



The Concord Advisory Group, Ltd.

August 2019 Market Highlights *“The Summer of Bonds”*

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Commentary: “The Summer of Bonds”



Roughly a year ago, the consensus opinion of much of the financial world was that the 36 year bull market in bonds was dead. This summer, global bond prices have soared, and yields have cratered. If the bond bull market could speak, it would likely quote Mark Twain, “The reports of my death are greatly exaggerated.”

The century bonds of the Republic of Austria are an illustrative example of the high demand for bonds. This is the deal available today: you can pay €201 for Austrian century bonds and Austria promises to pay you €2.10 a year for the next 98 years and €100 at maturity in 2117. Lending money to Austria for the next 98 years earns you a paltry 0.69% yield to maturity. The market seems naively unconcerned about the possibility of an adverse event affecting Austria’s ability to repay the bonds in the next century. This is remarkable if you consider history. The century bonds are denominated in Euros, a currency which has only been in existence for 20 years, and last century, land-locked Austria found itself stuck in the middle of both World Wars and the Cold War.

Many investors in the U.S. think that rates are too low, but they should be comparing current U.S. yields to those available in other countries and not to historic levels. Even at today’s depressed yields, there is value in holding a U.S. bond portfolio. If U.S. interest rates continue to move lower, bonds will have significant capital appreciation. Those Austrian century bonds, which are currently trading at €201, were trading at €116 at the beginning of the year.

The implications of extremely low bond yields for investors are numerous. At a high level, low interest rates make funding long-term liabilities incredibly difficult; demand for cash flow generating assets would increase dramatically. Negative rates may also necessitate that investors rethink their neutral asset allocations. It is premature to consider changes to asset allocations today, but it is something to think about if this trend continues.

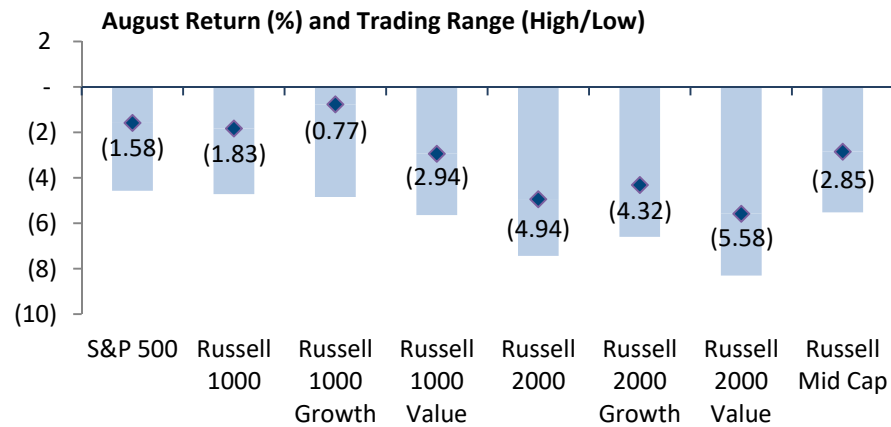
Negative Bond Yield Table													
	1-yr	2-yr	3-yr	4-yr	5-yr	6-yr	7-yr	8-yr	9-yr	10-yr	15-yr	20-yr	30-yr
Switz.	-1.11	-1.12	-1.14	-1.14	-1.11	-1.08	-1.05	-1.05	-1.06	-1.02	-0.82	-0.73	-0.58
Germany	-0.86	-0.93	-0.96	-0.96	-0.93	-0.92	-0.88	-0.83	-0.76	-0.70	-0.55	-0.41	-0.18
Nether.	-0.90	-0.92	-0.89	-0.83	-0.76	-0.72	-0.65	-0.61	-0.55	-0.42	-0.22	-0.19	
Denmark	-0.94	-0.94			-0.88			-0.79		-0.67		-0.45	
Austria	-0.75	-0.83	-0.82	-0.80	-0.74	-0.70	-0.61	-0.58	-0.53	-0.44	-0.20	-0.09	0.16
Japan	-0.27	-0.31	-0.31	-0.34	-0.35	-0.37	-0.38	-0.38	-0.33	-0.28	-0.09	0.05	0.15
Finland	-0.79	-0.85	-0.82	-0.79	-0.79	-0.68	-0.64	-0.55	-0.50	-0.42	-0.26		0.03
Sweden		-0.66		-0.75	-0.73	-0.66		-0.57	-0.48	-0.37	-0.20	0.05	
France	-0.74	-0.84	-0.87	-0.85	-0.77	-0.70	-0.63	-0.56	-0.49	-0.41	-0.10	0.00	0.43
Belgium	-0.76	-0.83	-0.83	-0.76	-0.67	-0.63	-0.56	-0.49	-0.42	-0.35	-0.06	0.15	0.52
Slovakia	-0.67	-0.73		-0.64	-0.57		-0.54	-0.39	-0.31	-0.45			0.43
Ireland	-0.63		-0.67	-0.64	-0.56	-0.45	-0.36		-0.18	-0.09	0.21	0.39	0.74
Slovenia		-0.65	-0.64		-0.50	-0.45	-0.47	-0.39	-0.29	-0.21	0.18	0.42	0.69
Spain	-0.51	-0.57	-0.56	-0.44	-0.37	-0.25	-0.16	-0.08	0.01	0.10	0.52	0.53	0.99
Portugal	-0.53	-0.65	-0.51	-0.39	-0.35	-0.20	-0.13	-0.06	0.04	0.12	0.50	0.67	1.01
Bulgaria	-0.38	-0.29	-0.24	-0.15	0.05	0.14	0.18	0.20		0.31			
Cyprus	-0.51		-0.21	-0.10	0.00		0.12			0.32	0.76		
Italy	-0.24	-0.22	0.02	0.16	0.38	0.41	0.68	0.74	0.77	1.00	1.50	1.67	2.03
Australia	0.88	0.72	0.67	0.67	0.67	0.72	0.78	0.82	0.87	0.89	1.12	1.29	1.48
Canada	1.53	1.35	1.29	1.24	1.19	1.18	1.16	1.16	1.16	1.16		1.39	1.43
USA	1.76	1.51	1.43	1.42	1.39		1.45			1.50	1.66	1.77	1.96

