

The equity bounce continued with large-cap domestic stocks gaining 1.8% for the week. Small-caps added 2.3% and emerging market equities 2.5%. The Bloomberg Barclays Aggregate Bond Index was up 0.5% as interest rates moved lower during the week. Gold was also strong with gains of 2.9% as the dollar fell following dovish comments from the Federal Reserve.

The government shutdown has been granted a three-week reprieve after which backdated economic statistics will be released. It will take time to compile, so data is still relatively light. The Conference Board Leading Economic Index showed a yearly increase of 4.3%. While the growth rate is still positive, it is the rate of change that is relevant to markets and the direction of the economy. This was down from 7.1% at the end of September 2018 and marks the largest quarterly deceleration since 2007 and the financial crisis. The Conference Board released data this week lending more weight to the slowdown in the domestic economy. The Conference Board Consumer Expectations Index just put in its largest three-month drop since 2001. The Conference Board surveys also show expectations of fewer jobs have now risen above the view jobs are hard to get. This usually occurs shortly before a recession. Despite this, jobless claims remain at multi-decade lows.

The Federal Reserve met on Wednesday and began press conferences following each meeting rather than quarterly. The equity markets had run up in anticipation of a dovish tone, but the Federal Reserve came off even more dovish than expected. Jerome Powell said the case for rate hikes had diminished, and he said the committee is prepared to adjust balance sheet normalization. It was also noted the committee would be prepared to use its full range of tools, including altering the size and composition of its balance sheet, if future economic conditions warrant a more accommodative monetary policy than can be achieved solely by reducing the federal funds rate. The Fed opened the door to QE4 during the next slowdown. The equity market jumped higher on the news despite already being up following better than expected earnings from key blue chip companies. Bond yields dropped notably following the press conference, especially in the front end of the curve. The Two-Year Treasury yield is now down about 50 basis points from its peak in November as the market is pricing in higher odds of a cut versus a hike in 2019.

Weekly Market Topics

- Economy
- Fixed Income Markets
- Equity Markets

All data is as of the above referenced date.

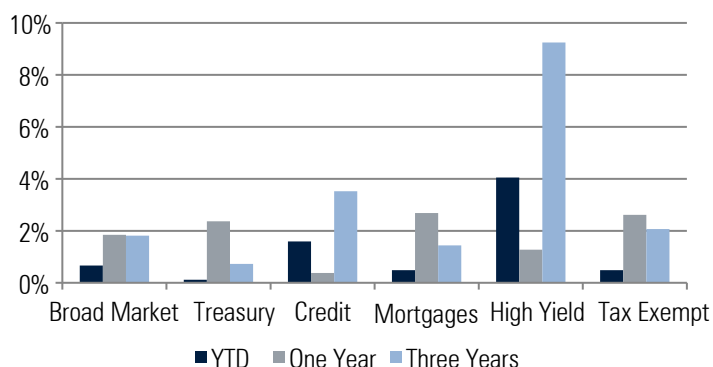
| Interest Rates (%) | Current | 12M Ago | 3YR Ago |
|------------------------------|----------|----------|----------|
| Fed Funds Rate (Upper bound) | 2.50 | 1.50 | 0.50 |
| 3-Month T-Bill | 2.41 | 1.44 | 0.23 |
| 10-Year Treasury | 2.68 | 2.59 | 2.03 |
| 30-Year Treasury | 3.03 | 2.86 | 2.81 |
| 10-Year Corporate AA | 3.54 | 3.33 | 3.26 |
| 10-Year High Yield Corp. | 6.40 | 5.37 | 6.35 |
| Commodity Prices (\$) | Current | 12M Ago | 3YR Ago |
| Gold (\$/oz.) | 1,319.91 | 1,326.84 | 1,088.88 |
| Oil (WTI, \$/barrel) | 54.23 | 60.03 | 43.14 |
| Currencies | Current | 12M Ago | 3YR Ago |
| USD (Dollar Index Spot) | 95.34 | 90.54 | 98.96 |
| USD/EUR | 0.87 | 0.82 | 0.92 |
| USD/JPY | 109.04 | 111.29 | 116.98 |

For more information, contact:

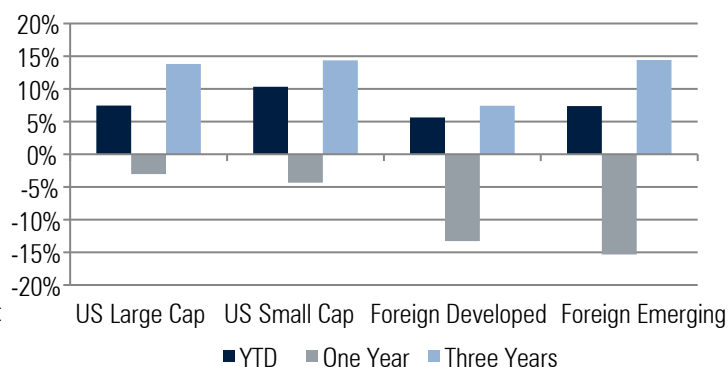
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Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.

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