

## Economic and Capital Markets Commentary

### ***Records are meant to be broken...***

The U.S. economy heads into the final quarter of 2018 with continued momentum. Underlying fundamentals remain strong and there are no signs of recession. Now longer than the expansions that began in 1960 and 1982, the current expansion is within striking distance of the record set by the decade of growth that began in 1991.

While economic expansions can be measured in terms of their length (elapsed time), they can also be measured by their cumulative growth in gross domestic product (GDP). Coming out of the Great Recession, the current slow, but steady, expansion has resulted in cumulative real GDP growth of approximately 120%. While significant, this falls short of the 140% to 150% cumulative growth produced by the three other longest expansions – 1960, 1982, and 1991.

Similarly, bull markets can be measured by both time and cumulative investor return. The current bull market, which began in early 2009, has now set a record as the longest in modern history, eclipsing the almost ten-year stock market run that ended with the bursting of the technology bubble in 2000. Bull markets are measured by intervals between 20% declines (a bear market).

Since World War II, only the 1990 bull market has produced higher cumulative returns for investors than the current rally. From the March 2009 low through September 30, 2018, stocks are up a remarkable 426%, including dividends, as measured by the S&P 500 Index. However, it took five years for the Index to get back to the high-water mark achieved in 2007. Stock market growth from that high, which started in 2012, is a more modest, but still strong, 137%.

Economic expansions and stock market returns are inseparable – corporate earnings drive stock prices and economic expansions drive earnings. To quote Ed Yardeni of Yardeni Research, “Bull markets don’t die of old age. What kills them is recessions.” As noted above, there are no current signs of recession.

## Economic and Capital Markets Data

	September 30, 2018	September 30, 2017	September 30, 2013
<b>S&amp;P 500 Index</b>	2914	2519	1682
<b>Price/Earnings Ratio</b>	21.1x	21.3x	16.3x
<b>Yield</b>	1.80%	1.97%	2.09%
<b>Federal Funds Rate</b>	2.25%	1.25%	0.25%
<b>10 Year U.S. Treasury Yield</b>	3.06%	2.33%	2.61%
<b>Gold</b>	1191	1280	1329
<b>Oil (Brent)</b>	83	58	108
<b>GDP (Annualized)</b>	3.5%	2.8%	3.2%
<b>Unemployment</b>	3.7%	4.2%	7.2%
<b>Inflation (Annualized)</b>	2.3%	2.2%	1.2%

