Investor Advisory Committee on Financial Markets Member Presentation Materials

October 9th, 2019

UTIMCO 1996

The University of Texas/Texas A&M Investment Management Company

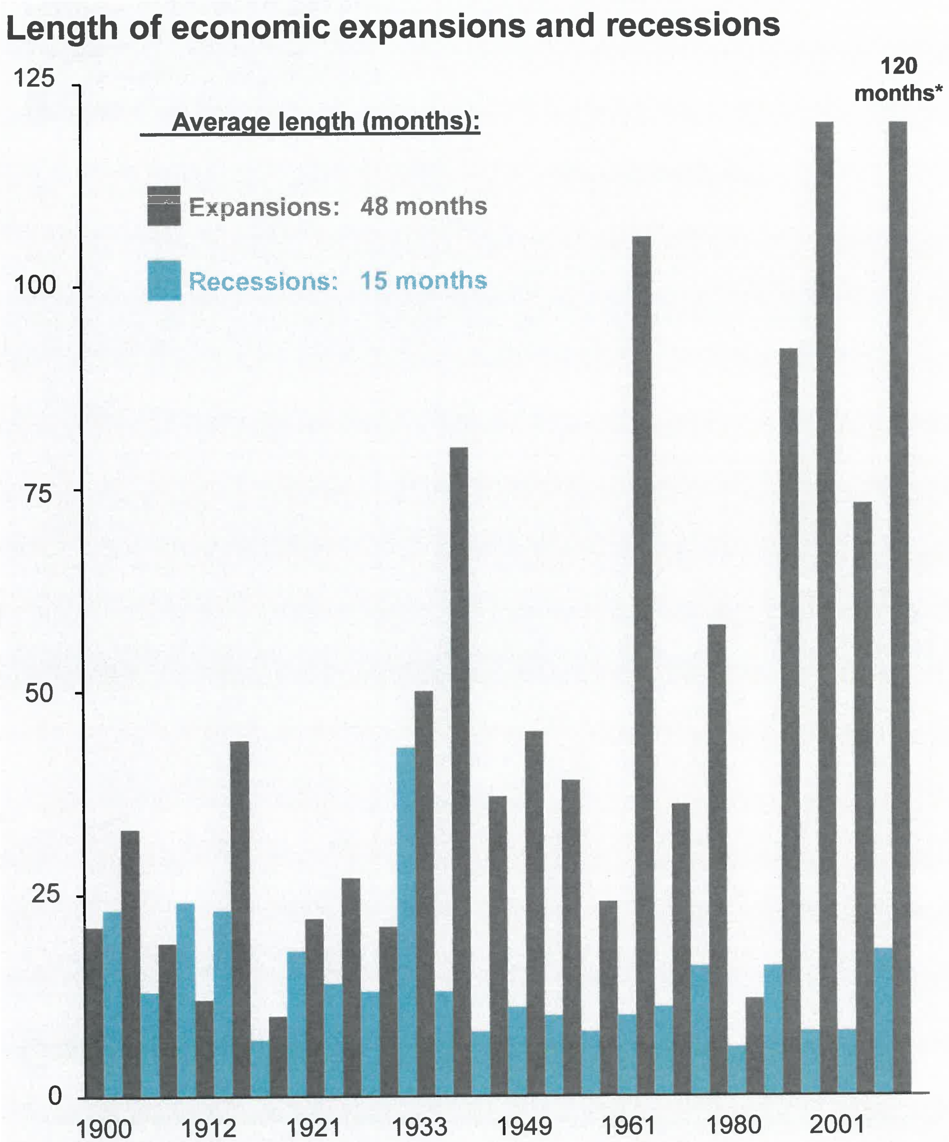
Federal Reserve Bank of New York
Investor Advisory Committee on Financial Markets

