



The Concord Advisory Group, Ltd.

June 2020 Market Highlights *“Seven Centuries of Interest Rates”*

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Concord Advisory Group: June 2020 Market Highlights

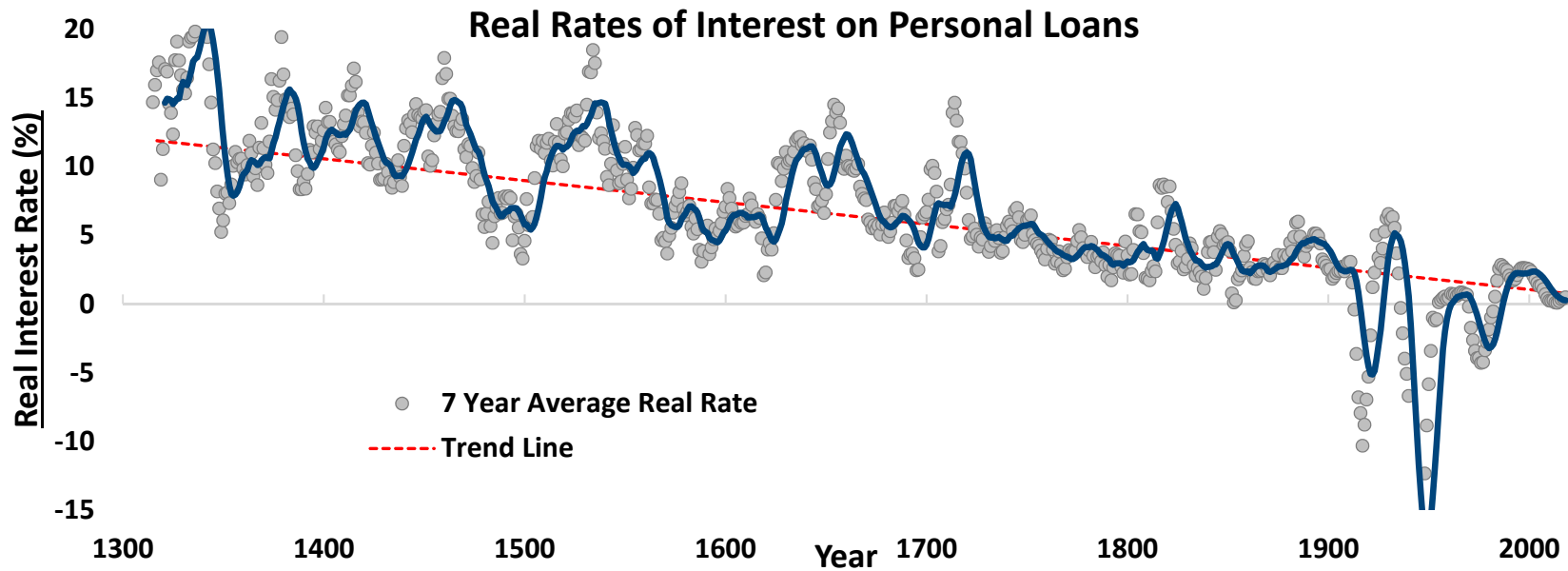
Commentary: “Seven Centuries of Interest Rates”



Yale professor Paul Schmelzing researched global interest rate levels back to the early fourteenth century. His work finds that real interest rates have, on average, fallen by about 1.6 bps per year or about 1% every 60 years since the early 1300's. During that time, bond yields tended to mean revert, but they did so over extended periods of time and around a declining average level. Looking at the bottom-right portion of the chart, his research shows that the current bull market in bonds, which began in the early 1980's, may have been a convergence of rates back to their historical trend.

Schmelzing's research is just one data point, but it does fit neatly with recent observations in fixed income markets. Prior to the virus outbreak, interest rates were at unusually low levels for an economy at full employment. The fallout from the coronavirus pushed rates lower.

