



The Concord Advisory Group, Ltd.

November 2018 Market Highlights

“Another Draw?”

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Concord Advisory Group: November 2018 Market Highlights

Commentary: “Another Draw?”

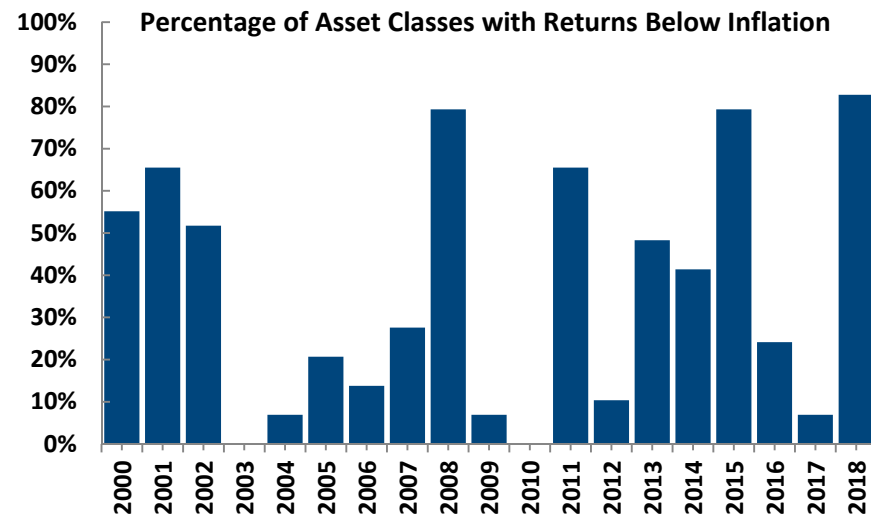


Magnus Carlsen, the defending chess champion from Norway, and Fabiano Caruana, the first American to compete for the World Chess Championship since Bobby Fischer, faced off in London this month. The pair played 12 games of traditional chess and every game ended in a draw – no winner, no blunders, very unsatisfying. For the tiebreaker, they played rapid chess (less time to move) and Carlsen prevailed.

Thus far, investment markets in 2018 have felt “drawish” and “unsatisfying” with a large majority of asset classes failing to outperform inflation (see chart). Compared to 2017, when it would have taken a large blunder to miss strong returns, investing in 2018 has been a challenge. Some of this year’s performance malaise may be a hangover from an overly positive 2017, some may be a reaction to signs of slowing global growth rates, but tightening monetary policy is the most prominent headwind facing investors.

The Federal Reserve raised interest rates three times thus far in 2018, and a fourth increase is likely this month. The central bank is searching for the “neutral rate of interest” or a “draw” interest rate level that is neither accommodative nor constrictive of growth. With high debt levels and demographic headwinds to growth, the neutral rate is believed to be much lower than it has been in previous cycles. The problem for investors and the Federal Reserve Board is that no one knows what the neutral rate is, and monetary policies affect the economy with a sizable lag. If the Fed tightens beyond the neutral rate, they likely would not realize their error until the next recession is well underway.

In late November, Fed Chair Jerome Powell stated that current interest rates are “just below” neutral, which was a shift from his October statement that rates were “a long way” from neutral. With minimal signs of inflation, declining oil prices, and weakness in interest rate sensitive areas of the economy, the potential harm outweighs the benefit of raising rates further. For better returns in 2019, investors need the Federal Reserve to pause and allow economic data to confirm that future rate increases are necessary.

