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

## *May 2018 Market Highlights* *“Online Yard Sales”*

The Concord Advisory Group, Ltd.

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# Concord Advisory Group: May 2018 Market Highlights

## Commentary: “Online Yard Sales”



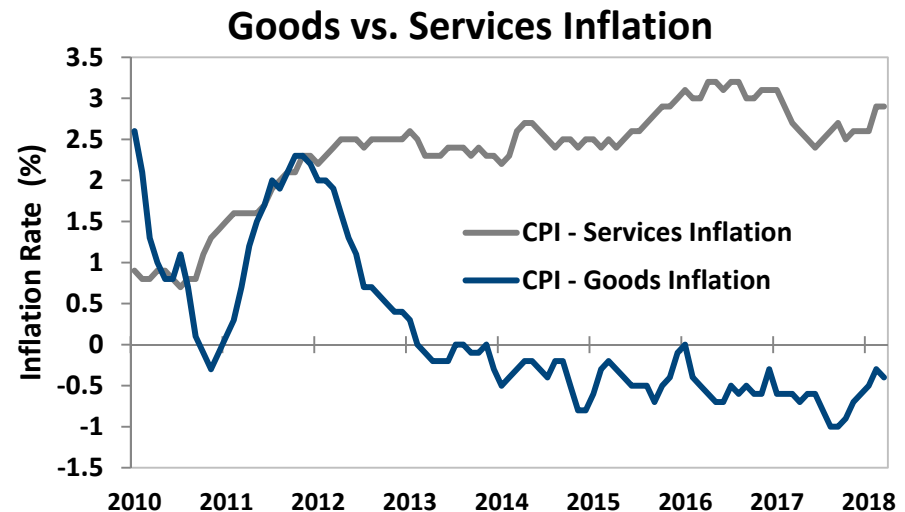
A question that investors should start considering is “What are the investment implications of higher utilization rates for goods?”

Most of us have or have had items in our possession that are no longer useful to us, but still have value. Somewhere in our community, there is probably a person who needs or wants that item, but previously, connecting with that person was difficult. In the past, the inability of buyers and sellers to connect would result in the potential buyer purchasing a new item and the seller storing or disposing of their used item. Economists term this inability for buyers and sellers to connect as form of “friction.”

Technology is starting to reduce the friction separating private buyers and sellers of used goods. For example, Facebook “yard sale groups” have sprung up across the country. In these groups, Facebook users are listing, selling, and buying items from each other in private sales. Each of these town or regional groups usually have thousands of users, and many times over ten thousand.

Every sale that occurs privately increases the utilization rate of that good and potentially displaces the sale of a new item. The implications of this phenomenon are enormous. From a macro view, increased goods utilization is another factor that should act to keep inflation low or negative, as it has been in recent year (see chart).

At the security level, increased utilization rates will affect companies much differently. Higher goods utilization rates will most disadvantage the sales of the producers, suppliers, and retailers of reusable goods. Business models with high fixed costs are most at risk, because for them, small changes in sales will have a large impact on profits. Dispersion among individual stock returns should be higher, as time continues to clarify which companies will be winners and losers in this changing economy.

