

## Outlook

The three Ts dominated market psychology in the third quarter: Trade, Tariffs, and Treasuries. After strong performance results for both stocks and bonds during the first half of the year, global economies appeared to be inching closer to recession in August, primarily due to escalating trade conflicts with China. Several political and economic forces, coupled with structural market dynamics eventually led to a more constructive result as the quarter came to a close. Ultimately, policy accommodation from global central banks helped push stubborn risk markets to modest gains on the quarter. Remarkably, over 30 central banks have reduced interest rates in 2019.

Our base case expectation is that monetary policy will remain accommodative and heightened trade tensions will very slowly ameliorate, paving the way for global economic data to stabilize and risk markets to outperform. Policy-makers have responded to weak economic data, political tensions, and yield curve signals by stimulating their economies through rate cuts and fiscal spending. We expect the Fed to cut rates by 0.25% in late October and then to remain on hold for an extended period thereafter. The stabilizing effects of these stimuli leave us with a moderately constructive view on risk assets. A recovery in Europe, a resilient U.S. consumer, and a de-escalation in trade wars appear likely to keep the historic bull market and record economic expansion intact.

## Economic Overview

The U.S. economy slowed earlier this year and appears to have deteriorated further in the third quarter. Second quarter GDP slowed to a 2.0% annualized rate while the year-over-year pace slowed to 2.3%. In comparison, the first quarter registered a 3.1% growth rate and 2.7% year-over-year reading. The first official estimate of GDP for the third quarter will be released on Oct. 30th. The Federal Reserve

Bank of Atlanta's GDPNow model is projecting 1.8% for the quarter. The U.S. has remained on a slow growth path but, notably, is growing faster than most countries and regions. The IMF expects global growth to slow to 3% this year, down from 3.2% in July. 2019 annual growth forecasts were cut for the U.S., Euro area & China to 2.4%, 1.2% and 6.1%, respectively.

### The U.S. Consumer

Consumer balance sheets remain strong, supported by low unemployment, improving wages, and elevated confidence. The tight labor market suggests wages and spending will remain strong. Unemployment claims are hovering around the multi-decade low established a year ago while retail sales are growing at a healthy 4% annual pace. Although much media attention is focused on trade wars and the global slowdown in manufacturing, the U.S. consumer accounts for over two thirds of our nation's GDP and is larger than the entire Chinese economy!

### Inflation & the Federal Reserve

The Bureau of Economic Analysis releases September's PCE data (the Federal Reserve's preferred metric of inflation) on Oct. 31st. For the data through August, PCE remained stubbornly below the Fed's 2% target, with an overall increase of 1.4% year-over-year; excluding food and energy the inflation gauge advanced 1.8%.

Fed easing commenced in July, when the Fed cut federal funds rate a quarter of a percentage point, unwinding the quarter-point hike of last December. July's cut was the first reduction since the '08 financial crisis and was followed by another 25 basis point (0.25%) cut in September—bringing the overnight lending rate to 1.75% to 2% currently.

## Equity Markets

### U.S. Equity

After underperforming for most of the year, value-

oriented stocks outperformed growth-oriented stocks in the quarter with much of this reversal occurring in September. This was true across the market capitalization spectrum. Large-cap stocks outperformed mid-cap and small-cap. The S&P 500 returned +1.7% in Q3 whereas mid-caps were flat and small-cap were down -2.4%. Year-to-date returns remain favorable across the globe (S&P 500 +20.6%; Russell 2000 +14.2%; MSCI EAFE +12.8%; MSCI Emerging Markets +5.9%).

## International and Emerging Market Equity

The trade dispute between the U.S. and China remains a hot button issue within international and emerging markets equities. The effects of the trade war are rippling through the global supply chain where new orders have weakened, inventories are being reduced, and capital investment is being put on hold until there is better clarity around the situation. Most international markets delivered negative returns in the quarter with developed

markets down -1% and emerging markets down -4%. The few exceptions were Japan (+3.3%) and Taiwan (+5.9%). It should be noted that negative returns in international markets were due primarily to the strength of the U.S. dollar.

## Fixed Income Markets

The US 10-year treasury yield declined from 2.03% to 1.68% during the quarter, reaching its lowest levels since 2016's Brexit vote. Although rates in the U.S. have fallen significantly, they remain well above those of most other developed countries; it is estimated that over 25% of all government bonds are yielding below 0%. Corporate credit fundamentals remain solid with reasonable balance sheet leverage, strong interest coverage, and low default rates. As a result, most fixed income sectors produced strong returns in the quarter. The Bloomberg Barclays U.S. Aggregate Bond Index advanced 2.27% in the quarter, bringing the year-to-date return to 8.52%.

