



---

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

## ***February 2019 Market Highlights*** ***“China’s Demographic Problem”***

The Concord Advisory Group, Ltd.

[www.concordadvisory.com](http://www.concordadvisory.com)

700 Alexander Park | Suite 203 | Princeton, NJ 08540

Phone: (609) 987-9000

---

# Concord Advisory Group: February 2019 Market Highlights

## Commentary: “China’s Demographic Problem”



If you survey people about the biggest risks and opportunities for investors, it is likely that you will hear the word “China” in response to both questions. China is incredibly important, as it alone is responsible for about 30% of global growth, Chinese headlines move commodities prices, and some analysts estimate that China will overtake the U.S. as the world’s largest economy. Meanwhile, China remains difficult to understand; the Chinese government still suppresses market forces, some critics believe that official Chinese economic data is unreliable, and there are concerns about the large debt levels in the economy.

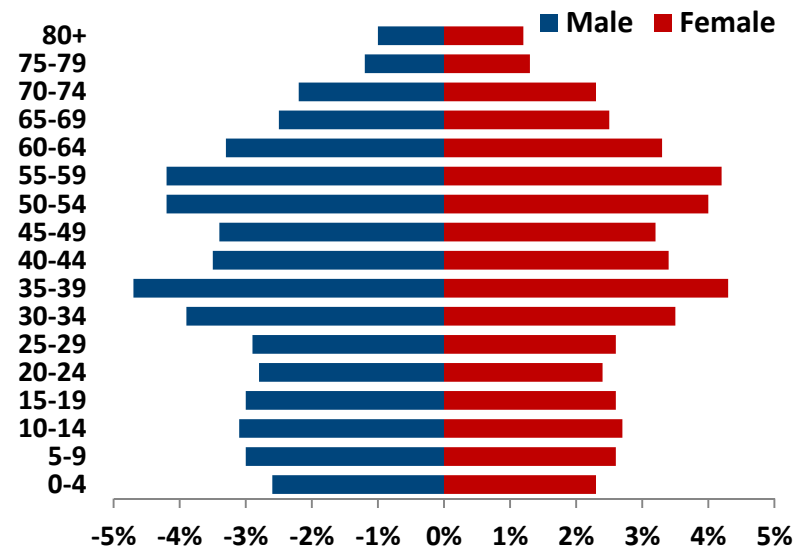
One thing we do know about China is that the government made a large error from 1979 to 2015 by enacting the One-Child Policy. Beyond being a violation of basic human rights, the policy could have a chilling effect on China’s long-term economic potential.

The population pyramid to the right depicts China’s population distribution in 2025. In developing countries with healthy demographics, such as India, Indonesia and Mexico, the population of young people exceeds the population of older people. In the case of China, the One-Child Policy has left the burden of supporting an expanding aging population with a shrinking group of young people.

Aggregate demand for goods and services, which fuels economic growth, peaks when people are forming families, in their 20’s and 30’s. In China, not only is there a shrinking group of millennials forming families, but family formation is further challenged because there are an estimated 30 million more men than women looking for a partner. Looking ahead, China’s demographic problem may be irreversible, as the One-Child Policy has conditioned the population to favor smaller families. In fact, despite lifting the policy in 2015, the number of births in China in 2018 hit its lowest level since 1961.

As time passes, China’s demographic crisis might be a headwind to growth, and by extension, commodities prices. In addition, it may put long-term downward pressure on global inflation and interest rates. Other factors could counteract the effects of China’s population problem, including China’s vast potential to improve worker productivity, but demographics are an important factor that warrants consideration.