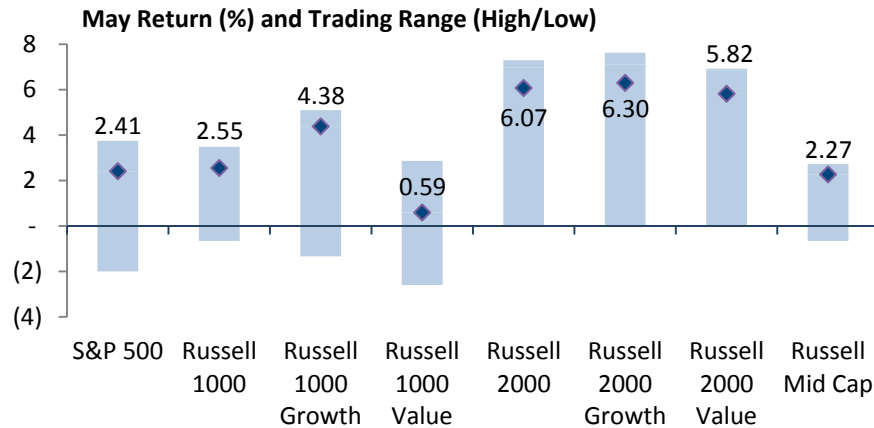


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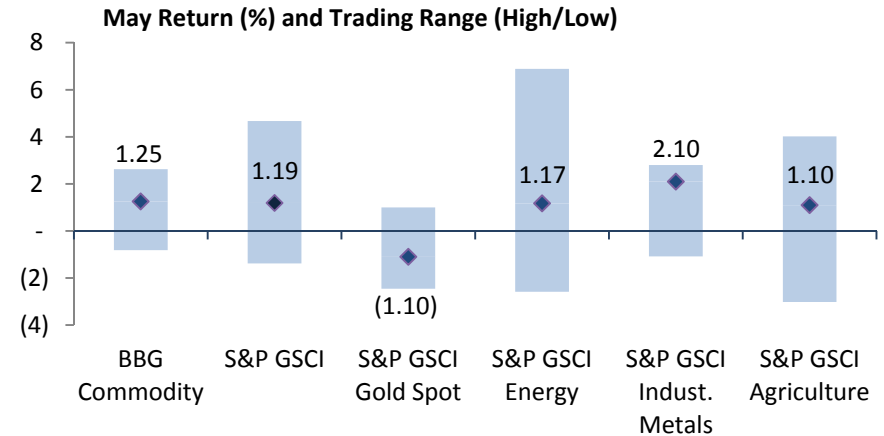
## Monthly Charts



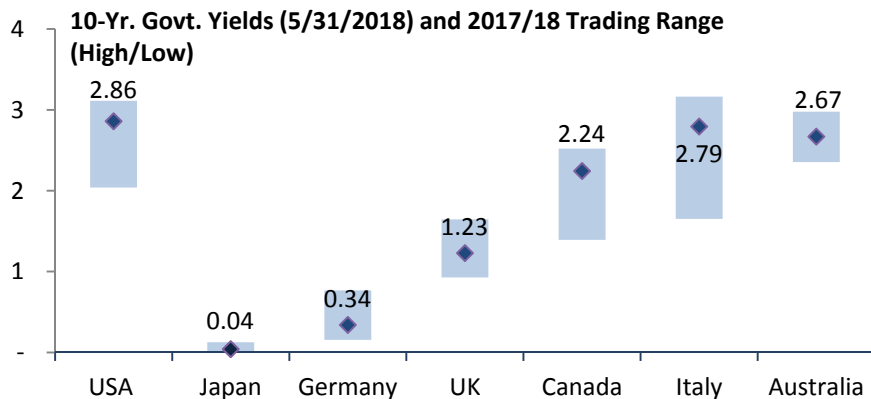
**U.S. Equities:** U.S. equity markets continued to outpace non-U.S. stocks in May. The technology sector and domestic small cap equities led the advance.



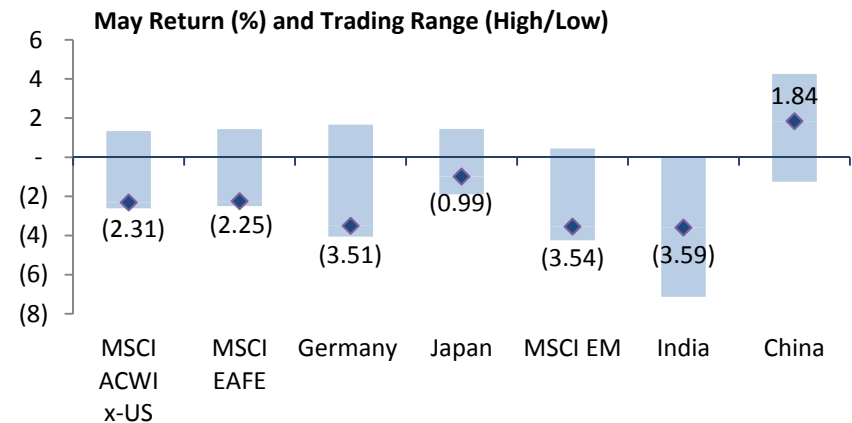
**Commodities:** Commodities prices gained on strong economic activity and higher geopolitical risks. Oil was higher on economic instability in Venezuela and the U.S. withdrawal from the Iran nuclear deal.