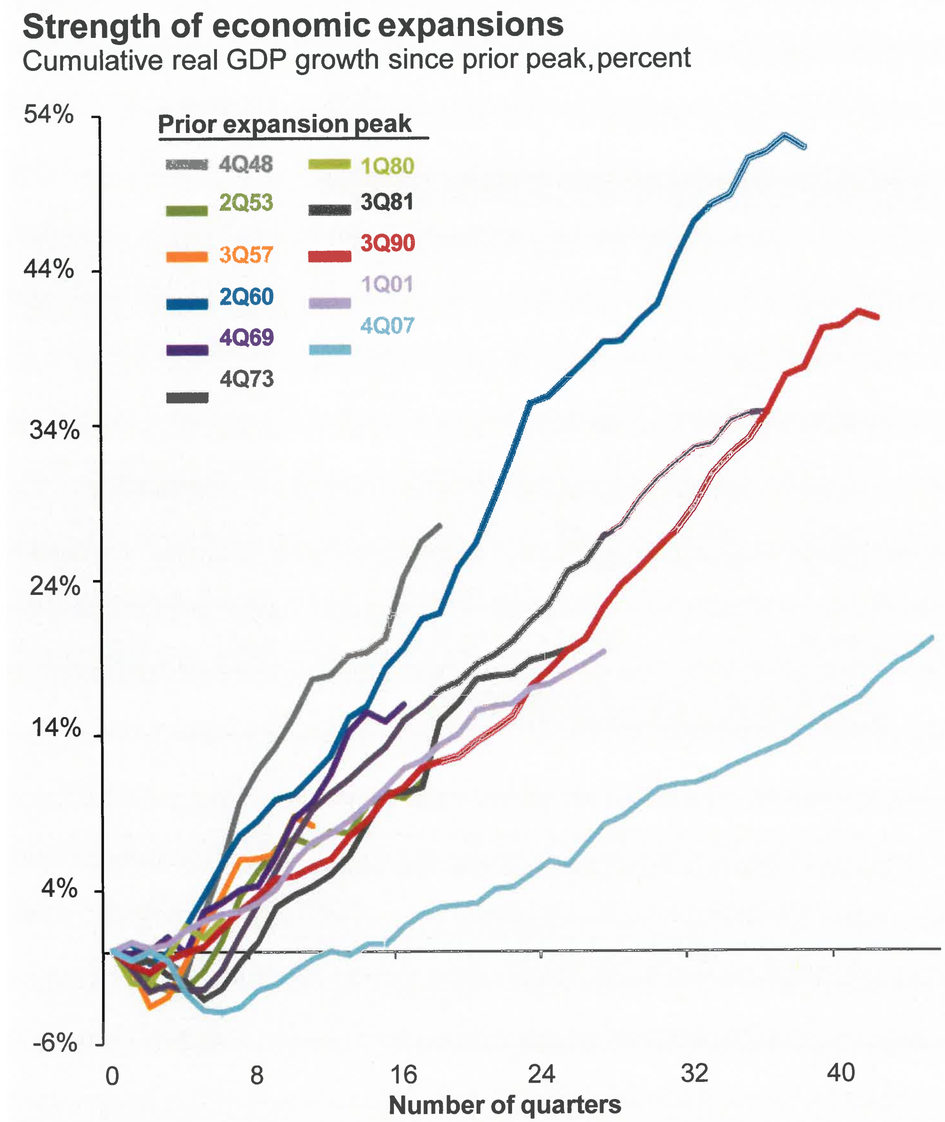
October 2019

Britt Harris

President, CEO and Chief Investment Officer

The Length and Strength of Expansions





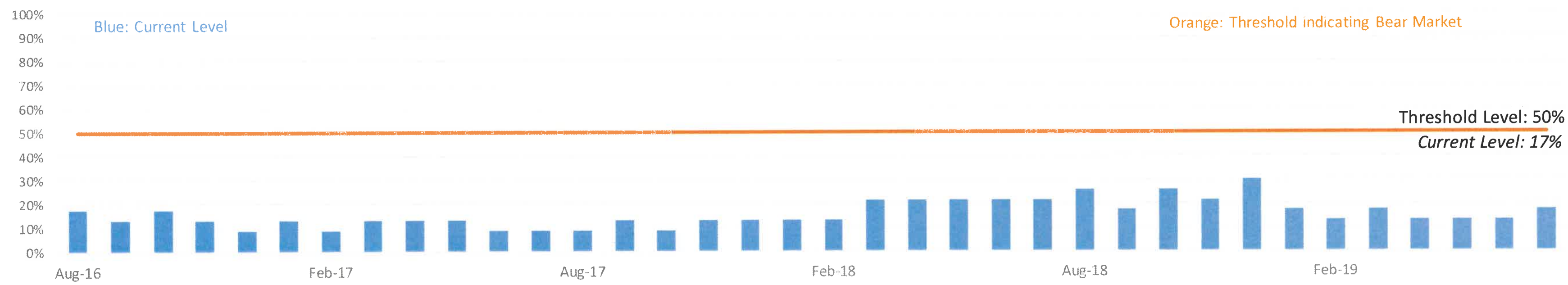
Source: BEA, NBER, J.P. Morgan Asset Management. *Chart assumes current expansion started in July 2009 and continued through June 2019, lasting 120 months so far. Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). These data can be found at www.nber.org/cycles/ and reflect information through June 2019. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of June 30, 2019.