### U.S. Equity Index Data

As of 9/30/2019

Broad Market	Qtd	Ytd	2018	2017	2016	2015	2014	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
DJ Industrial Average	1.83	17.51	(3.48)	28.11	16.50	0.21	10.04	4.21	16.45	12.28	13.18	13.56
NASDAQ Composite	0.18	21.54	(2.84)	29.64	8.87	6.96	14.75	0.52	15.90	13.51	15.79	15.50
Russell 3000	1.16	20.09	(5.24)	21.13	12.74	0.48	12.56	2.92	12.84	10.45	13.01	13.08
Russell 3000 Value	1.23	17.47	(8.58)	13.19	18.40	(4.13)	12.70	3.10	9.25	7.76	11.16	11.36
Russell 3000 Growth	1.10	22.75	(2.12)	29.59	7.39	5.09	12.44	2.70	16.38	13.07	14.76	14.74
Wilshire 5000 Total Market	1.23	20.11	(5.27)	20.99	13.37	0.67	12.71	2.95	12.91	10.59	13.05	13.10
<b>Large Cap</b>												
S&P 500	1.70	20.55	(4.38)	21.83	11.96	1.38	13.69	4.25	13.40	10.84	13.26	13.24
S&P 500 Equal Weight	0.77	20.10	(7.64)	18.90	14.80	(2.20)	14.49	3.40	11.06	9.46	13.15	13.41
Russell 1000	1.42	20.53	(4.78)	21.69	12.05	0.92	13.24	3.87	13.20	10.62	13.21	13.23
Russell 1000 Growth	1.49	23.30	(1.51)	30.21	7.08	5.67	13.05	3.71	16.90	13.39	15.03	14.94
Russell 1000 Value	1.36	17.81	(8.27)	13.66	17.34	(3.83)	13.45	4.00	9.44	7.79	11.31	11.46
<b>Sm/Mid Cap</b>												
Russell Mid Cap	0.48	21.93	(9.06)	18.52	13.80	(2.44)	13.22	3.19	10.70	9.10	12.57	13.07
Russell Mid Cap Growth	(0.67)	25.23	(4.75)	25.27	7.33	(0.20)	11.90	5.20	14.51	11.12	13.81	14.08
Russell Mid Cap Value	1.22	19.47	(12.29)	13.34	20.00	(4.78)	14.75	1.60	7.82	7.55	11.63	12.29
Russell 2000	(2.40)	14.18	(11.01)	14.65	21.31	(4.41)	4.89	(8.89)	8.23	8.19	10.44	11.20
Russell 2000 Growth	(4.17)	15.34	(9.31)	22.17	11.32	(1.38)	5.60	(9.63)	9.80	9.08	11.43	12.25
Russell 2000 Value	(0.57)	12.82	(12.86)	7.84	31.74	(7.47)	4.22	(8.24)	6.54	7.17	9.36	10.06
<b>Sector</b>												
S&P 500 Sec/Consumer Discretionary	0.51	22.46	0.83	22.98	6.03	10.11	9.68	2.36	15.83	14.03	16.09	17.69
S&P 500 Sec/Consumer Staples	6.11	23.28	(8.38)	13.49	5.38	6.60	15.98	16.85	7.90	9.26	10.95	12.29
S&P 500 Sec/Energy	(6.30)	6.00	(18.10)	(1.01)	27.36	(21.12)	(7.78)	(19.21)	(2.67)	(5.06)	(0.46)	3.33
S&P 500 Sec/Financials	2.01	19.60	(13.03)	22.18	22.80	(1.53)	15.20	3.92	15.47	10.51	14.27	10.77
S&P 500 Sec/Health Care	(2.25)	5.64	6.47	22.08	(2.69)	6.89	25.34	(3.57)	9.65	8.95	14.21	14.22
S&P 500 Sec/Industrials	0.99	22.58	(13.29)	21.03	18.86	(2.53)	9.83	1.39	11.32	9.74	13.24	13.43
S&P 500 Sec/Information Technology	3.34	31.37	(0.29)	38.83	13.85	5.92	20.12	8.59	22.56	18.21	18.03	17.11
S&P 500 Sec/Materials	(0.12)	17.11	(14.70)	23.84	16.69	(8.38)	6.91	2.70	9.01	5.37	8.97	9.23
S&P 500 Sec/Real Estate	7.71	29.71	(2.22)	10.85	3.39	4.68	30.19	24.74	10.36	11.60	11.07	14.72
S&P 500 Sec/Communication Services	2.22	21.74	(12.53)	(1.25)	23.49	3.40	2.99	5.69	3.28	5.17	5.44	9.49
S&P 500 Sec/Utilities	9.33	25.40	4.11	12.11	16.29	(4.85)	28.98	27.10	13.60	12.89	12.62	12.51