Schmelzing's work challenges the belief that the normal level of real interest rates is 2 to 3%. Over the long-term, financial assets are valued by discounting future cash flows. If you accept his research as correct, then future cash flows from financial assets could be discounted using lower rates, which would result in higher valuations. This dynamic of discounting future cash flows by lower rates may explain some of the remarkable strength in equity markets, despite the weak economic conditions.

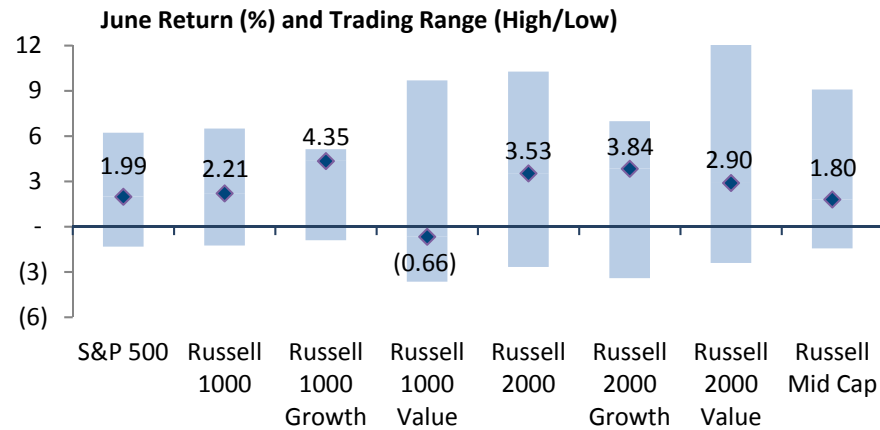


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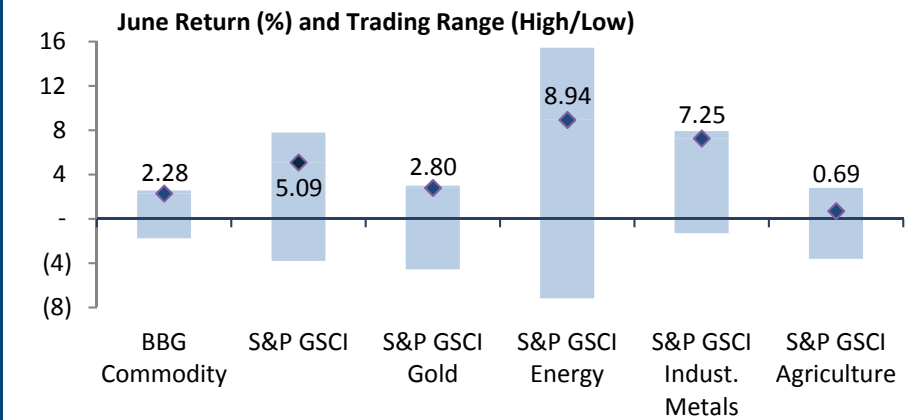
Monthly Charts



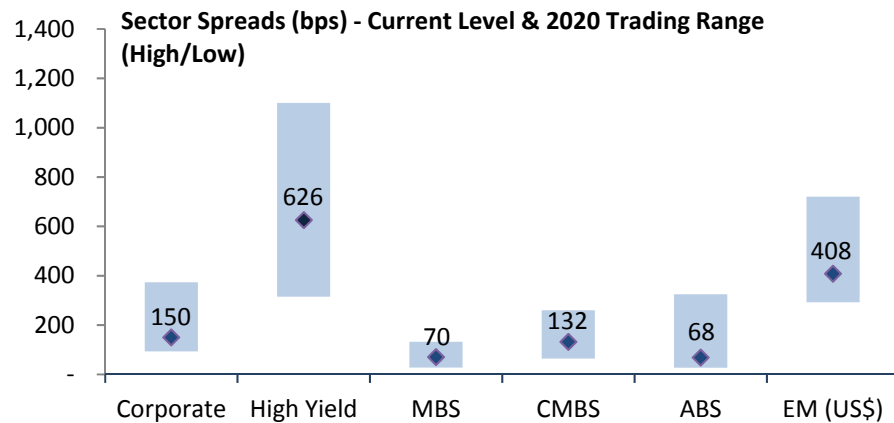
U.S. Equities: A combination of investor speculation, stimulus, a partial reopening of the economy, and hope that the virus may be contained in the future propelled stocks higher.