US Bear Market Indicators

Periods Ending July 31, 2019

July 2019

Percentage of Bear Market Indicators On



Type	Indicator	On/Off	Indicator Level Current	Indicator Level Threshold	Last 36 Months	% On Last 36 Months
Inflation	5yr Breakeven Inflation < 1.25%	Off	1.5%	1.3%		0%
Inflation	10yr Breakeven Inflation > 3%	Off	1.7%	3.0%		0%
Inflation	YoY Inflation > 12m Moving Avg	On	2.2%	2.1%		44%
Inflation	YoY CPI Energy > 20%	Off	-2.0%	20.0%		0%
Inflation	YoY PCE Deflator > 3%	Off	1.4%	3.0%		0%
Employment	Employment Growth < 0%	Off	1.8%	0.0%		0%
Employment	YoY Avg. Hourly Earnings > 3%	On	3.2%	3.0%		31%
Employment	YoY NonFinc Labor Costs > 3.5%	Off	1.4%	3.5%		25%
Employment	Consumer Confidence Spread < -20%	Off	3.8%	-20.0%		0%
Employment	Unemployment 3mo MA > .33% off lows	Off	3.7%	4.0%		0%
Growth	Inventory/Sales > Long-term Avg	On	39.0%	33.1%		100%
Growth	YoY Leading Economic Indicator < 0%	Off	1.6%	0.0%		0%
Growth	Leading/Coincident Ratio Drawdown > 26 months	Off	10.0	26.0		0%
Growth	Fed Recession Probability > 10%	On	31.5%	10.0%		58%
Growth	Residential Construction (% of GDP) > 5%	Off	2.4%	5.0%		0%
Growth	Total Investment (% of GDP) > 18.5%	Off	15.5%	18.5%		0%

Type	Indicator	On/Off	Indicator Level Current	Indicator Level Threshold	Last 36 Months	% On Last 36 Months
Credit	US HY Yield > Long-term Avg.	Off	5.9%	10.0%		0%
Credit	Non-Mortgage Delinquency Rate > 3.5%	Off	2.4%	3.5%		0%
Credit	Real Rates < 0%	Off	0.3%	0.0%		75%
Market	YoY Equity Markets < -5%	Off	7.0%	-5.0%		3%
Market	Investment Banks < 12m Moving Avg. - 1 SD	Off	10.9%	0.0%		14%
Market	Cons. Discretionary < 12m Moving Avg. - 1 SD	Off	13.2%	0.0%		3%
Market	US Dollar 24m Change > 10%	Off	6.3%	10.0%		8%

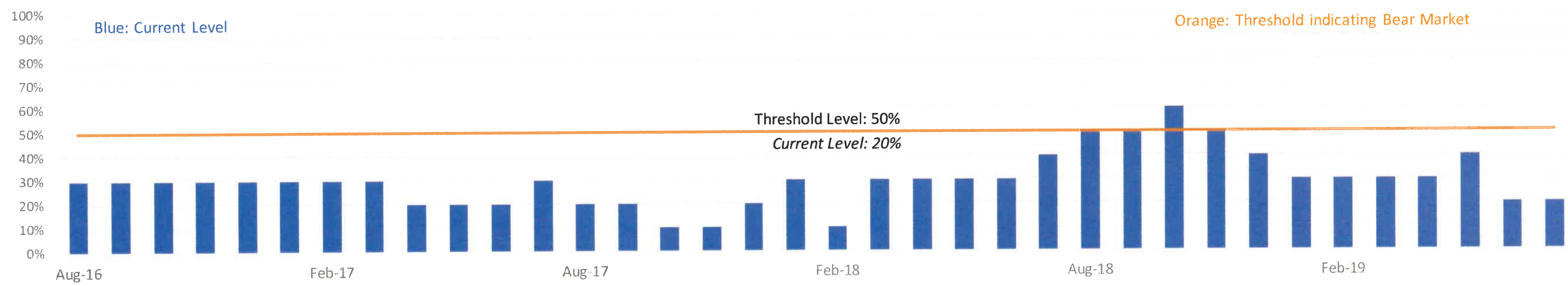
4/22 Indicators "On"