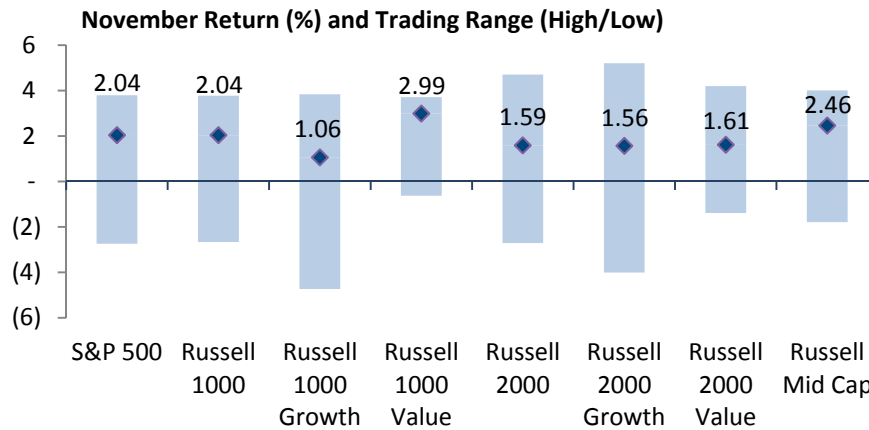


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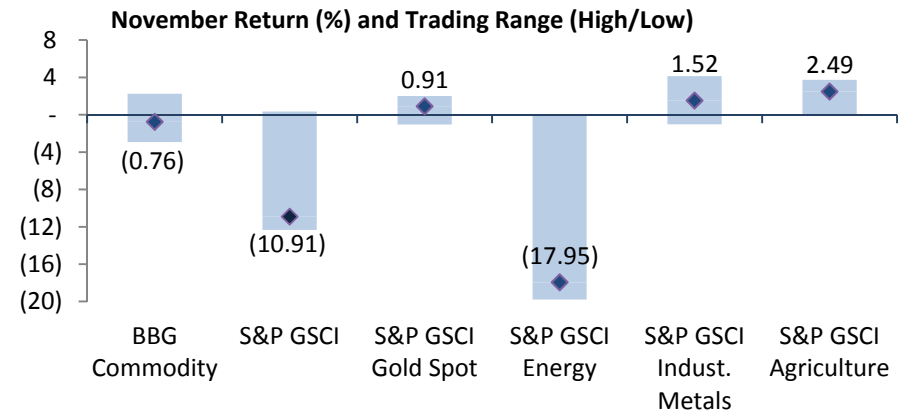
Monthly Charts



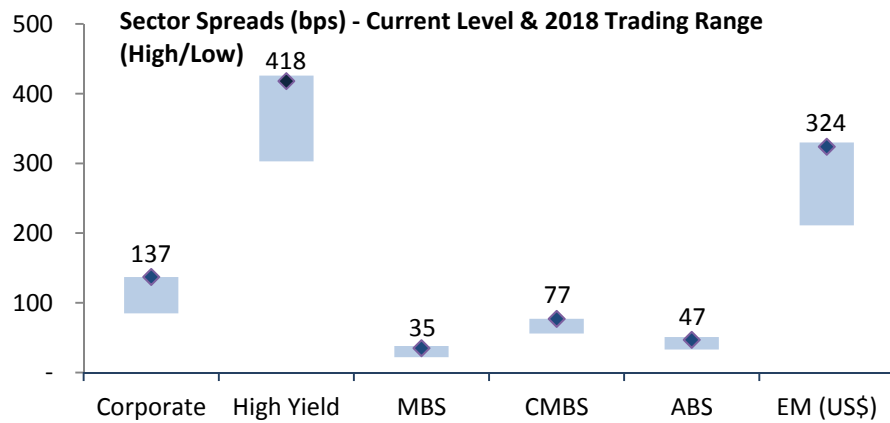
U.S. Equities: November marked a turbulent month for U.S. equities. Dovish Federal Reserve comments towards month-end tempered the impact of volatility in the tech sector.



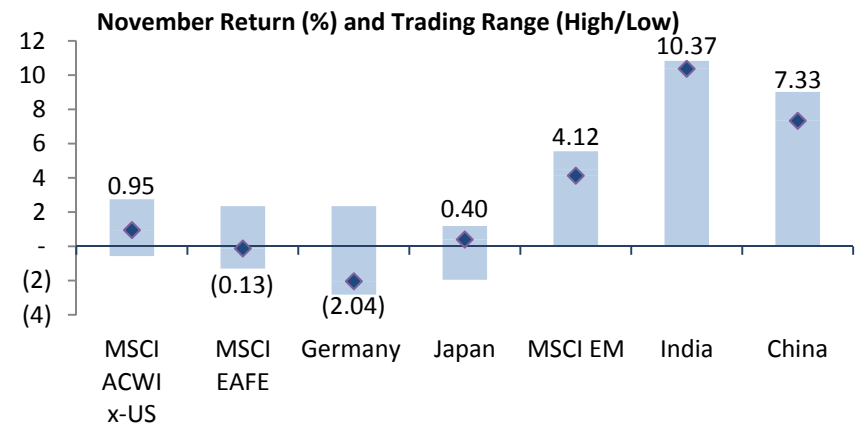
Commodities: Oil prices experienced the biggest one-month percentage decline since October 2008, having moved lower by 22% in November.