## Global &amp; International Equity Index Data

As of 9/30/2019

Global	Qtd	Ytd	2018	2017	2016	2015	2014	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
MSCI ACWI	0.10	16.71	(8.93)	24.62	8.48	(1.84)	4.71	1.95	10.31	7.23	9.42	8.93
MSCI ACWI Small Cap	(1.13)	14.00	(14.03)	24.32	12.10	(0.63)	2.20	(5.01)	7.47	6.70	9.29	9.57
MSCI World	0.66	18.15	(8.20)	23.07	8.15	(0.32)	5.50	2.42	10.83	7.79	10.29	9.62
MSCI World Small Cap	(0.75)	15.40	(13.48)	23.19	13.25	0.12	2.32	(4.97)	8.15	7.47	10.15	10.30
<b>International</b>												
MSCI ACWI Ex USA	(1.70)	12.06	(13.78)	27.77	5.01	(5.25)	(3.44)	(0.72)	6.85	3.39	5.50	4.93
MSCI ACWI Ex USA Growth	(0.79)	16.61	(14.10)	32.47	0.50	(0.91)	(2.29)	2.43	7.77	5.25	6.71	6.19
MSCI ACWI Ex USA Value	(2.66)	7.54	(13.45)	23.35	9.59	(9.59)	(4.60)	(3.89)	5.88	1.48	4.24	3.64
MSCI EAFE	(1.00)	13.35	(13.36)	25.62	1.51	(0.39)	(4.48)	(0.82)	7.01	3.77	6.62	5.39
MSCI EAFE Growth	(0.40)	18.39	(12.48)	29.34	(2.66)	4.47	(4.06)	2.64	8.20	5.90	7.88	6.91
MSCI EAFE Value	(1.64)	8.31	(14.26)	22.12	5.68	(5.22)	(4.92)	(4.31)	5.73	1.57	5.29	3.82
MSCI ACWI Ex USA Small	(1.09)	10.68	(17.89)	32.12	4.29	2.95	(3.69)	(5.24)	5.04	4.37	6.61	6.51
MSCI EAFE Small Cap	(0.37)	12.47	(17.58)	33.50	2.55	9.94	(4.63)	(5.54)	6.35	6.41	9.02	7.82
MSCI EM	(4.11)	6.23	(14.25)	37.75	11.60	(14.60)	(1.82)	(1.63)	6.38	2.71	2.79	3.73
MSCI EM Growth	(1.96)	10.28	(18.04)	47.12	7.87	(11.12)	(0.09)	1.28	7.32	4.43	4.45	5.01
MSCI EM Value	(6.27)	2.26	(10.28)	28.67	15.48	(18.16)	(3.60)	(4.55)	5.34	0.88	1.02	2.37
MSCI EM Small	(4.42)	2.12	(18.30)	34.22	2.56	(6.57)	1.34	(5.13)	1.66	0.17	2.12	3.52
MSCI Frontier Emerging Market	(6.69)	7.19	(14.37)	27.19	5.41	(17.99)	7.52	2.95	3.79	(1.99)	2.65	3.26
<b>Regional</b>												
MSCI Europe	(1.75)	14.41	(14.32)	26.24	0.22	(2.34)	(5.68)	(0.09)	7.24	3.00	6.37	5.24
MSCI Far East	0.79	10.22	(11.83)	26.24	2.62	7.02	(2.33)	(3.79)	6.56	5.79	8.01	5.95
MSCI Pacific	0.35	11.72	(11.78)	24.96	4.46	3.21	(2.47)	(1.87)	6.84	5.40	7.18	5.84
MSCI EM Europe&Middle East	(3.85)	10.58	(7.49)	16.50	22.81	(14.68)	(28.40)	5.93	8.61	0.15	(1.26)	0.74
MSCI EM Far East	(3.01)	6.86	(16.18)	44.02	7.63	(9.93)	3.24	(4.61)	6.74	4.53	5.13	5.79
MSCI EM Asia	(3.27)	6.28	(15.16)	43.26	6.53	(9.47)	5.27	(3.53)	6.69	4.45	5.15	5.56
MSCI EM Latin America	(5.57)	6.59	(6.23)	24.15	31.47	(30.82)	(12.03)	7.08	7.19	(0.45)	(1.50)	(0.19)
MSCI EM Eastern Europe	(3.47)	18.45	(3.58)	18.08	38.77	(3.99)	(37.11)	10.49	15.55	5.67	2.53	3.14