**Fixed Income:** The U.S. fixed income markets rallied in the second half of the month as stress in Europe and Latin America increased Treasury demand. Credit sectors underperformed as spreads widened.



**International Equities:** Developed and emerging market equities declined during the month. Currency weakness and uncertainty surrounding tariffs were major contributors to the weak results.

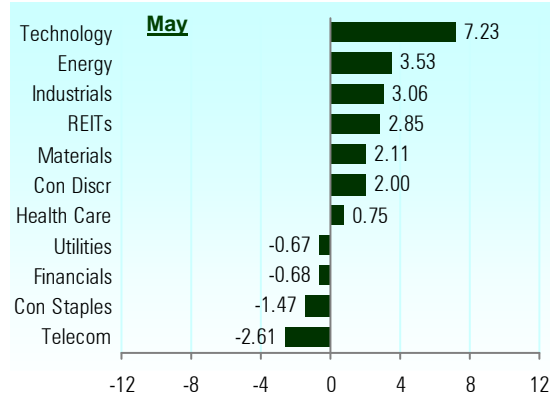


# Concord Advisory Group: May 2018 Market Performance

| Equity Markets      | Past Month | Past 3 Months | YTD    | 1 Yr   | 3 Yrs  | 5 Yrs  |
|---------------------|------------|---------------|--------|--------|--------|--------|
| S&P 500             | 2.41%      | 0.19%         | 2.02%  | 14.38% | 10.97% | 12.98% |
| Russell 1000        | 2.55%      | 0.57%         | 2.19%  | 14.60% | 10.70% | 12.91% |
| Russell 1000 Growth | 4.38%      | 1.88%         | 6.23%  | 21.02% | 13.93% | 15.69% |
| Russell 1000 Value  | 0.59%      | -0.85%        | -1.93% | 8.25%  | 7.45%  | 10.09% |
| Russell MidCap      | 2.27%      | 2.18%         | 1.64%  | 12.67% | 8.57%  | 11.79% |
| Russell 2000        | 6.07%      | 8.37%         | 6.90%  | 20.76% | 10.98% | 12.18% |
| Russell 2000 Growth | 6.30%      | 7.83%         | 8.85%  | 25.08% | 10.81% | 13.33% |
| Russell 2000 Value  | 5.82%      | 8.98%         | 4.81%  | 16.35% | 11.04% | 10.96% |
| MSCI ACWI           | 0.12%      | -1.08%        | 0.11%  | 11.84% | 7.52%  | 8.88%  |
| MSCI World          | 0.63%      | -0.44%        | 0.48%  | 11.57% | 7.65%  | 9.40%  |
| MSCI ACWI Ex-U.S.   | -2.31%     | -2.50%        | -1.92% | 9.67%  | 4.74%  | 5.46%  |
| MSCI EAFE           | -2.25%     | -1.82%        | -1.55% | 7.97%  | 4.33%  | 5.93%  |
| MSCI EM             | -3.54%     | -5.76%        | -2.61% | 14.03% | 6.17%  | 4.52%  |
| Bloomberg Commodity | 1.42%      | 3.39%         | 3.62%  | 11.02% | -2.84% | -6.64% |