Global ex. US Bear Market Indicators

Periods Ending July 31, 2019

July 2019

Percentage of Global ex. US Bear Market Indicators On

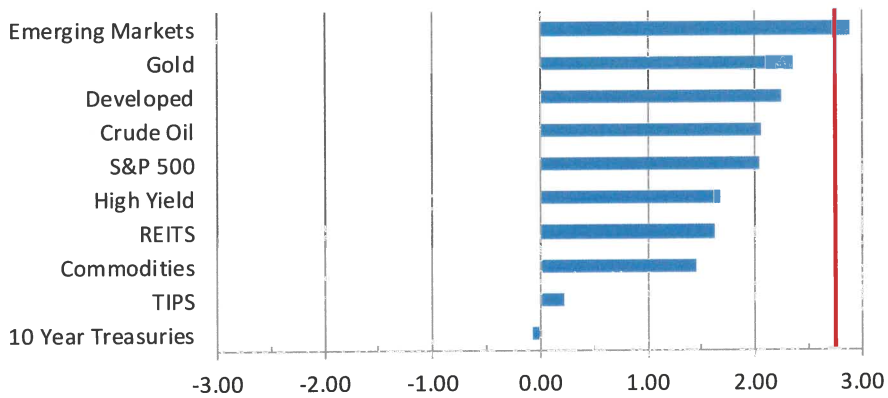


Type	Indicator	On/Off	Indicator Level Current	Indicator Level Threshold	Last 36 Months	% On Last 36 Months
Inflation	5Y Breakeven Inflation < 1.25%	Off	1.5%	1.3%		0%
Inflation	YoY Inflation > 12m MA	Off	2.0%	2.2%		69%
Inflation	Oil Prices > 20%	Off	-14.8%	20.0%		39%
Employment	Employment Growth < 0%	Off	0.3%	0.0%		0%
Employment	Consumer Confidence < -20%	Off	-0.9%	-20.0%		0%
Growth	YoY Leading Economic Indicator < 0%	On	-1.0%	0.0%		47%
Growth	Recession Probability > 10%	On	25.4%	10.0%		100%
Credit	HY Yield > Long Term Average	Off	5.2%	9.0%		0%
Market	ACWI ex. US YoY < -5%	Off	-5.0%	-5.0%		22%
Market	ACWI ex. US Cons Discretionary < 12MA - 1 SD	Off	8.4%	0.0%		17%

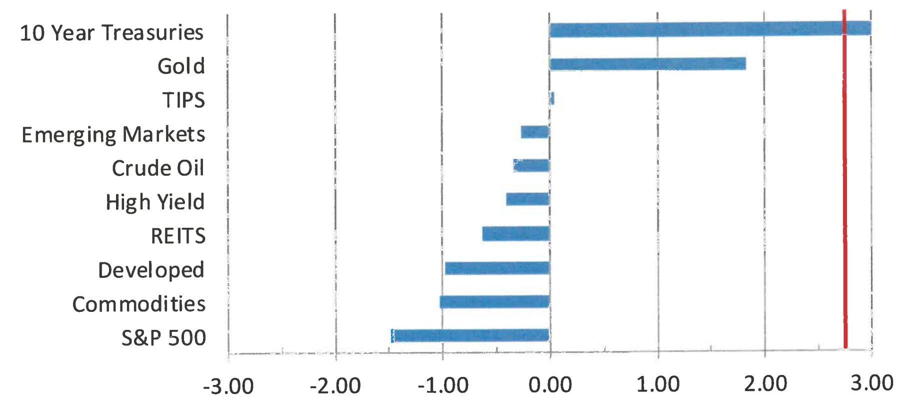
2/10 Indicators "On"

