



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -3.80% in September, resulting in the first losing month since a recovery rally began in late March.
- Within the S&P, two of 11 sectors posted positive returns. Materials did best, returning 1.34%. Utilities followed, returning 1.13%. The Energy sector was the worst performer of the month and returned -14.51%.
- By market capitalization, small-caps (Russell 2000) returned -3.34%, large-caps (Russell 1000 Index) returned -3.65% and mid-caps (Russell Mid Cap Index) returned -1.95%. Growth stocks outperformed value stocks across small-caps and mid-caps.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month down -2.46%, as world economies face the next phase of the coronavirus. Developed markets ex-U.S., represented by the MSCI EAFE Index, returned -2.60%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned -1.60% in September.
- Within the ACWI ex-U.S. Index, five of 11 sectors posted positive returns. Utilities did best, returning 1.47%, followed by Consumer Staples, returning 0.37%. The Financials sector was the worst performer, returning -6.89%, followed by Real Estate, with a -4.03% return.
- Within the ACWI ex-U.S. Index, Japan performed best during the month, returning 0.98%. Meanwhile, Pacific ex-Japan was the worst-performing region during the period, returning -5.99%.

## Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned -0.05% in September. During the month, credit spreads widened, leading to negative corporate credit returns across both investment grade (IG) and high yield (out of index) sectors. The 10- and 30-year Treasury rates decreased by two basis points (bps) each during the month. Treasuries, agencies and asset-backed securities produced slightly positive returns, while corporate credit and agency mortgage pools were negative.
- IG credit within the Aggregate returned -0.27%. Within the IG credit spectrum, AAA-rated bonds returned 0.04%, AA-rated bonds returned -0.13%, A-rated bonds returned -0.29% and BBB-rated bonds returned -0.34%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned -1.03% in September.
- Yields decreased slightly across the U.S. Treasury Yield curve in September.

## Alternatives and Other Asset Classes

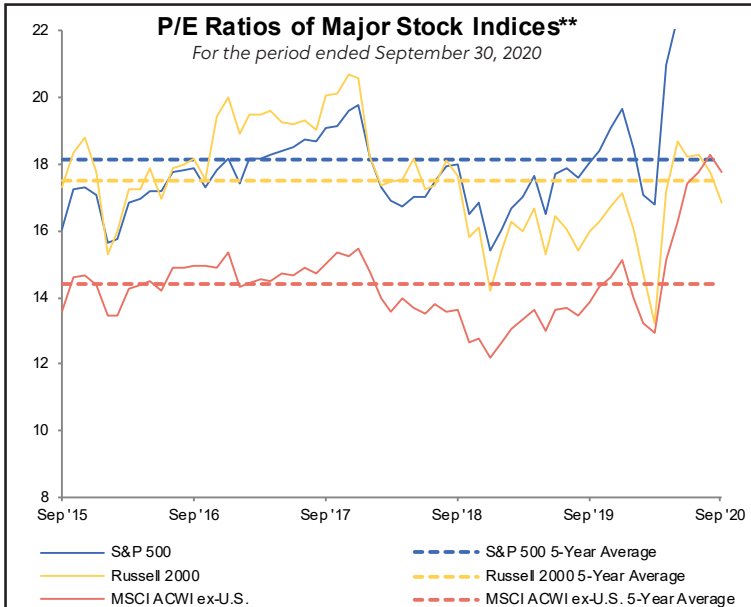
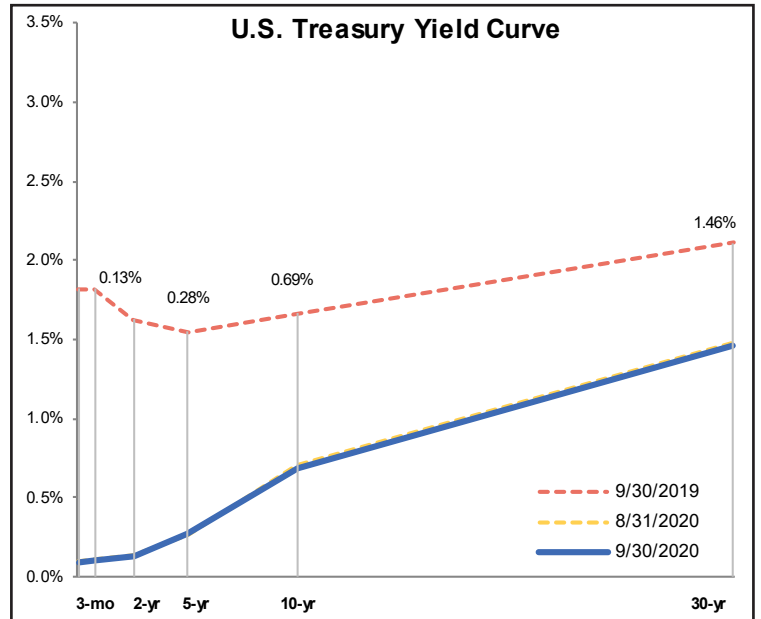
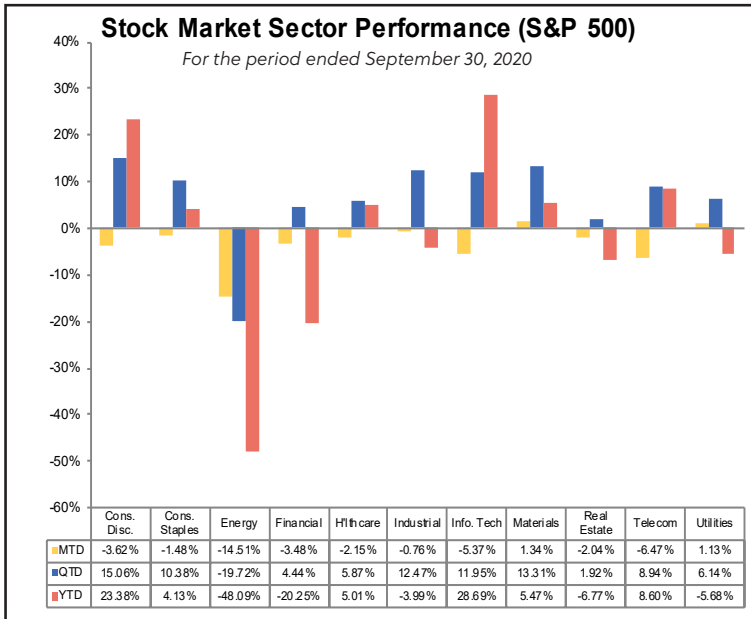
- Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, fell -3.26% in September. Performance was positive in one of nine real estate sectors. Self-storage did best, returning 3.65%. The worst performing REIT sector of the month was Office, returning -6.17%.
- The active contract for West Texas Intermediate (WTI) crude decreased to \$40.22/barrel in September from \$42.61/barrel at the end of August as worries about rising cases of COVID-19 worldwide fed expectations for a slowdown in energy demand.

