



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -2.66% in October. The markets were focused on three major issues throughout the month, including the coronavirus, the election and stimulus negotiations.
- Within the S&P, two of 11 sectors posted positive returns. Utilities did best, returning 5.04%. Telecom followed, returning 0.79%. The Information Technology sector was the worst performer of the month and returned -5.10%.
- By market capitalization, small-caps (Russell 2000) returned 2.09%, large-caps (Russell 1000 Index) returned -2.41% and mid-caps (Russell Mid Cap Index) returned 0.64%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month down -2.15%, as world economies face the next phase of the coronavirus. Developed markets ex-U.S., represented by the MSCI EAFE Index returned -3.99%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 2.06% in October.
- Within the ACWI ex-U.S. Index, two of 11 sectors posted positive returns. Telecom did best, returning 3.26%, followed by Consumer Discretionary, returning 1.56%. The Energy sector was the worst performer, returning -6.72%, followed by Healthcare which returned -6.47%.
- Within the ACWI ex-U.S. Index, EM Asia performed best during the month, returning 3.30%. Europe ex-UK was the worst-performing region during the month, returning -5.80%.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned -0.45% in October. During the month, credit spreads tightened slightly while investment-grade (IG) returns were largely negative as rates rose. The high yield (out of index) sector was positive, while IG corporates and mortgages were negative on an absolute basis. The 10- and 30-year Treasury rates each increased by about 20 basis points (bps) in October. The broad treasury index fell -0.94%.
- IG credit within the Aggregate returned -0.22%. Within the IG credit spectrum, AAA-rated bonds returned -0.47%, AA-rated bonds returned -0.96%, A-rated bonds returned -0.29% and BBB-rated bonds returned 0.03%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 0.51%.
- Yields generally increased across the U.S. Treasury Yield curve in October.

Alternatives and Other Asset Classes

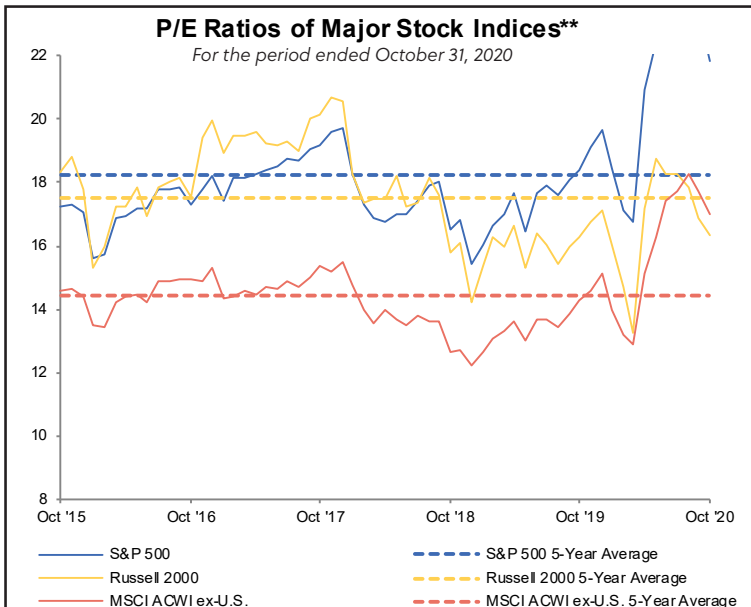
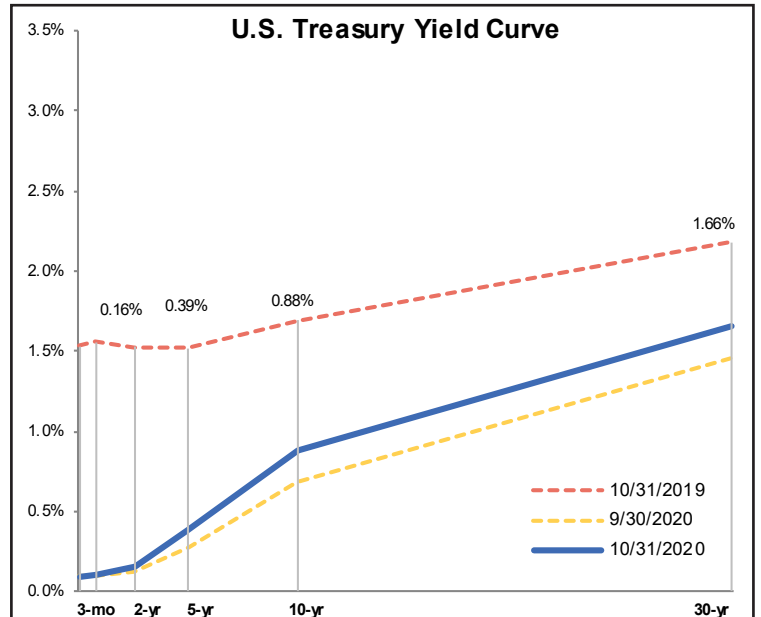
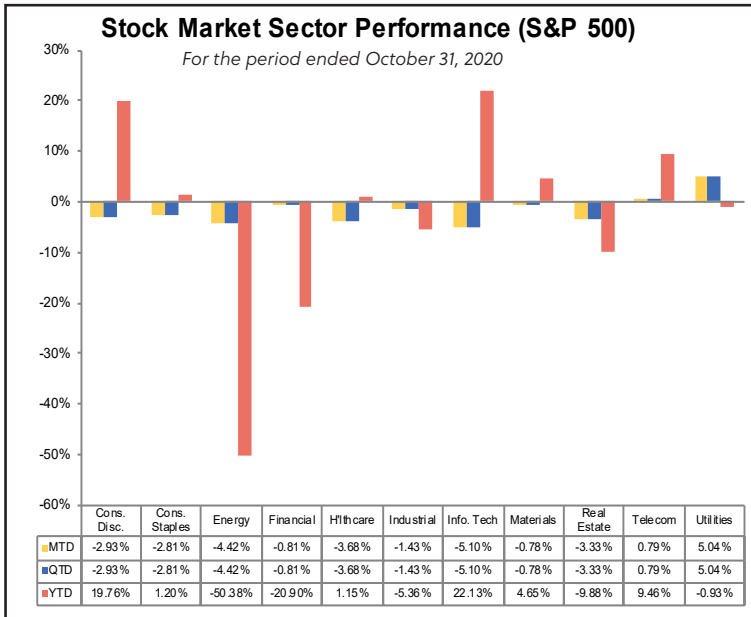
- Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, fell 2.61% in October. Performance was positive in one of nine real estate sectors. Self-storage did best, returning 4.85%. The worst performing REIT sector of the month was Office, returning -8.25%.
- The active contract for West Texas Intermediate (WTI) crude decreased to \$35.79/barrel in October from \$40.22/barrel at the end of September as several European countries went into lockdown to curb the coronavirus.