Bubble Monitor
Periods Ending July 31, 2019

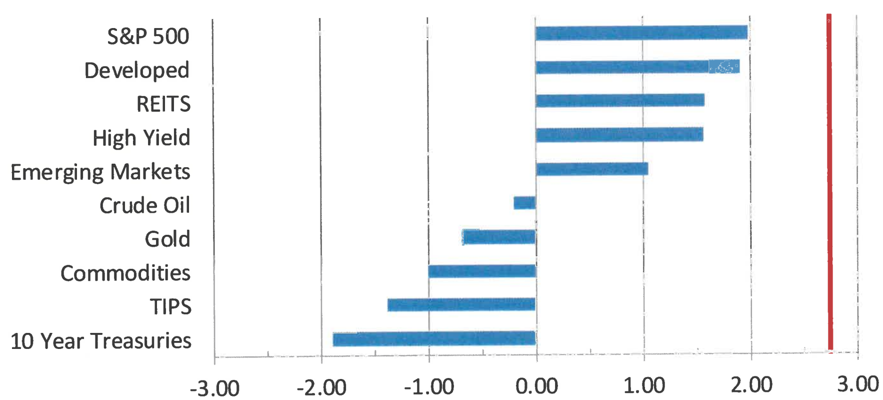
Bubble Level Monitor: September 2007



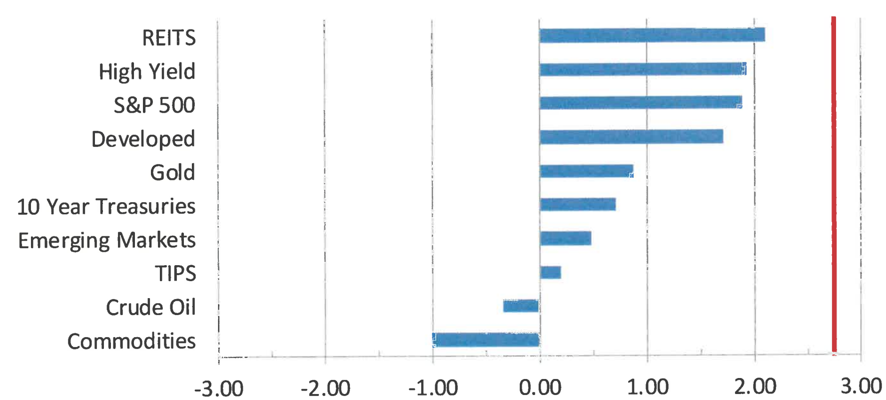
Bubble Level Monitor: December 2008



Bubble Level Monitor: July 2018



Bubble Level Monitor: July 2019



US Equities

Pros

1. Moving Averages Trending Higher
2. Breadth is Solid
3. Investor Sentiment Subdued
4. Analyst Sentiment Subdued
5. Claims Continue to Amaze
6. Leading Index Still Not Recessionary
7. Strong Consumer
8. Surprise Indices Surprise Higher
9. Fed Easing
10. Inversion – Not the Scary Type
11. Housing Boosted by Low Rates
12. Dividends Over Treasuries
13. High Yield Spreads
14. Healthy Financial Conditions
15. Positive Q4 Seasonals

Cons

1. Trade Uncertainty Remains
2. Washington (Impeachment, 2020 Election)
3. IPO Boom Going Bust
4. Momentum Unwinds in September
5. Defensives Leading
6. Technicals Not Great
7. Strong Dollar
8. Yield Curve Not Optimal
9. Global Manufacturing Still Weak
10. Consumer Confidence Warning Sign