## Global Fixed Income &amp; Specialty Index Data

As of 9/30/2019

U.S. Broad Market	Qtd	Ytd	2018	2017	2016	2015	2014	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
BBgBarc US Agg Bond	2.27	8.52	0.01	3.54	2.65	0.55	5.97	10.30	2.93	3.38	2.72	3.75
BBgBarc US Govt/Credit Interm	1.37	6.41	0.88	2.14	2.08	1.07	3.13	8.17	2.40	2.68	2.15	3.05
<b>Corporate</b>												
ICE BofAML All US Convertible	0.15	14.68	0.15	13.70	10.43	(2.99)	9.44	4.01	10.07	7.29	10.14	9.94
ICE BofAML US Corporate	3.07	12.94	(2.25)	6.48	5.96	(0.63)	7.51	12.87	4.52	4.66	4.13	5.60
ICE BofAML US Corp&Govt	2.72	9.83	(0.32)	4.03	2.92	0.30	6.48	11.50	3.20	3.68	2.92	4.01
ICE BofAML US High Yield	1.22	11.50	(2.26)	7.48	17.49	(4.64)	2.50	6.30	6.07	5.36	5.87	7.85
ICE BofAML Single-B US HY	1.22	11.21	(1.54)	6.76	16.94	(5.00)	1.32	5.81	6.08	5.01	5.59	7.36
ICE BofAML 1-3Y BB US Cash Pay HY	1.46	7.12	1.34	3.64	8.46	1.20	1.92	6.28	4.31	4.45	4.42	5.88
Credit Suisse Leveraged Loan	0.92	6.39	1.14	4.25	9.88	(0.38)	2.06	3.11	4.68	4.11	4.39	5.38
<b>Government</b>												
BBgBarc US Treasury 1-3 Yr	0.58	3.07	1.56	0.42	0.86	0.56	0.63	4.43	1.53	1.33	1.07	1.19
BBgBarc US Treasury 3-5 Yr	1.05	5.18	1.49	0.99	1.33	1.60	2.18	7.73	1.83	2.30	1.68	2.51
BBgBarc US Treasury 5-7 Yr	1.69	7.26	1.44	1.87	1.30	1.98	4.84	10.66	2.16	3.12	2.10	3.54
BBgBarc US Treasury 7-10 Yr	2.73	9.85	0.90	2.55	1.05	1.63	9.00	13.97	2.39	3.78	2.57	4.40
BBgBarc US Treasury 10-20 Yr	4.95	14.30	(0.02)	4.19	1.04	1.40	14.53	19.21	3.34	5.04	3.56	5.55
BBgBarc US Treasury 20+ Yr	8.15	20.20	(2.00)	8.98	1.43	(1.59)	27.48	25.21	4.09	6.98	4.86	7.00
BBgBarc US Treasury US TIPS	1.35	7.58	(1.26)	3.01	4.68	(1.44)	3.64	7.13	2.21	2.45	1.06	3.46
FTSE WGBI NonUSD	(0.11)	5.39	(1.82)	10.33	1.81	(5.54)	(2.68)	6.78	0.60	1.28	(0.06)	1.15
FTSE WGBI	0.85	6.27	(0.84)	7.49	1.60	(3.57)	(0.48)	8.13	1.19	1.80	0.59	1.69
JPM EMBI Global Core	1.56	13.71	(5.17)	10.46	10.17	0.81	7.60	11.88	4.44	5.66	4.62	6.89
<b>Municipal</b>												
ICE BofAML 1-3Y US Muni	0.33	2.23	1.76	0.99	0.33	0.76	0.72	3.12	1.50	1.21	1.12	1.31
ICE BofAML 3-5Y US Muni	0.47	3.68	1.82	2.23	(0.18)	1.72	1.98	5.07	1.89	1.83	1.77	2.37
ICE BofAML 5-10Y US Muni	1.08	6.25	1.49	4.69	(0.43)	3.28	6.06	8.36	2.77	3.20	2.92	3.86
ICE BofAML 3-15Y US Muni	1.20	6.23	1.45	4.64	(0.06)	3.16	6.57	8.14	2.87	3.23	3.00	3.84
<b>Specialty</b>												
Alerian MLP	(5.02)	11.08	(12.42)	(6.52)	18.31	(32.59)	4.80	(8.13)	(2.46)	(8.65)	(0.93)	6.25
Bloomberg Commodity	(1.84)	3.13	(11.25)	1.70	11.77	(24.66)	(17.01)	(6.57)	(1.50)	(7.18)	(8.16)	(4.32)
Wilshire US REIT	7.88	27.21	(4.84)	4.18	7.24	4.23	31.78	18.39	7.22	10.17	9.93	13.06

