October 2018 Market Update

Global equities experienced a broad, dramatic sell-off in October dropping 7.5%, the largest calendar-month drop in 6 years. U.S. equities lost 7.1% erasing most – but not all – of their year-to-date gain. According to MSCI, only 2 of the 23 developed market countries – the U.S. and Israel – are up on the year and 14 of those 23 are down over 10%.

The last column in Table 1 below shows the stark difference between U.S. and international equities over the past 5 years. If you invested $100 five years ago, you would now have $169 in U.S. equities, $111 in EAFE equities, $104 in EM equities, and $110 in U.S. bonds. That is a huge performance gap and it leads to the question: Do U.S. equities perform better than other international equities or are we in a "U.S. Equity Bubble"? Or is recent performance a transitory phenomenon? We believe all those statements are true to some extent, it's a question of how much each is true.

Bonds slumped as yields increased about 10 bps across the curve. Ten-year Treasuries finished at 3.15%.

Real estate represents a (relatively) safe haven in the equity storm, dropping only 2.5% for the month and remaining nearly flat for the year.

Table 1: Benchmark Index Performance as of October 31, 2018

Benchmark Index	***1 Mo***	***3 Mo***	***YTD***	***5 Year***
Domestic Equities (S&P 1500 Composite)	-7.13%	-3.74%	2.6%	11.1%
International Developed Equities (MSCI EAFE)	-7.96%	-8.95%	-9.3%	2.0%
Emerging Market Equities (MSCI EM)	-8.71%	-11.65%	-15.7%	0.8%
Fixed Income (Bloomberg Barclays US Aggregate)	-0.79%	-0.79%	-2.4%	1.8%
US Real Estate (S&P US REIT Index)	-2.50%	-2.12%	-0.1%	7.5%
Global Equities (MSCI ACWI)	-7.49%	-6.36%	-4.0%	6.1%

Chart 1: Equity Market Index Performance through October 31, 2018