Concord Advisory Group: August 2019 Market Highlights

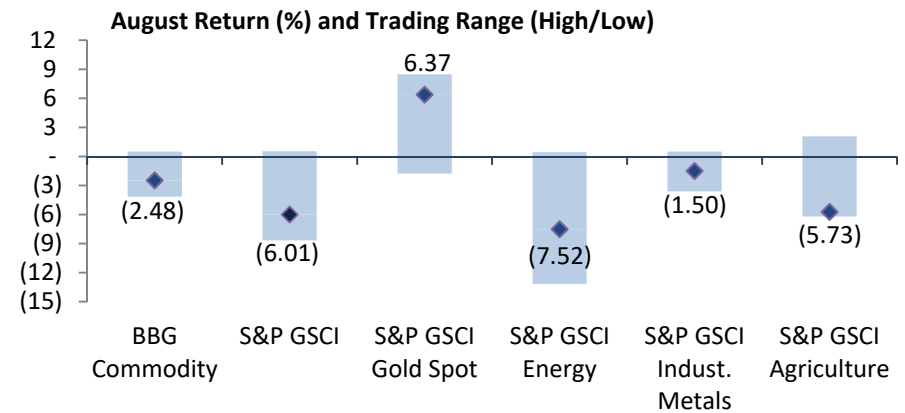
Monthly Charts



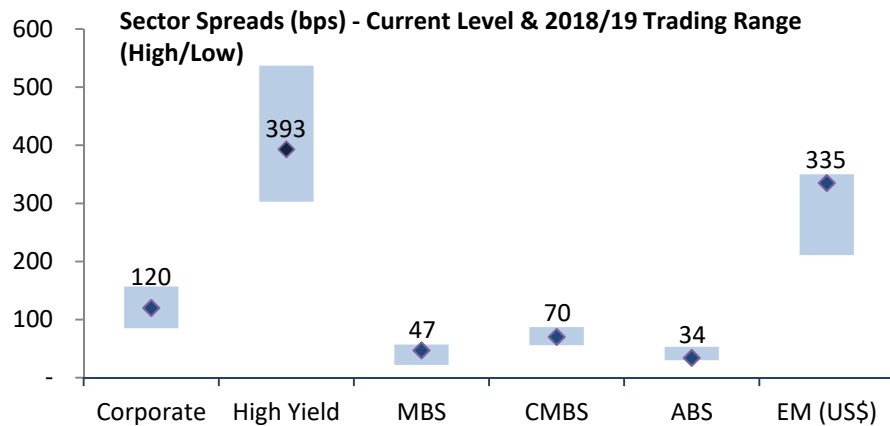
U.S. Equities: U.S. equities declined in August, having moved lower following elevated trade dispute concerns and declining interest rates, globally.