Items to Watch

- The U.S. is in the midst of the most severe surge of the coronavirus to date. Cases are currently raging at levels not seen at any other time during the pandemic. There is further economic pain ahead for European countries as France, the UK, Italy and Germany announced new nationwide lockdowns and other governments consider doing the same.
- Though legal challenges may persist, CNN and other national news channels project that former Vice President Joe Biden will be the 46th president of the United States just four days past election night. The century high participation rate coupled with a record number of mail-in ballots delayed election results in several key states. As his Vice President, Kamala Harris will make history, becoming the first woman — and the first woman of color — to occupy the office. Biden's victory represents what he characterizes as a mandate to chart a new approach to the nationwide coronavirus crisis.
- Employment growth was better than expected in October, and the unemployment rate fell sharply even as the U.S. faces the challenge of surging coronavirus cases. Non-farm payrolls increased by 638,000, and the unemployment rate was at 6.9%.
- Coming off the worst quarter in history, the U.S. economy grew at its fastest pace ever in the third quarter. Third-quarter gross domestic product (GDP) expanded at a 31.3% annualized pace. The gain came after a 31.4% plunge in the second quarter. The powerful pace of growth was the result of states opening back up from the coronavirus shutdown. While the news regarding third-quarter GDP was good, there is still a lot of work to do, and the pace of improvement is starting to slow. The stimulus programs that provided much of the economic lift last quarter are still uncertain for the next quarter, as the White House struggles to agree on overall spending levels and the contents of an economic rescue package.

Total Return of Major Indices as of 10/31/2020				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-2.66%	-2.66%	2.76%	9.70%
Russell 3000	-2.16%	-2.16%	3.13%	10.14%
Russell 2000	2.09%	2.09%	-6.78%	-0.16%
Russell 1000	-2.41%	-2.41%	3.83%	10.85%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-2.15%	-2.15%	-7.47%	-2.61%
MSCI EAFE	-3.99%	-3.99%	-10.80%	-6.86%
MSCI Emerging Markets	2.06%	2.06%	0.87%	8.25%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.45%	-0.45%	6.32%	6.19%
Bloomberg Barclays Global Agg	0.10%	0.10%	5.82%	5.63%
Bloomberg Barclays U.S. HY	0.51%	0.51%	1.13%	3.49%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-2.61%	-2.61%	-19.69%	-21.38%
Bloomberg Commodity	1.40%	1.40%	-11.18%	-9.33%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	6.9%	7.9%
Initial Jobless Claims (4 week average)	787 K	791 K
CB Leading Economic Indicators	0.7	1.4
Capacity Utilization	71.5%	72.0%
GDP (annual growth rate)	33.1%	-31.4%
University of Michigan Consumer Confidence	81.8	80.4
New Home Starts	959 K	994 K
Existing Home Sales	6.5 MM	6 MM
Retail Sales (YoY)	4.0%	2.2%
U.S. Durable Goods (MoM)	1.9%	0.4%
Consumer Price Index (YoY)	1.4%	1.3%
Producer Price Index (MoM)	0.2%	0.0%
Developed International*	6/30/2020	3/31/2020
Market GDP (annual rate)	-12.4%	-1.2%
Market Unemployment	7.6%	6.4%



Source: Bloomberg. Data as of October 31, 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.

The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC, which is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit www.pfm.com.