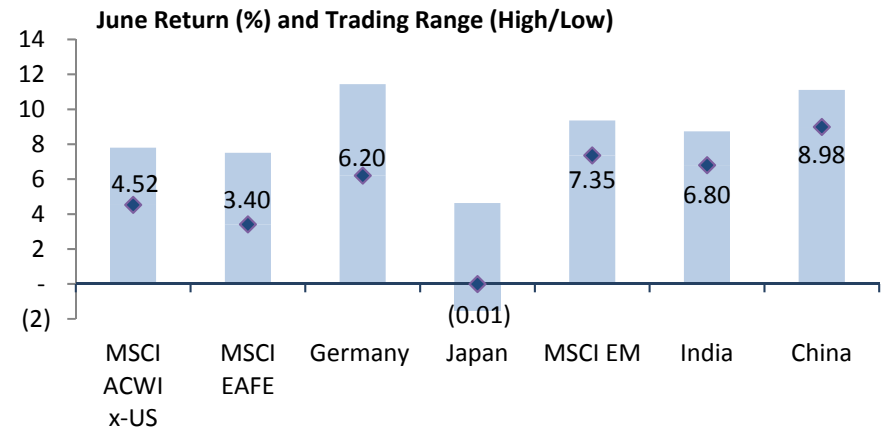
Commodities: During the month, broad commodities prices gained on higher Energy and Metals prices. Oil prices continue to recover from mid-April lows.



Fixed Income: Treasury yields were unchanged across the entire yield curve in June. Narrowing credit spreads and a yield advantage caused spread sectors to outperform Treasury bonds.



International Equities: Developed non-U.S. equities delivered positive returns, only to be outpaced by emerging markets, which benefitted from higher commodities prices.