| Fixed Income Markets                    | Past Month | Past 3 Months | YTD    | 1 Yr   | 3 Yrs  | 5 Yrs  |
|---|------------|---------------|--------|--------|--------|--------|
| Barclays Capital Aggregate              | 0.71%      | 0.61%         | -1.50% | -0.37% | 1.39%  | 1.98%  |
| Barclays Capital Global Aggregate       | -0.76%     | -1.31%        | -1.02% | 1.72%  | 2.58%  | 1.34%  |
| Barclays Capital Intermediate Aggregate | 0.63%      | 0.57%         | -0.94% | -0.55% | 1.06%  | 1.61%  |
| Barclays Capital Universal              | 0.55%      | 0.38%         | -1.53% | -0.21% | 1.79%  | 2.29%  |
| Barclays Capital Government             | 0.89%      | 1.01%         | -1.07% | -0.80% | 0.72%  | 1.25%  |
| Barclays Capital Credit                 | 0.50%      | -0.10%        | -2.53% | 0.08%  | 2.41%  | 2.86%  |
| Barclays Capital Municipal              | 1.15%      | 1.16%         | -0.33% | 1.11%  | 2.79%  | 2.92%  |
| Barclays Capital High Yield             | -0.03%     | 0.01%         | -0.24% | 2.35%  | 4.86%  | 4.87%  |
| Barclays Capital Mortgage               | 0.70%      | 0.83%         | -1.00% | -0.30% | 1.18%  | 2.05%  |
| Barclays Capital 1-3 Yr Gov/Credit      | 0.37%      | 0.43%         | 0.07%  | 0.16%  | 0.70%  | 0.81%  |
| Citigroup 3-Month Treasury Bill         | 0.13%      | 0.39%         | 0.61%  | 1.23%  | 0.57%  | 0.36%  |
| Citigroup World Govt Bond               | -1.21%     | -1.59%        | -0.66% | 2.06%  | 2.82%  | 1.05%  |
| Barclays Capital U.S. TIPS              | 0.43%      | 1.42%         | -0.42% | 0.74%  | 1.46%  | 0.86%  |
| ML Investment Grade Convertible         | 0.81%      | 2.81%         | 6.22%  | 16.53% | 12.34% | 13.53% |

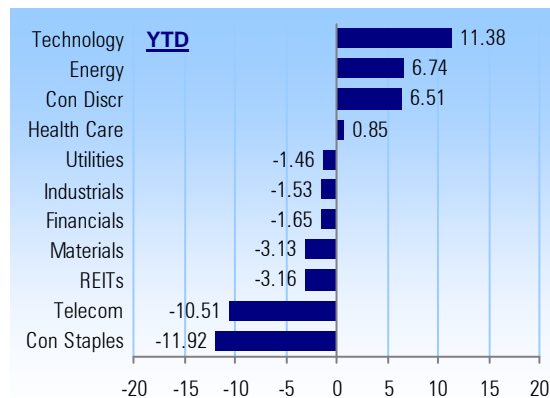
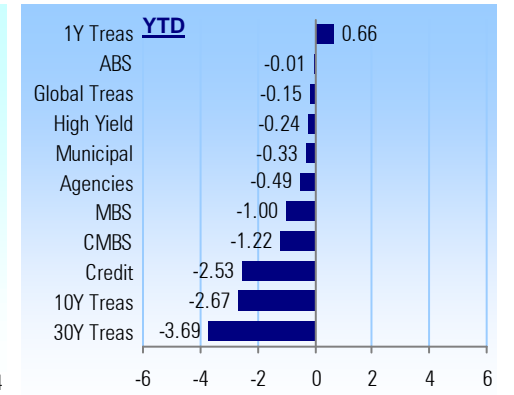
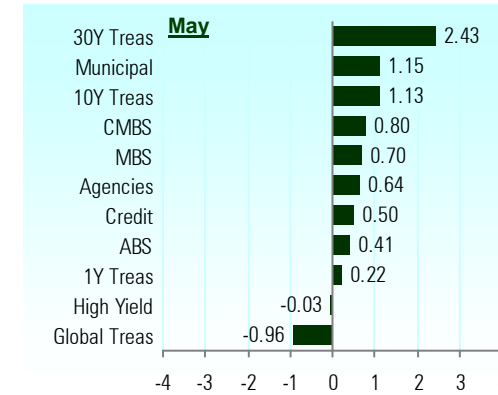
## Equity Sector Returns (%)



## Equity Style Returns (%)

|       | Value | Core | Growth |
|-------|-------|------|--------|
| Large | 0.59  | 2.55 | 4.38   |
| Mid   | 1.09  | 2.27 | 3.74   |
| Small | 5.82  | 6.07 | 6.30   |

## Fixed Income Sector Returns (%)



|       | Value | Core | Growth |
|-------|-------|------|--------|
| Large | -1.93 | 2.19 | 6.23   |
| Mid   | -0.96 | 1.64 | 4.99   |
| Small | 4.81  | 6.90 | 8.85   |

## Treasury Yield Curve