### 2025 China Population Pyramid

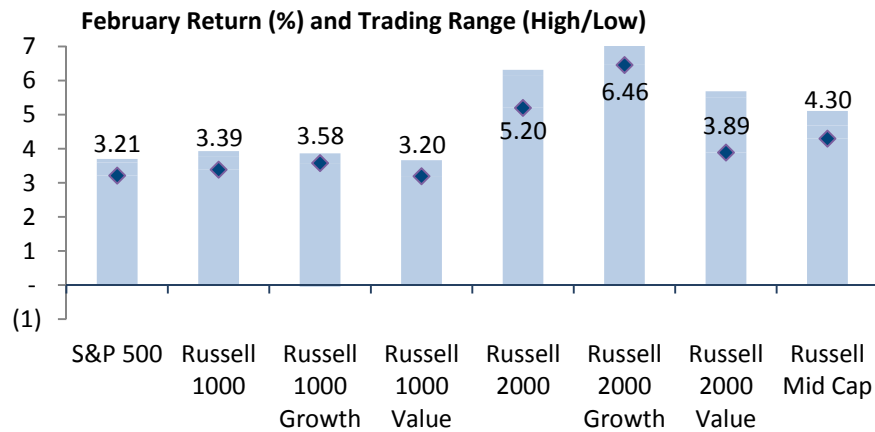


# Concord Advisory Group: February 2019 Market Highlights

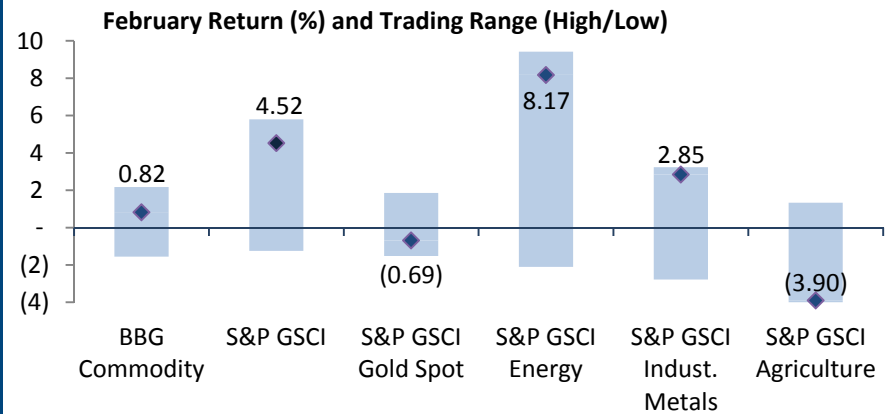
## Monthly Charts



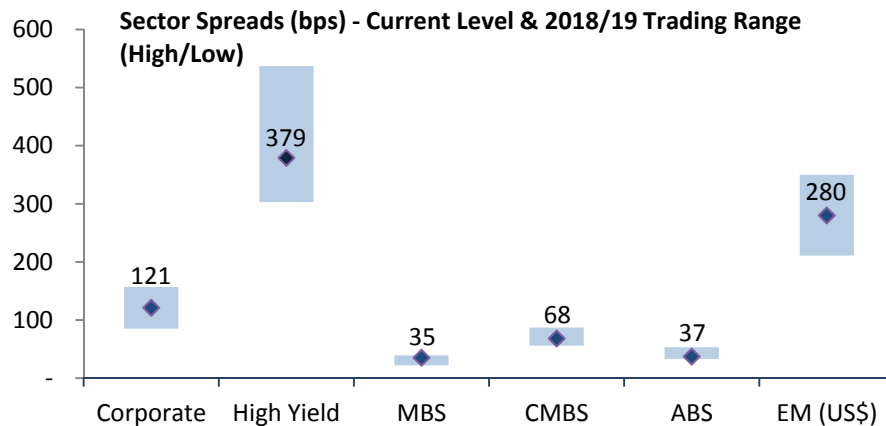
**U.S. Equities:** U.S. equities continued their positive streak for 2019, ending the month with gains. Constructive economic data bolstered the market, despite ongoing trade uncertainties.



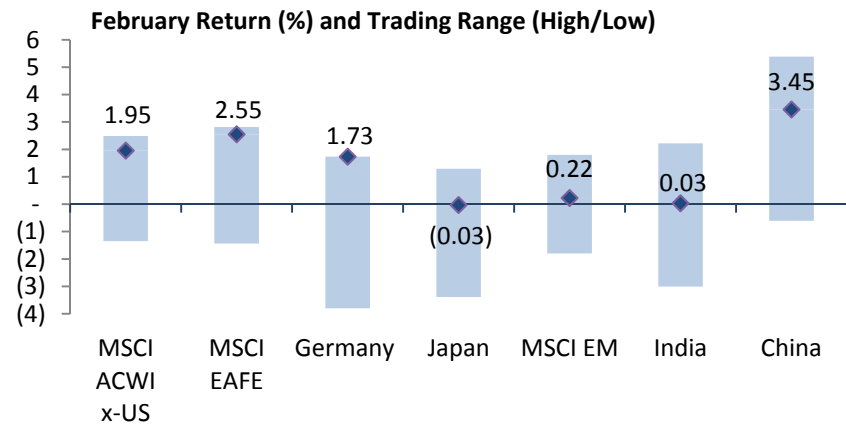
**Commodities:** Commodities prices increased, led by the energy sector. Within the energy sector, oil and gasoline prices rose as OPEC tightened supply.



**Fixed Income:** A modest increase in interest rates caused longer maturity bonds to underperform. Credit sectors outperformed as improving attitudes towards risk caused credit spreads to narrow.



**International Equities:** Non-U.S. developed equities outpaced emerging nations but lagged behind domestic markets. Emerging Asia benefitted from delaying of additional tariffs.