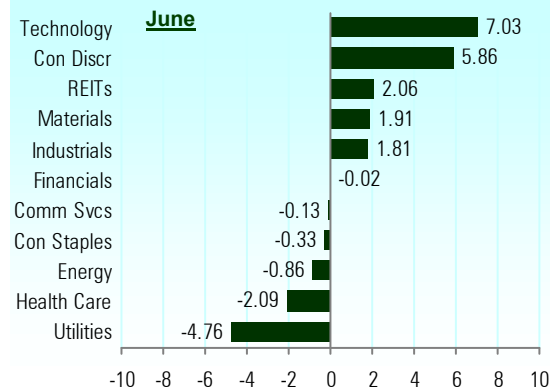


Concord Advisory Group: June 2020 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	1.99%	20.54%	-3.08%	7.51%	10.73%	10.73%
Russell 1000	2.21%	21.82%	-2.81%	7.48%	10.64%	10.47%
Russell 1000 Growth	4.35%	27.84%	9.82%	23.28%	19.00%	15.89%
Russell 1000 Value	-0.66%	14.29%	-16.26%	-8.83%	1.83%	4.64%
Russell MidCap	1.80%	24.61%	-9.12%	-2.24%	5.80%	6.76%
Russell 2000	3.53%	25.42%	-12.98%	-6.63%	2.01%	4.29%
Russell 2000 Growth	3.84%	30.58%	-3.06%	3.48%	7.87%	6.86%
Russell 2000 Value	2.90%	18.91%	-23.49%	-17.48%	-4.35%	1.26%
MSCI ACWI	3.20%	19.22%	-6.25%	2.12%	6.14%	6.46%
MSCI World	2.65%	19.36%	-5.77%	2.84%	6.70%	6.90%
MSCI ACWI Ex-US	4.52%	16.12%	-11.00%	-4.81%	1.13%	2.26%
MSCI EAFE	3.40%	14.88%	-11.35%	-5.13%	0.81%	2.05%
MSCI EM	7.35%	18.08%	-9.78%	-3.38%	1.90%	2.86%
Bloomberg Commodity	2.28%	5.08%	-19.40%	-17.39%	-6.14%	-7.69%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.63%	2.90%	6.13%	8.73%	5.32%	4.30%
Barclays Capital Global Aggregate	0.89%	3.32%	2.99%	4.22%	3.79%	3.55%
Barclays Capital Intermediate Aggregate	0.41%	2.13%	4.67%	6.61%	4.28%	3.39%
Barclays Capital Universal	0.83%	3.81%	5.16%	7.88%	5.15%	4.42%
Barclays Capital Government	0.10%	0.49%	8.61%	10.35%	5.54%	4.05%
Barclays Capital Credit	1.83%	8.22%	4.82%	9.09%	6.15%	5.55%
Barclays Capital Municipal	0.82%	2.72%	2.08%	4.46%	4.23%	3.94%
Barclays Capital High Yield	0.98%	10.18%	-3.80%	0.03%	3.33%	4.79%
Barclays Capital Mortgage	-0.09%	0.67%	3.50%	5.66%	3.97%	3.23%
Barclays Capital 1-3 Yr Gov/Credit	0.20%	1.17%	2.88%	4.21%	2.88%	2.11%
FTSE 3-Month Treasury Bill	0.01%	0.14%	0.52%	1.55%	1.72%	1.15%
FTSE World Govt Bond	0.64%	2.04%	4.09%	4.60%	3.99%	3.70%
Barclays Capital U.S. TIPS	1.12%	4.24%	6.01%	8.29%	5.05%	3.75%
BofAML Invest Grade Convertible	-0.07%	8.35%	-6.79%	1.15%	8.73%	9.83%

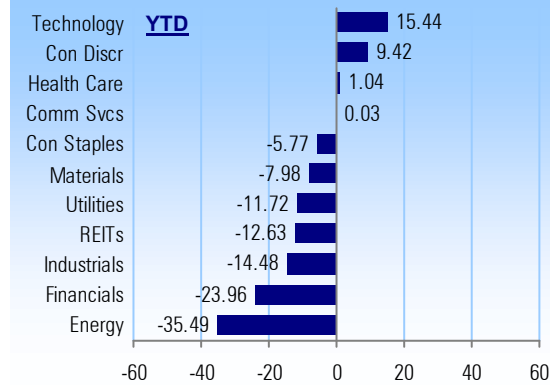
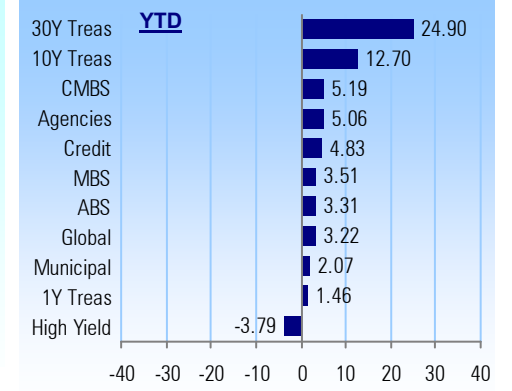
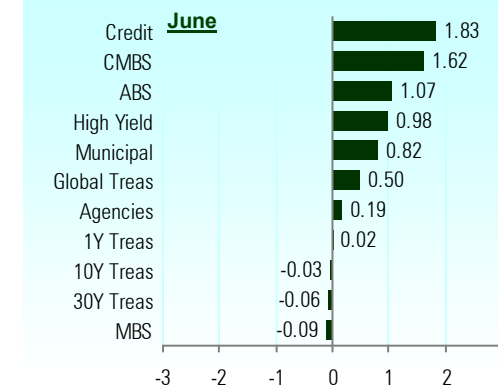
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	-0.66	2.21	4.35
Mid	1.13	1.80	2.34
Small	2.90	3.53	3.84

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	-16.26	-2.81	9.82
Mid	-18.09	-9.12	4.16
Small	-23.49	-12.98	-3.06

Treasury Yield Curve

