Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for September 2018

		Last Month	Last Qtr	YTD	Last Year	Last 3 Years	Last 5 Years
Domestic Stocks	S&P 500	0.6%	7.7	10.6	17.9	17.3	13.9
	S&P Mid Cap 400	-1.1%	3.9	7.5	14.2	15.7	11.9
	Russell 2000	-2.4%	3.6	11.5	15.2	17.1	11.1
Domestic Bonds	Barclays Aggregate	-0.6%	0.0	-1.6	-1.2	1.3	2.2
	High Yield Bonds	0.6%	2.4	2.6	3.0	8.1	5.5
	91-Day T-Bills	0.2%	0.5	1.3	1.6	0.9	0.5
Non-US Stocks	MSCI EAFE (Net)	0.9%	-1.4	-1.4	2.7	9.2	4.4
	MSCI Emerg Mkts (Net)	-0.5%	-1.1	-7.7	-0.8	12.4	3.6
Global Bonds	Citi World Gov't	-1.0%	-1.6	-2.5	-1.5	1.7	0.2

Strong economic data and positive sentiment pushed US stocks higher with the S&P 500 Index gaining 0.6% in September, bringing quarterly returns to 7.7%. Outside the US, Japan led the way with gains of 3% last month on the back of the country's strongest job market in decades. In Europe, concerns around the United Kingdom and the European Union unable to reach a deal on Brexit at the upcoming October summit and fears of a debt crisis in Italy weighed on markets, with the MSCI Europe Index eking out a 0.4% monthly return. Meanwhile, emerging markets fell behind amid ongoing uncertainty around trade with the US and the Federal Reserve's tightening monetary policy; the MSCI Emerging Markets Index declined 0.5%, with small-cap emerging markets faring worse with losses of 3.3%.

Still, it was not all bad news for emerging markets: fixed income rebounded after the recent sell-off with the JPM EMBI Global Diversified Index increasing 1.5% as spreads narrowed nearly 40 basis points during the month. Additionally, local debt, as measured by the JPM GBI-EM Global Diversified Index, rose 2.6% as dollar strength stalled and concerns related to Turkey's currency stabilized following a central bank rate hike of 6.25%. In the US, the Fed raised rates for the third time this year to a range of 2.00% to 2.25%. Global yields continued to rise with the 10-year Treasury increasing 20 basis points to 3.06% and the 10-year German bund rising 14 basis points to 0.47%.

In real assets, WTI crude oil touched a four-year high of $76.41 per barrel—despite an increase in supply—ending September up 4.9%.

With the macroeconomic backdrop relatively unchanged, we maintain our recommendation of an overweight to emerging market equities, given their attractive valuations and fundamentals. Further, we encourage the addition of safe-haven fixed-income exposure as rates continue to rise.

As of 09/28/2018, Source: S&P, Russell, MSCI, JPM, Bloomberg

[Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]