

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished September at 26,917, up +1.95% for the month and up +15.39% year-to-date. The S&P 500 closed September 30 at 2,977, up +1.72% for the month, up +18.74% so far for the year. The NASDAQ Composite gained +0.46% in September, up +20.56% for the year. Small company stocks, as measured by the Russell 2000, ended September at 1,523, up +1.91% for the month, and up +12.96% year-to-date. Financials (+4.5%) was the best performing sector in September.

"The broad stock-market index enters the fourth quarter with a 19% gain for the year — its best performance since 1997 — after inching up 1.2% over the past three months." (The Wall Street Journal, *U.S. Stocks Rise to Cap Volatile Quarter*, By Gunjan Baneri, Sept 30, 2019)

3rd Quarter Review — Sideways Markets Continue

Markets have taken an up and down ride to essentially break even over the past 20 months, and both the choppiness and the lack of direction is expected to persist as uncertainty surrounding U.S.-China trade, U.S. domestic politics, and the health of the global economy continues to cloud the outlook moving forward. Headlines from early in the quarter may seem like a distant memory. July's first interest rate cut by the Federal Reserve in more than a decade led to a market rally, which later, abruptly reversed following trade war escalations and talk of U.S. recession, followed by government bond yields around the world tumbling in response to growth concerns, oil spiking following an attack on Saudi oil facilities, and most recently the announcement that Congress will pursue a formal impeachment inquiry into President Donald Trump — all combine to help illustrate the level of headline risk and uncertainty investors face today.

With this backdrop, along with an inverted yield curve and ongoing deterioration in leading economic indicators, we continue to suggest investors evaluate their exposure to equities and ensure that this allocation is consistent with the time horizon and cash needs associated with your funds. Our view is that over long periods of time markets reward broadly diversified, long-term investors, and that most often attempts to time recessions or to jump in and out of equities leads to underperformance. Investors should, however, ensure their long-term investments are allocated in such a way that sufficient cash is available for an emergency or for ongoing needs, and that the overall risk level is consistent with your ability to remain invested through the ups and downs of a business cycle. If you have any questions or concerns regarding your situation, please don't hesitate to reach out to us.

"If the Nixon impeachment began during an obvious bear market, and the Clinton one began during an internet-fueled bubble, good luck trying to guess where the market is heading now. It really hasn't done much for quite a while now. The S&P 500 has gained just 0.7% this quarter, which ends Monday, and just 3.1% since its January 2018 peak." (Barron's, *The Trader*, by Ben Levisohn, Sept. 27, 2019)

Fixed Income Markets

The 2-year U.S. Treasury Note began 2019, yielding 2.50%, but ended the quarter at 1.63% after falling as low as 1.43% in early September. While yields falling mean bond prices are rising in the short term, typically a positive for bond fund investors, in the long term lower yields may strain income-focused investors and institutions. Falling sovereign bond yields also may signal market expectations for slower growth ahead. Rate cuts in the European Union and Japan, in some cases to negative rates, has put further downward pressure on fixed-income yields globally and extends a somewhat unprecedented period of monetary policy across the world's central banks, which began following the Great Recession in 2008. Federal Reserve rate policy will be a key driver of market sentiment in the near term.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 08/30/2019	CLOSE AS OF 09/30/2019	CHANGE PREVIOUS MONTH END	2019 YTD % CHANGE
Dow Jones Industrial Average	26,403.28	26,916.83	+513.55	+15.39%
S&P 500	2,926.46	2,976.74	+50.28	+18.74%
NASDAQ Composite	7,962.88	7,999.34	+36.46	+20.56%
RUSSELL 2000	1,494.84	1,523.37	+28.53	+12.96%
Fed Funds Rate	2.00%- 2.25%	1.75% - 2.00%	-0.25%	
2-Year Treasury	1.50%	1.63%	+0.13%	
10-Year Treasury	1.50%	1.68%	+0.18%	
Crude Oil \$ per Barrel	\$55.10	\$54.07	-\$1.03	+19.07%
Gold \$ per Troy oz.	\$1,529.40	\$1,472.90	-\$56.50	+14.95%
UK Pound in U.S. \$	\$1.2179US = 1£	\$1.2323US = 1£	\$ WEAKER	-3.24%
Euro in U.S. \$	\$1.1013US = 1€	\$1.0902US= 1€	\$ STRONGER	-4.63%
Canada \$ per U.S. \$	\$1.328C = \$1.00 US	\$1.324C = \$1.00 US	\$ WEAKER	-3.06%
Japan Yen per U.S. \$	106.145¥=\$1.00 US	108.075¥=\$1.00 US	\$ STRONGER	-1.49%



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