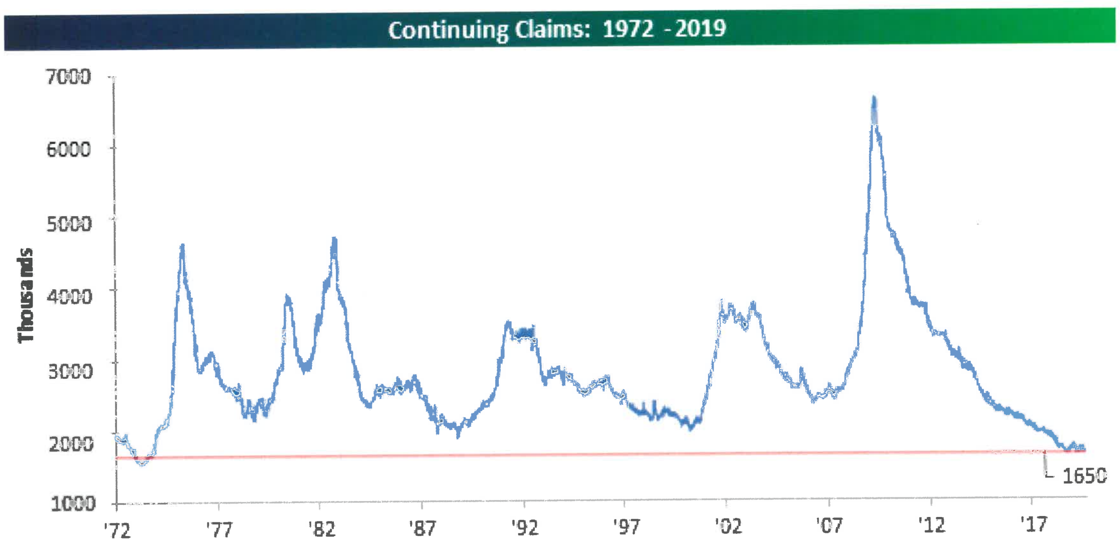
Neutral

1. Valuations

Source: Bespoke

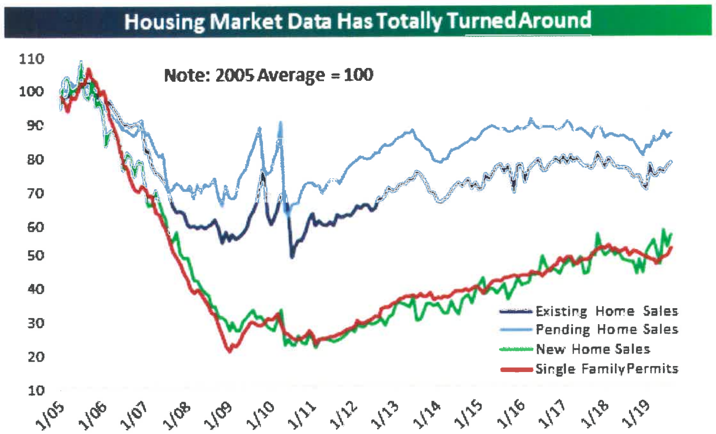
Pros – Claims to Continue to Amaze

- The job market remains strong, and both weekly initial and continuing jobless claims continue to impress on a regular basis. Continuing claims this week were just 1k above the multi-decade low seen a year ago. Since this reading isn't adjusted for massive population growth over the years, it's not a stretch to say that claims are at their healthiest levels in history.



Source: Bespoke

Pros – Housing Boosted by Low Rates

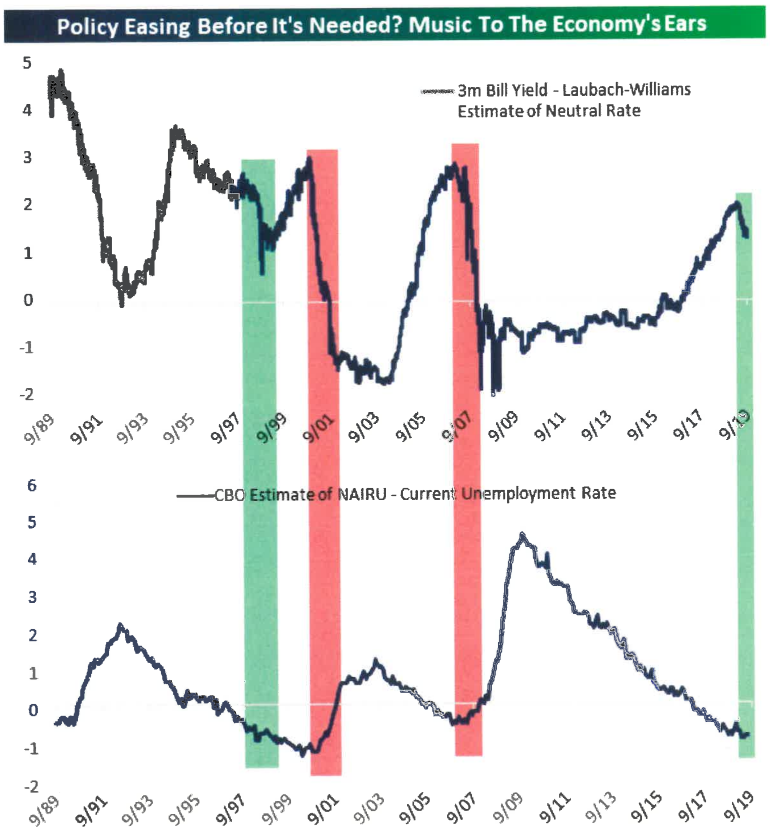


- Housing market activity in the post-crisis period hit a peak in 2017 before declining in 2018. Since the start of this year, though, all manner of housing data points have come charging back. Over the last couple of months, new home sales have made expansion highs, permits have surged, and sales of existing homes have ramped up.

- Housing can't always be predicted with the evolution of interest rates, but it seems clear that this time the decline in interest rates is proving to be stimulative. As shown at left, the plunge in interest rates over the past year has been followed by rebounding housing data points. This is one example of how the current backdrop of an easing Fed is helping to ward off economic malaise rather than the other way around.