# U.S. Unemployment Rate

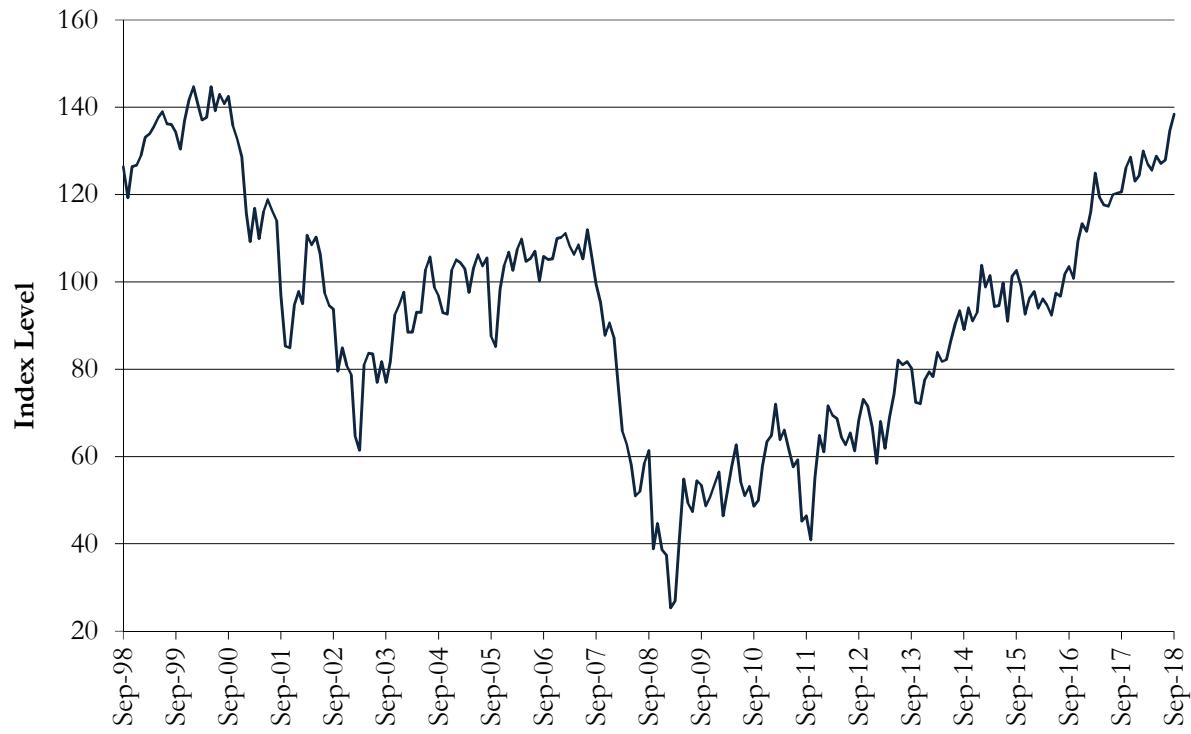
## Twenty Years



Courtesy of Bloomberg

# Consumer Confidence Index

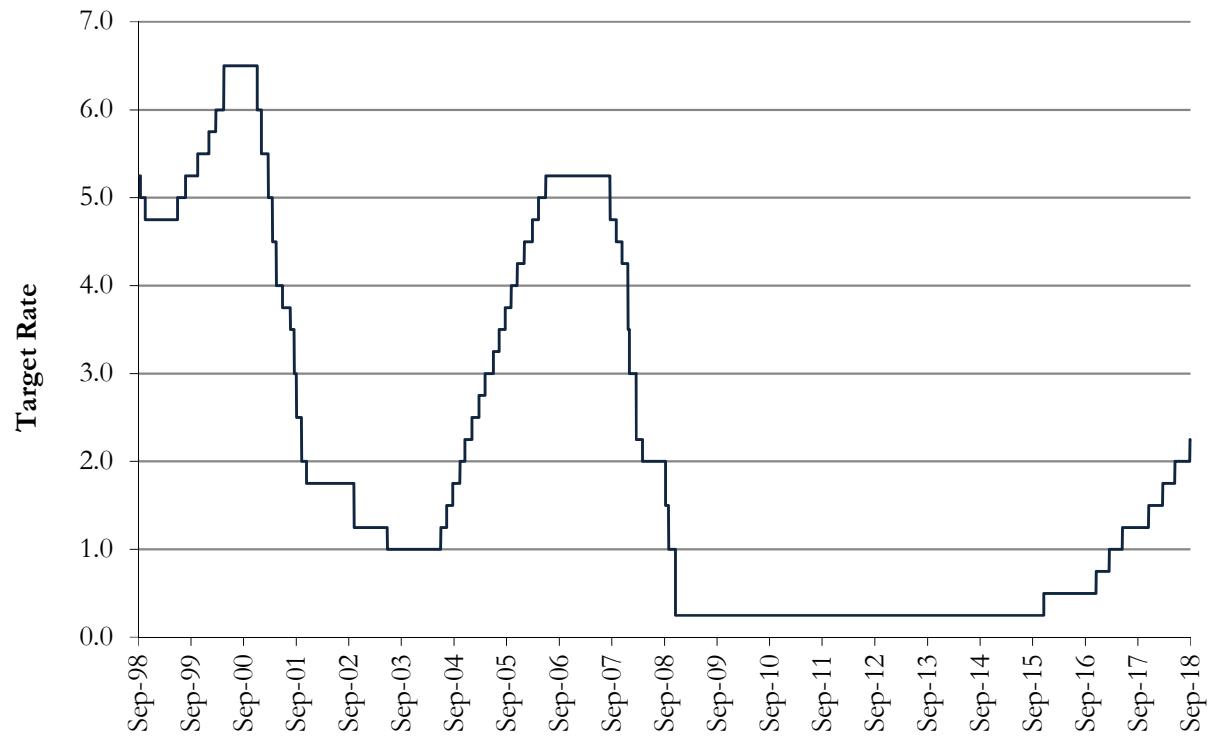
Twenty Years



Courtesy of Bloomberg

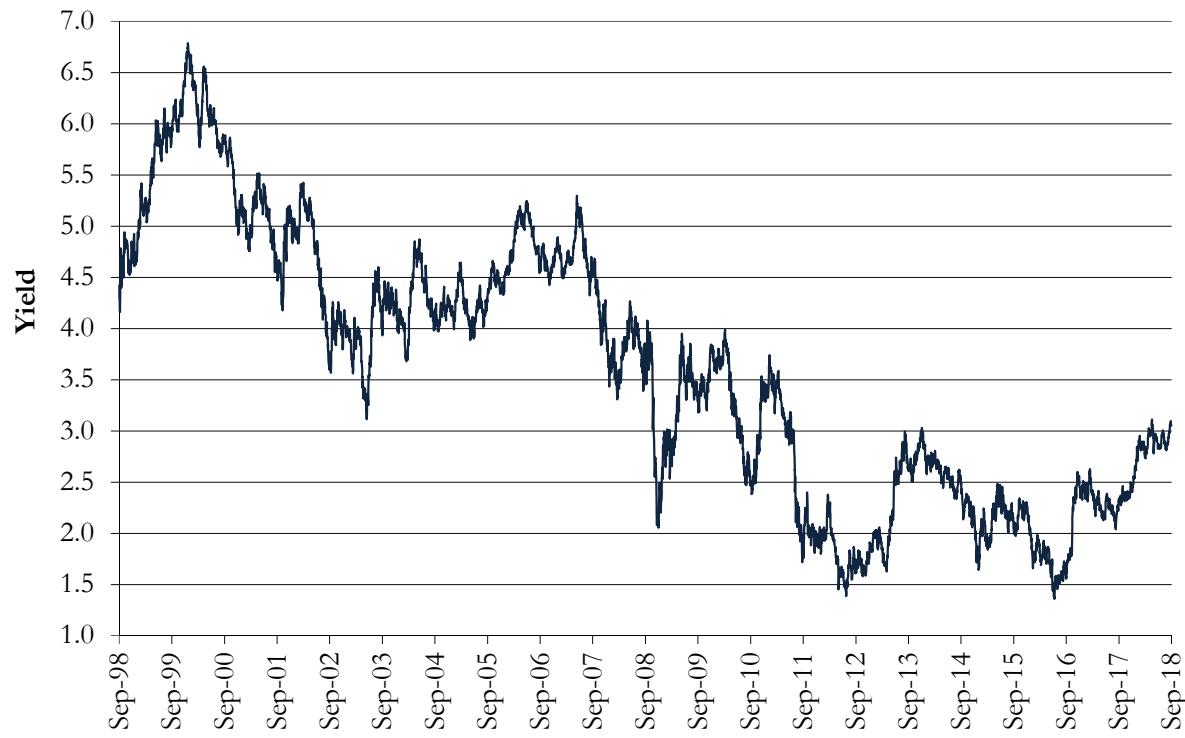
## Federal Funds Target Rate

Twenty Years



Courtesy of Bloomberg

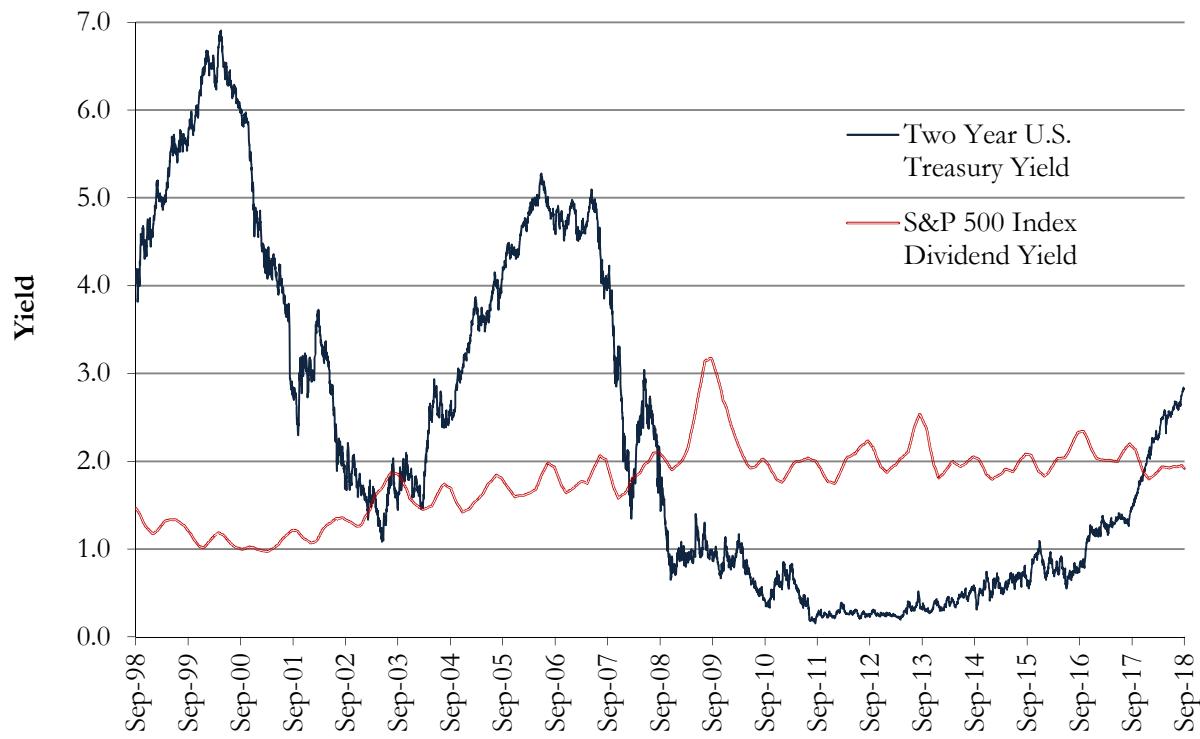
## U.S. Treasury Ten Year Bond Yield Twenty Years



Courtesy of Bloomberg

# S&P 500 Index Dividend Yield & U.S. Treasury Two Year Bond Yield

## Twenty Years



Courtesy of Bloomberg

## Standard & Poor's 500 Index

Five Years



Courtesy of Bloomberg

## Standard & Poor's 500 Index

Twenty Five Years



Courtesy of Bloomberg