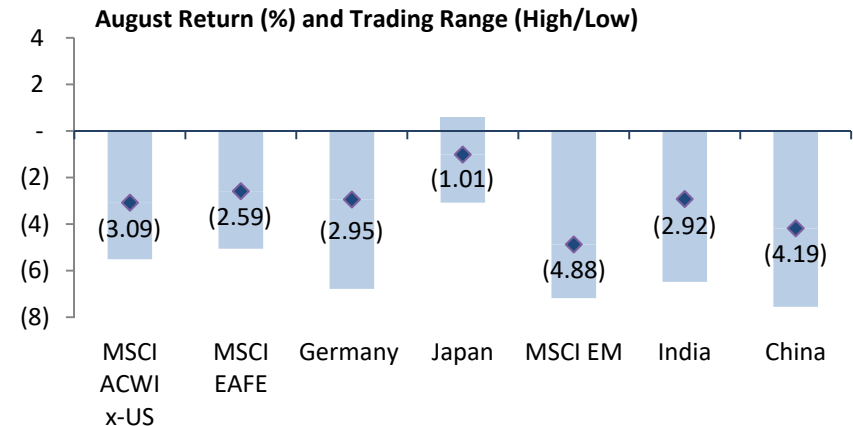
Commodities: Commodities prices experienced declines in August. Aside from Precious Metals, nearly all broad sectors were lower to end the month.



Fixed Income: The 10-year Treasury yield fell 52 bps in August, and the yield curve flattened. The longer the duration of the bond, the better it performed, which helped investment grade outperform high yield.



International Equities: Non-U.S. markets also lost ground. An increased likelihood of a no-deal Brexit, escalation of the trade war, and Argentina moving towards a default hurt international equity returns.