	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
<b>Employment</b>												
Unemployment Rate	3.5%	3.7%	3.7%	3.7%	3.6%	3.6%	3.8%	3.8%	4.0%	3.9%	3.7%	3.8%
U-6 Unemployment Rate	6.5%	7.3%	7.3%	7.5%	6.7%	6.9%	7.5%	7.7%	8.8%	7.5%	7.2%	7.0%
Labor Force Participation Rate	63.2%	63.2%	63.0%	62.9%	62.8%	62.8%	63.0%	63.2%	63.2%	63.1%	62.9%	62.9%
Avg Weekly Earnings (Yr/Yr)	2.6%	2.9%	2.6%	2.9%	2.8%	2.9%	3.2%	3.1%	3.5%	3.3%	3.0%	3.6%
Avg Hourly Earnings (Yr/Yr) (Wage Growth)	2.9%	3.2%	3.2%	3.2%	3.1%	3.2%	3.2%	3.4%	3.2%	3.3%	3.3%	3.3%
Nonfarm Payrolls	136	168	166	178	62	216	153	56	312	227	196	277
<b>Inflation</b>												
CPI	1.7%	1.7%	1.8%	1.6%	1.8%	2.0%	1.9%	1.5%	1.6%	1.9%	2.2%	2.5%
Core CPI	2.4%	2.4%	2.2%	2.1%	2.0%	2.1%	2.0%	2.1%	2.2%	2.2%	2.2%	2.1%
PCE	-	1.4%	1.4%	1.4%	1.4%	1.5%	1.4%	1.3%	1.4%	1.8%	1.9%	2.0%
Core PCE	-	1.8%	1.7%	1.6%	1.5%	1.6%	1.5%	1.6%	1.8%	2.0%	2.0%	1.9%
<b>Economic Output</b>												
GDP Growth	-	-	-	2.0%	2.0%	2.0%	3.1%	3.1%	3.1%	1.1%	1.1%	1.1%
ISM Purchasing Managers Index	47.8	49.1	51.2	51.7	52.1	52.8	55.3	54.2	56.6	54.3	59.3	57.7
ISM Production Index	47.3	49.5	50.8	54.1	51.3	52.3	55.8	54.8	60.5	54.1	60.6	59.9
Industrial Production Index	109.5	109.9	109.1	109.3	109.3	109.0	109.7	109.6	110.1	110.6	110.5	109.9
<b>Consumer Sentiment</b>												
Michigan Consumer Confidence	93.2	89.8	98.4	98.2	100.0	97.2	98.4	93.8	91.2	98.3	97.5	98.6
Personal Income	0.4%	0.4%	0.0%	0.3%	0.2%	0.1%	0.2%	0.4%	0.1%	0.9%	0.1%	0.2%
Retail Sales (Mo/Mo)	-0.3%	0.6%	0.8%	0.3%	0.4%	0.3%	2.0%	-0.7%	1.7%	-2.3%	0.0%	1.2%
<b>Housing Market</b>												
Housing Starts (Mo/Mo)	-9.4%	15.1%	-2.4%	-2.5%	-0.5%	5.9%	4.4%	-11.0%	13.0%	-5.0%	-0.7%	-2.0%
Building Permits (Mo/Mo)	-2.4%	8.2%	6.9%	-5.2%	0.7%	0.2%	0.1%	-2.2%	-1.7%	0.4%	4.1%	-0.5%
Existing Home Sales (Mo/Mo)	-2.2%	1.5%	2.5%	-1.3%	2.9%	0.0%	-4.9%	11.2%	-1.4%	-4.0%	-0.2%	0.8%
Case-Shiller Yr/Yr Change	-	2.1%	2.1%	2.2%	2.3%	2.5%	2.5%	2.8%	3.4%	4.0%	4.5%	5.0%



Please remember to contact Opal Wealth Advisors, LLC (“OWA”), **in writing**, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revolving our previous recommendations and/or services, or if you want to impose, add, to modify any reasonable restrictions to our investment advisory services, or if you wish to direct that OWA to effect any specific transactions for your account. A copy of our current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Opal Wealth Advisors, LLC [“OWA”]), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from OWA. Please remember to contact OWA, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revolving our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. OWA is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the OWA’s current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request. **Please advise us** if you have not been receiving account statements (at least quarterly) from the account custodian.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your OWA account holdings correspond directly to any comparative indices or categories. **Please Also Note:** (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your OWA accounts; and, (3) a description of each comparative benchmark/index is available upon request.

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / opalwealthadvisors.com