Fixed Income: Treasury bonds outperformed as interest rates declined in November and credit spreads were at their widest levels of 2018.



International Equities: Emerging markets rebounded, despite lower oil prices, and led all global markets. Uncertainty surrounding Brexit and the Eurozone banking sector weighed on developed non-U.S. stocks.

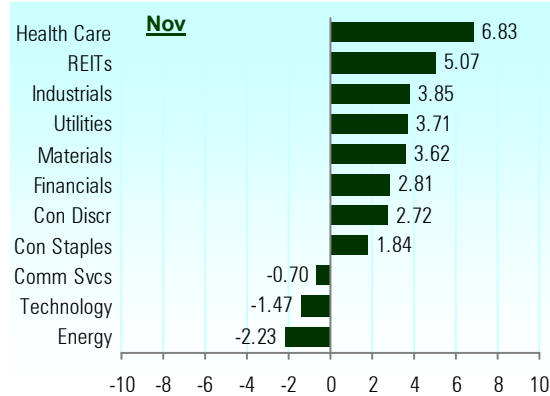


Concord Advisory Group: November 2018 Market Performance

| Equity Markets | Past Month | Past 3 Months | YTD | 1 Yr | 3 Yrs | 5 Yrs |
|---------------------|------------|---------------|---------|--------|--------|--------|
| S&P 500 | 2.04% | -4.40% | 5.11% | 6.27% | 12.16% | 11.12% |
| Russell 1000 | 2.04% | -4.83% | 4.76% | 5.92% | 11.94% | 10.89% |
| Russell 1000 Growth | 1.06% | -7.46% | 7.75% | 8.59% | 13.97% | 13.04% |
| Russell 1000 Value | 2.99% | -2.15% | 1.48% | 2.96% | 9.82% | 8.65% |
| Russell MidCap | 2.46% | -6.66% | 0.95% | 1.89% | 9.84% | 9.14% |
| Russell 2000 | 1.59% | -11.62% | 0.98% | 0.57% | 10.08% | 7.50% |
| Russell 2000 Growth | 1.56% | -13.36% | 2.69% | 2.81% | 9.97% | 8.22% |
| Russell 2000 Value | 1.61% | -9.78% | -0.88% | -1.83% | 10.08% | 6.71% |
| MSCI ACWI | 1.46% | -5.73% | -2.55% | -0.98% | 8.57% | 6.16% |
| MSCI World | 1.14% | -5.77% | -1.20% | 0.14% | 8.50% | 6.67% |
| MSCI ACWI Ex-US | 0.95% | -6.84% | -10.13% | -8.12% | 5.43% | 1.79% |
| MSCI EAFE | -0.13% | -7.28% | -9.39% | -7.94% | 4.12% | 1.84% |
| MSCI EM | 4.12% | -5.45% | -12.24% | -9.09% | 9.41% | 1.90% |
| Bloomberg Commodity | -0.56% | -0.84% | -4.68% | -1.83% | 1.64% | -7.26% |