## Items to Watch

- Coronavirus cases are on the rise again in parts of the U.S. and Europe. The U.S. experienced a promising slowdown over the summer months, but a return to school and increased mobility may be exacerbating the virus's rise. At the same time, more states have lifted restrictions on gyms, theaters and indoor dining. Health experts worry that the COVID-19 infection numbers will rise in conjunction with the cold and flu season as temperatures fall. Multiple efforts to find a coronavirus vaccine have made rapid progress, but there is still more to be done.
- The U.S. presidential election is less than four weeks away. The race for the White House and control of the Senate has gained even more attention than usual given the pandemic and the two major political parties have been unable to agree on further fiscal stimulus to support those who have lost their jobs. Stock prices fell after the news that President Trump and First Lady Melania Trump tested positive for COVID-19.
- Non-farm payrolls rose by a lower than expected 661,000 in September, and the unemployment rate was 7.9% in the final jobs report before the November election.
- The EU has notified the UK over its controversial plan to override the Brexit divorce deal. The notification came after UK lawmakers approved Prime Minister Boris Johnson's Internal Market Bill, despite some ministers admitting the legislation could lead to the country breaching international law. In Japan, Prime Minister Shinzo Abe announced that he is stepping down due to worsening health, bringing an early end to his stint as the longest-serving government leader of the world's third-largest economy.

Total Return of Major Indices as of 09/30/2020				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-3.80%	8.93%	5.57%	15.14%
Russell 3000	-3.64%	9.21%	5.41%	14.99%
Russell 2000	-3.34%	4.93%	-8.70%	0.37%
Russell 1000	-3.65%	9.47%	6.39%	16.00%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-2.46%	6.26%	-5.44%	3.00%
MSCI EAFE	-2.60%	4.80%	-7.09%	0.49%
MSCI Emerging Markets	-1.60%	9.56%	-1.16%	10.54%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.05%	0.62%	6.79%	6.98%
Bloomberg Barclays Global Agg	-0.36%	2.66%	5.72%	6.24%
Bloomberg Barclays U.S. HY	-1.03%	4.60%	0.62%	3.25%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-3.26%	1.44%	-17.54%	-18.16%
Bloomberg Commodity	-3.36%	9.04%	-12.41%	-8.91%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	7.9%	8.4%
Initial Jobless Claims (4 week average)	867.3 K	879 K
CB Leading Economic Indicators	1.2	2.0
Capacity Utilization	71.4%	71.1%
GDP (annual growth rate)	-31.4%	-5.0%
University of Michigan Consumer Confidence	80.4	74.1
New Home Starts	1011 K	965 K
Existing Home Sales	6 MM	5.9 MM
Retail Sales (YoY)	2.1%	1.5%
U.S. Durable Goods (MoM)	0.5%	11.8%
Consumer Price Index (YoY)	1.3%	1.0%
Producer Price Index (MoM)	0.0%	0.7%
Developed International*	6/30/2020	3/31/2020
Market GDP (annual rate)	-12.4%	-1.2%
Market Unemployment	7.5%	6.4%



Source: Bloomberg. Data as of September 30, 2020, unless otherwise noted.  
 \*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of June 30, 2020 due to release dates of numerous countries.  
 \*\*P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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