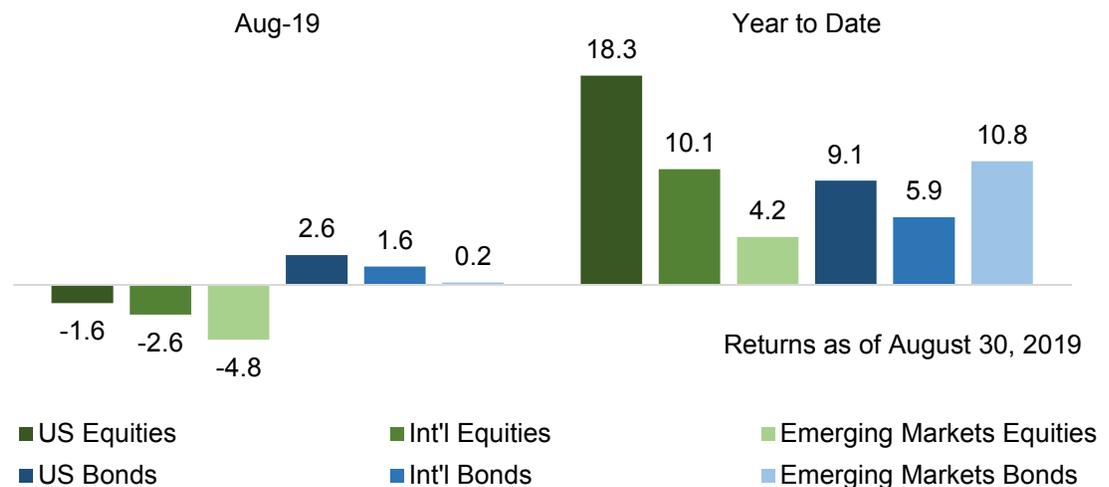


# MONTHLY Market Review



## Market Review

An escalation in US-China trade discussions and a recession signal in the bond market sent stocks on a wild ride during August. While stocks ended lower, the big winners in August were traditional safe-haven assets such as long-dated government bonds and gold.



Source: Morningstar

US stocks posted 11 moves of more than 1% in 22 trading sessions. Despite the wild ride, US stocks proved relatively resilient with an overall decline of -1.6% in August and up 18.3% for the year. Weak economic data from Europe, Brexit uncertainty and trade war escalation led international equities down -2.6% for the month. Emerging markets fared the worst to end the month -4.8%. International stocks continue to trail US stocks for the year.

In August, 8 of the 11 S&P 500 sectors posted negative returns. Energy and financial sectors were the worst performers. Defensive sectors such as consumer staples and utilities posted positive returns for the month as investors sought safety and falling interest rates helped the real estate sector. Despite the volatility, all sectors in the S&P 500 remain positive for the year.

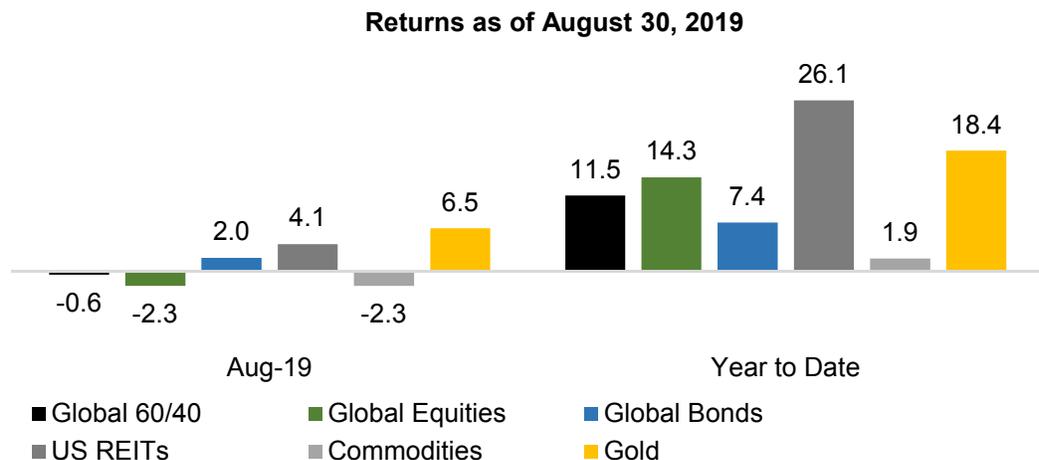
Equity performance across style and size also had wide dispersion. Large-cap growth-oriented stocks fell the least outpacing its large cap value counterpart. Small-caps underperformed large-cap stocks. The combination of low interest rates and inflation have favored growth-oriented stocks for the year.

Investors sought the safety of US bonds driving prices higher and yields lower. The 30-year yield fell below 2% and the 10-year below 1.5% during the month. The rush into longer bonds, caused the 10-year Treasury yield to fall below its 2-year counterpart, known as a

yield curve inversion. An inversion is generally regarded as a warning sign for the economy and the markets. An inverted yield curve like most indicators is not perfect, not every inversion has predicted a recession and it doesn't mean a recession is imminent. US bonds performed extremely well with returns of 2.6% for the month and 9.1% for the year. Emerging markets and high-yield corporates trailed with 0.2% and 0.4% respectively for the month but maintains double digit returns for the year to date period.

US REITs gained 4.1% for the month led by falling rates and maintain a healthy return of 26.1% for the year. Fear of uncertainty drove investors to perceived safe-haven assets like gold, which gained 6.5% for the month and 18.4% for the year-to-date period. Concerns over global economic slowdown led commodities lower for the month -2.3%.

Relative to a globally balanced (60/40) stock/bond index, exposure to longer dated bonds and gold helped portfolio returns for the month. Diversification into gold and REITs helped for the month and year-to-date, while diversifying into commodities hurt returns for both the month and year-to-date.



Source: Morningstar

## DEFINITIONS

**Bloomberg Barclays Emerging Markets USD Aggregate** - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

**Bloomberg Barclays Global Aggregate** - An index of global investment grade debt from twenty-four local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets.

**Bloomberg Barclays Global Aggregate ex USD** - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

**Bloomberg Barclays US Corporate High Yield** - The index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

**Bloomberg Barclays US Treasury 1-3 Year** - The index measures the performance of short-term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of between 1 and 3 years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value.

**Bloomberg Barclays US Treasury Long** - The index measures the performance of long-term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value.

**Dow Jones Global Select REIT** - A float-adjusted market capitalization index designed to measure the performance of publicly traded real estate securities in developed and emerging countries. The index is a measure of the types of global real estate securities that represent the ownership and operation of commercial or residential real estate.

**MSCI ACWI** - A free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets.

**MSCI EAFE** - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.

**MSCI Emerging Markets** - A free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.

**S&P 500** - An unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large-cap companies) representing approximately 75% of the investable US equity market.

**S&P 500 Sector Healthcare** - Primarily composed of companies involved in health care equipment and supplies, health care providers and services, biotechnology, and pharmaceuticals industries.

**S&P 500 Sector Information Technology** - Primarily composed of companies involved in technology hardware, storage, and peripherals; software; communications equipment; semiconductors and semiconductor equipment; internet software and services; IT services; electronic equipment, instruments and components.

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