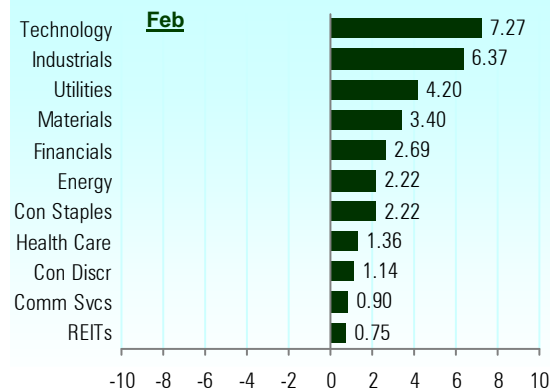


# Concord Advisory Group: February 2019 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	3.21%	1.41%	11.48%	4.67%	15.28%	10.67%
Russell 1000	3.39%	1.85%	12.05%	4.99%	15.43%	10.39%
Russell 1000 Growth	3.58%	3.18%	12.89%	6.62%	17.99%	12.63%
Russell 1000 Value	3.20%	0.55%	11.23%	3.16%	12.80%	8.09%
Russell MidCap	4.30%	4.09%	15.55%	5.64%	14.46%	8.56%
Russell 2000	5.20%	3.13%	17.03%	5.58%	16.67%	7.36%
Russell 2000 Growth	6.46%	4.89%	18.76%	6.71%	18.27%	8.17%
Russell 2000 Value	3.89%	1.32%	15.26%	4.42%	14.96%	6.48%
MSCI ACWI	2.67%	2.98%	10.78%	-0.84%	12.87%	6.28%
MSCI World	3.01%	2.59%	11.02%	0.43%	12.64%	6.53%
MSCI ACWI Ex-US	1.95%	4.69%	9.66%	-6.47%	10.72%	2.50%
MSCI EAFE	2.55%	3.99%	9.29%	-6.04%	9.32%	2.07%
MSCI EM	0.22%	6.11%	9.01%	-9.89%	15.04%	4.13%
Bloomberg Commodity	1.01%	-0.82%	6.52%	-5.67%	3.57%	-8.81%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.06%	2.86%	1.00%	3.17%	1.69%	2.31%
Barclays Capital Global Aggregate	-0.58%	2.97%	0.93%	-0.57%	1.97%	0.77%
Barclays Capital Intermediate Aggregate	0.04%	2.39%	0.88%	3.29%	1.26%	1.35%
Barclays Capital Universal	0.11%	3.07%	1.49%	3.19%	2.45%	2.61%
Barclays Capital Government	-0.26%	2.34%	0.21%	3.22%	0.50%	1.71%
Barclays Capital Credit	0.22%	3.92%	2.38%	2.72%	3.51%	3.13%
Barclays Capital Municipal	0.54%	2.52%	1.30%	4.14%	2.29%	3.45%
Barclays Capital High Yield	1.66%	3.98%	6.26%	4.31%	9.81%	4.53%
Barclays Capital Mortgage	-0.09%	2.52%	0.70%	3.58%	1.38%	2.28%
Barclays Capital 1-3 Yr Gov/Credit	0.16%	1.33%	0.55%	2.53%	1.22%	1.07%
FTSE 3-Month Treasury Bill	0.19%	0.59%	0.39%	2.03%	1.11%	0.68%
FTSE World Govt Bond	-0.92%	2.88%	0.48%	-1.30%	1.41%	0.32%
Barclays Capital U.S. TIPS	-0.01%	1.90%	1.34%	1.92%	1.69%	1.48%
ML Invest Grade Convertible	2.18%	1.93%	5.82%	5.99%	16.14%	10.96%

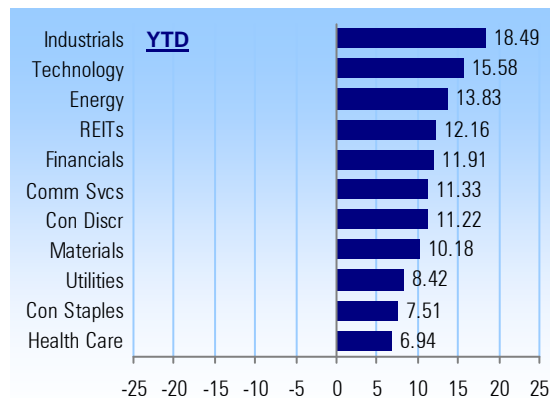
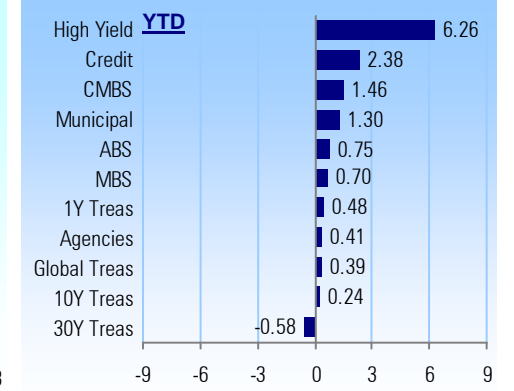
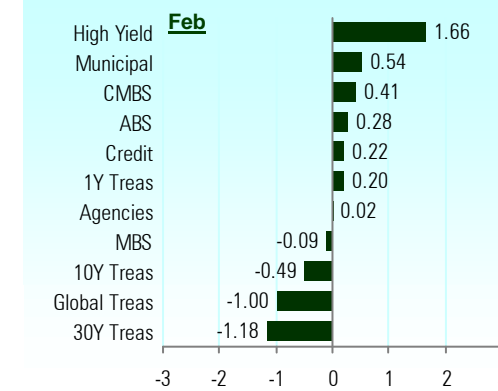
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	3.20	3.39	3.58
Mid	3.18	4.30	5.86
Small	3.89	5.20	6.46

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	11.23	12.05	12.89
Mid	13.80	15.55	18.02
Small	15.26	17.03	18.76

## Treasury Yield Curve