Source: Bespoke

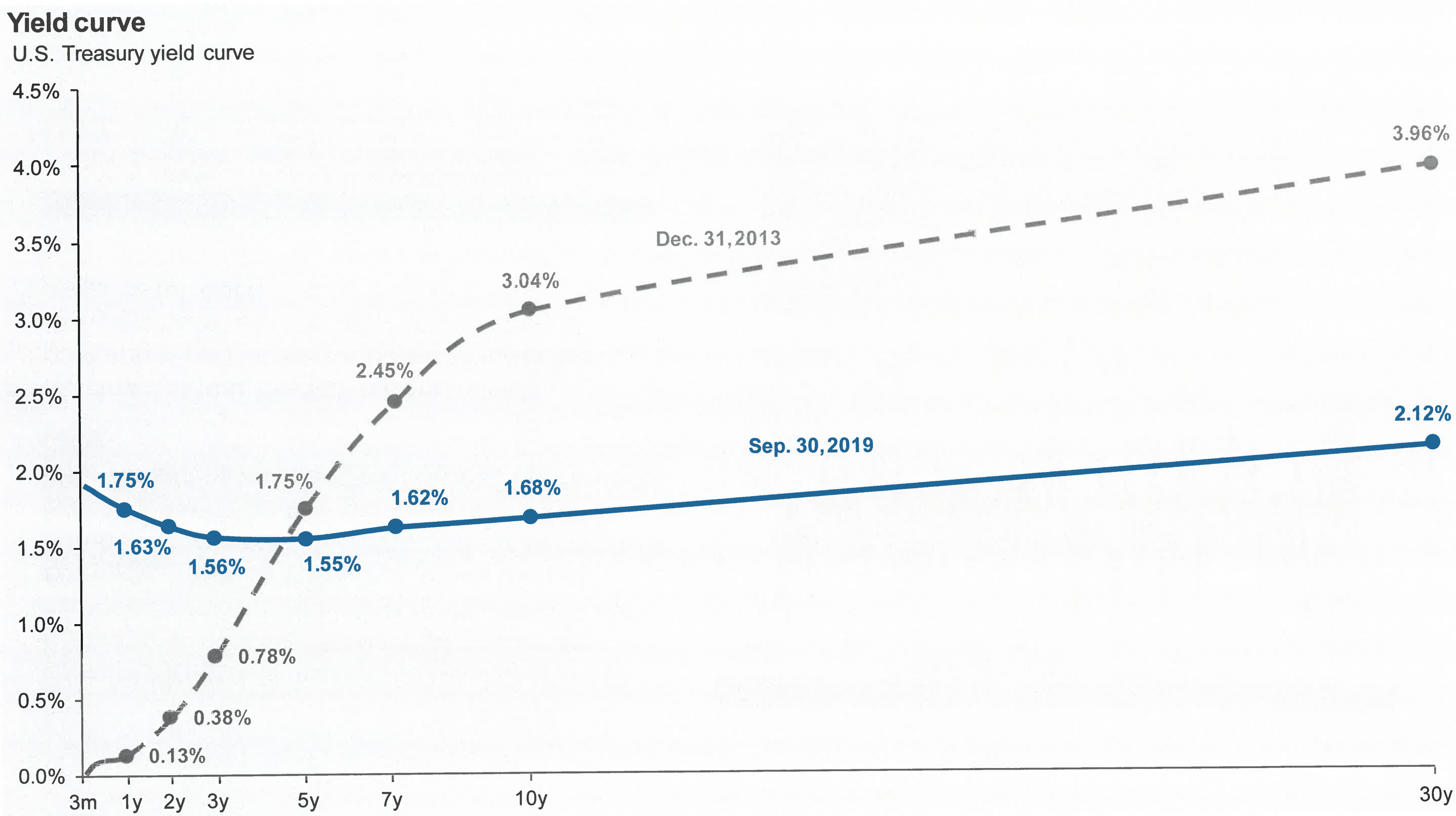
Pros – Fed Easing



- After tightening dramatically in 2018, the Fed is easing rates in 2019, despite little sign from macro data that a recession is underway or about to start.
- Historically, Fed easing when the economy is already deteriorating is *bad* news for markets, as it means the Fed has already over-tightened and induced recession.
- Like the late-1990s, though, the current setup has the Fed easing *preemptively*, which is a very different story.
- When the Fed starts to cut rates before proximate signs of recession, the economy and markets are likely to benefit as we saw in the late-1990s economy and labor market.

