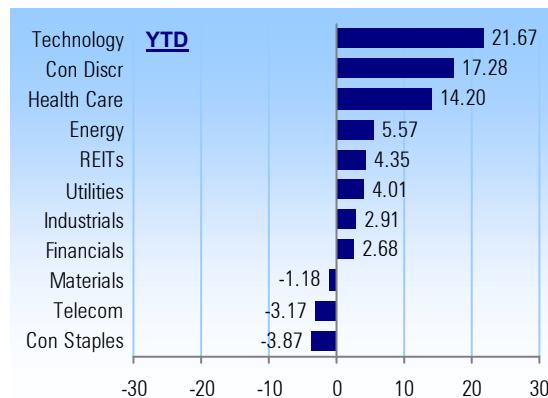
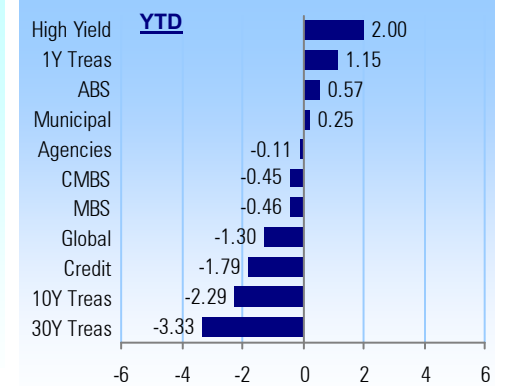
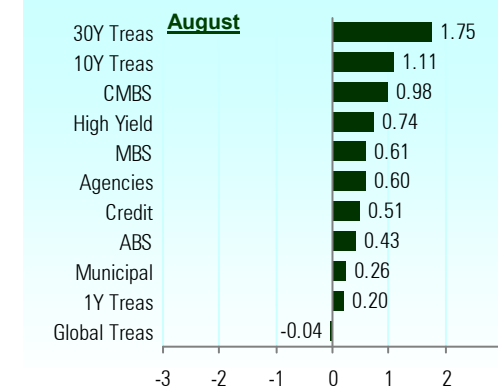
## Equity Sector Returns (%)



## Equity Style Returns (%)

Style	Value	Core	Growth
Large	1.48	3.45	5.47
Mid	1.36	3.11	5.76
Small	2.38	4.31	6.23

## Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	3.71	10.07	16.44
Mid	3.95	8.15	13.87
Small	9.86	14.26	18.53

## Treasury Yield Curve