| Fixed Income Markets | Past Month | Past 3 Months | YTD | 1 Yr | 3 Yrs | 5 Yrs |
|---|------------|---------------|--------|--------|--------|--------|
| Barclays Capital Aggregate | 0.60% | -0.84% | -1.79% | -1.34% | 1.33% | 2.03% |
| Barclays Capital Global Aggregate | 0.31% | -1.66% | -3.16% | -2.82% | 2.20% | 0.55% |
| Barclays Capital Intermediate Aggregate | 0.61% | -0.18% | -0.45% | -0.28% | 0.76% | 0.94% |
| Barclays Capital Universal | 0.45% | -0.82% | -1.79% | -1.36% | 1.86% | 2.31% |
| Barclays Capital Government | 0.88% | -0.51% | -1.22% | -0.92% | 0.64% | 1.38% |
| Barclays Capital Credit | -0.07% | -1.80% | -3.56% | -2.79% | 2.39% | 2.85% |
| Barclays Capital Municipal | 1.11% | -0.17% | 0.08% | 1.13% | 2.14% | 3.52% |
| Barclays Capital High Yield | -0.86% | -1.90% | 0.06% | 0.36% | 7.09% | 4.39% |
| Barclays Capital Mortgage | 0.90% | -0.35% | -0.81% | -0.49% | 1.09% | 2.06% |
| Barclays Capital 1-3 Yr Gov/Credit | 0.29% | 0.33% | 0.81% | 0.85% | 0.94% | 0.85% |
| Citigroup 3-Month Treasury Bill | 0.18% | 0.54% | 1.66% | 1.76% | 0.92% | 0.56% |
| Citigroup World Govt Bond | 0.48% | -1.63% | -3.15% | -3.00% | 2.19% | 0.11% |
| Barclays Capital U.S. TIPS | 0.48% | -2.01% | -1.80% | -0.90% | 1.66% | 1.28% |
| ML Invest Grade Convertible | 2.74% | -0.21% | 7.44% | 6.41% | 14.01% | 11.90% |

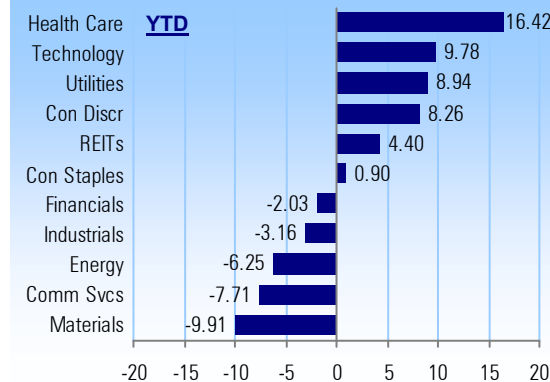
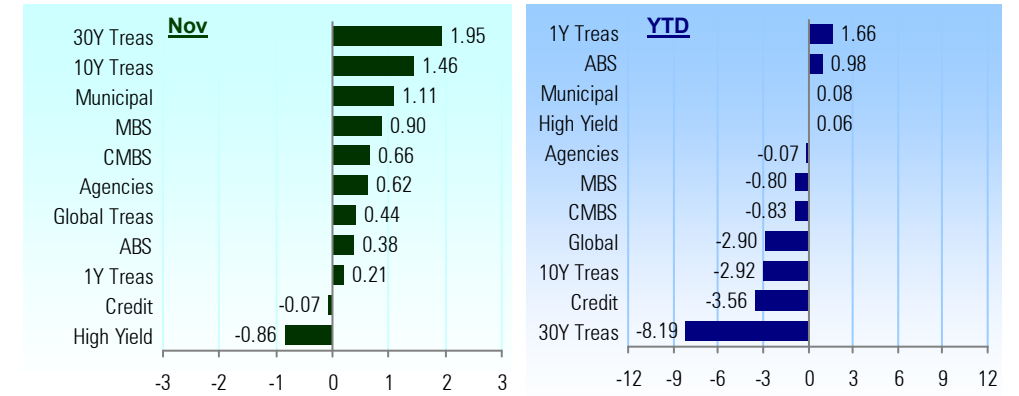
Equity Sector Returns (%)



Equity Style Returns (%)

| | Value | Core | Growth |
|--------------|-------|------|--------|
| Large | 2.99 | 2.04 | 1.06 |
| Mid | 2.40 | 2.46 | 2.54 |
| Small | 1.61 | 1.59 | 1.56 |

Fixed Income Sector Returns (%)



| | Value | Core | Growth |
|--------------|-------|------|--------|
| Large | 1.48 | 4.76 | 7.75 |
| Mid | -2.00 | 0.95 | 4.75 |
| Small | -0.88 | 0.98 | 2.69 |

Treasury Yield Curve