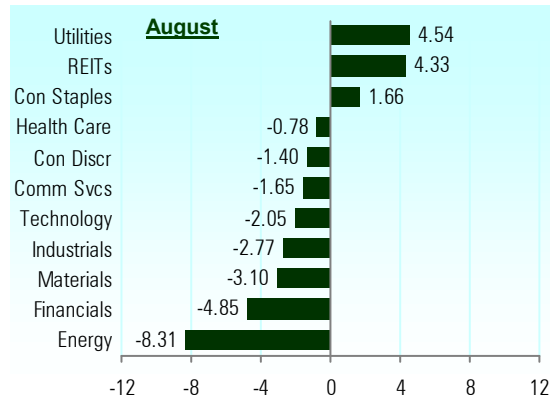


Concord Advisory Group: August 2019 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	-1.58%	6.88%	18.34%	2.92%	12.70%	10.11%
Russell 1000	-1.83%	6.69%	18.48%	2.49%	12.57%	9.85%
Russell 1000 Growth	-0.77%	8.44%	23.29%	4.28%	17.03%	13.06%
Russell 1000 Value	-2.94%	4.89%	13.77%	0.63%	8.09%	6.60%
Russell MidCap	-2.85%	5.31%	19.59%	0.56%	10.06%	7.94%
Russell 2000	-4.94%	2.37%	11.86%	-12.88%	7.89%	6.41%
Russell 2000 Growth	-4.32%	4.06%	16.30%	-11.01%	10.63%	8.06%
Russell 2000 Value	-5.58%	0.60%	7.31%	-14.89%	5.05%	4.63%
MSCI ACWI	-2.37%	4.33%	13.81%	-0.27%	9.17%	5.51%
MSCI World	-2.05%	4.93%	15.16%	0.27%	9.63%	6.15%
MSCI ACWI Ex-US	-3.09%	1.50%	8.76%	-3.27%	5.86%	1.37%
MSCI EAFE	-2.59%	1.88%	9.66%	-3.26%	5.91%	1.89%
MSCI EM	-4.88%	-0.18%	3.91%	-4.36%	5.76%	0.38%
Bloomberg Commodity	-2.32%	-0.36%	1.94%	-5.88%	-0.87%	-8.58%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	2.59%	4.11%	9.11%	10.18%	3.09%	3.35%
Barclays Capital Global Aggregate	2.03%	4.00%	7.40%	7.75%	2.12%	1.62%
Barclays Capital Intermediate Aggregate	1.49%	2.58%	6.42%	7.82%	2.53%	2.70%
Barclays Capital Universal	2.26%	4.01%	9.27%	10.07%	3.39%	3.54%
Barclays Capital Government	3.36%	4.20%	8.57%	10.31%	2.52%	2.96%
Barclays Capital Credit	3.13%	6.01%	13.37%	13.00%	4.47%	4.37%
Barclays Capital Municipal	1.58%	2.78%	7.63%	8.74%	3.30%	3.85%
Barclays Capital High Yield	0.40%	3.26%	10.99%	6.55%	6.17%	4.85%
Barclays Capital Mortgage	0.89%	2.02%	5.52%	7.05%	2.39%	2.75%
Barclays Capital 1-3 Yr Gov/Credit	0.81%	1.31%	3.49%	4.64%	1.88%	1.59%
FTSE 3-Month Treasury Bill	0.19%	0.59%	1.61%	2.36%	1.47%	0.92%
FTSE World Govt Bond	2.66%	4.56%	7.68%	8.45%	1.85%	1.38%
Barclays Capital U.S. TIPS	2.38%	3.63%	9.08%	7.48%	2.87%	2.22%
BofAML Invest Grade Convertible	1.58%	7.20%	14.61%	10.17%	15.07%	11.14%

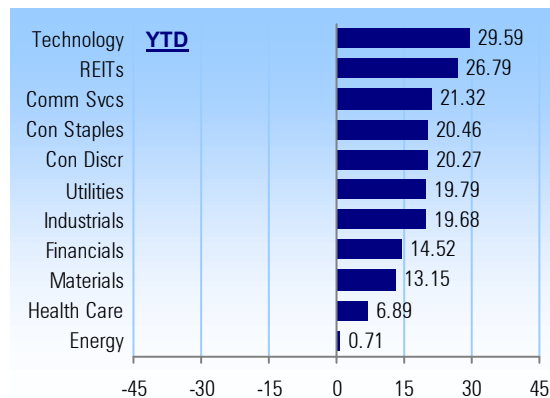
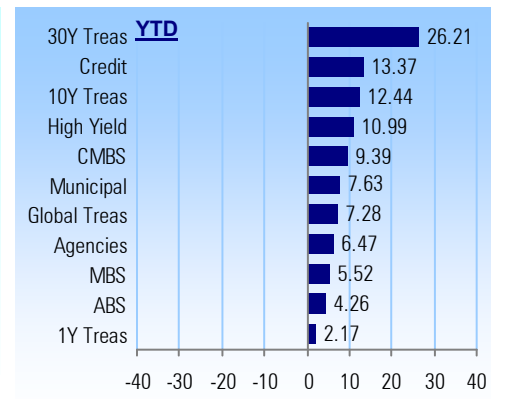
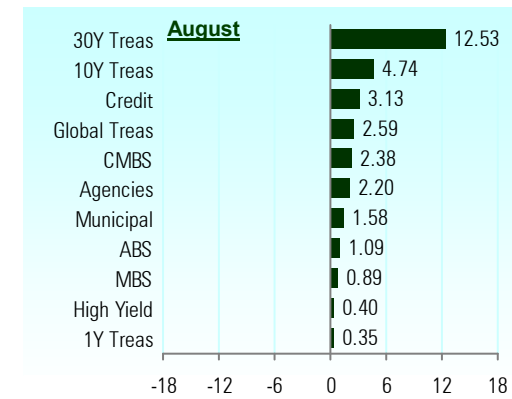
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	-2.94	-1.83	-0.77
Mid	-3.53	-2.85	-1.82
Small	-5.58	-4.94	-4.32

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	13.77	18.48	23.29
Mid	14.80	19.59	26.67
Small	7.31	11.86	16.30

Treasury Yield Curve