Source: Bespoke

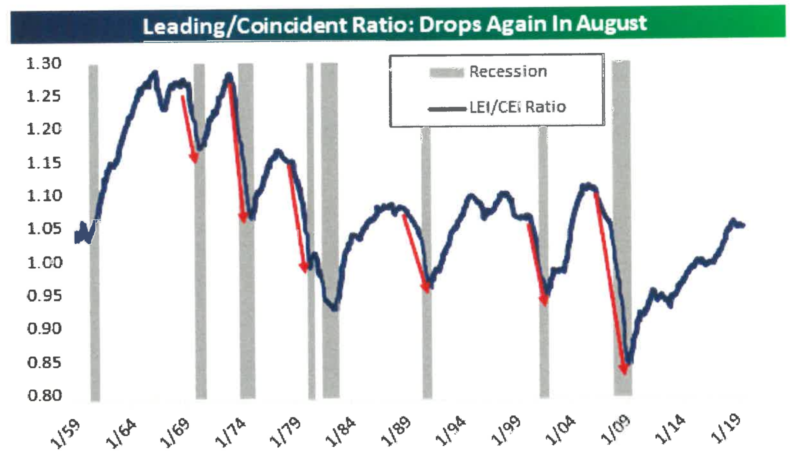
Yield Curve

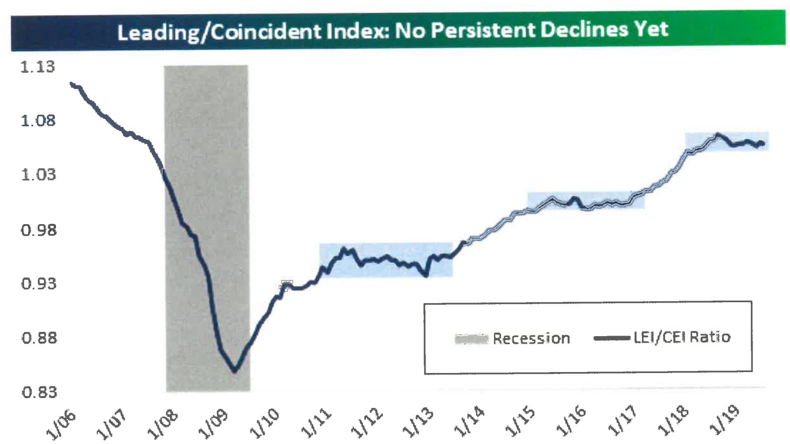


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2019.

Pros – Leading Index Still Not Recessionary

- We like to look at the ratio between the *Conference Board's* Leading and Coincident indices as a leading indicator of recession. As shown in the first chart at right, this ratio tends to plunge sharply ahead of recession.
- Currently, the ratio is basically moving sideways within a range. That sounds bad, because it's not improving, but it's not: there are precedents in the current expansion for this sort of pause.
- If the ratio was to turn down sharply, we would be worried. As it currently stands, this looks like another mid-cycle slowdown that does not result in recession, as we've seen twice before already.

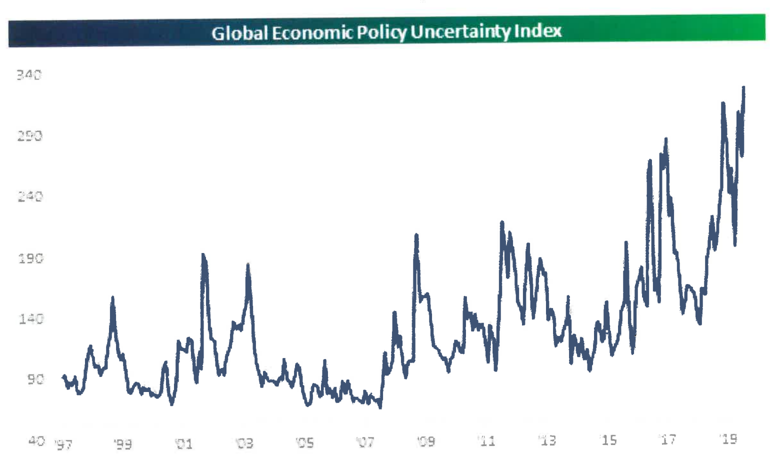




Source: Bespoke

Cons – Trade Uncertainty Remains

- The trade war has continued to drag along with no concrete progress or end in sight. While equities had managed to trend higher over the past couple of weeks because China and the US seemed to be saying the right things lately, on Friday investors got a reminder that negative trade headlines can pop up at any moment. Rumors that the White House is contemplating some form of regulation on Chinese companies listed on US stock exchanges sent major indices lower, especially the Nasdaq which contains quite a bit of market cap from Chinese Tech companies.
- The Global Economic Policy Uncertainty Index from Baker, Bloom, and Davis is a way to highlight the impact that trade concerns are having on markets. Uncertainty is kryptonite for stocks, and this indicator has spiked significantly over the last year to all-time highs.



Source: Bespoke

Cons – Washington (Impeachment, 2020 Election)

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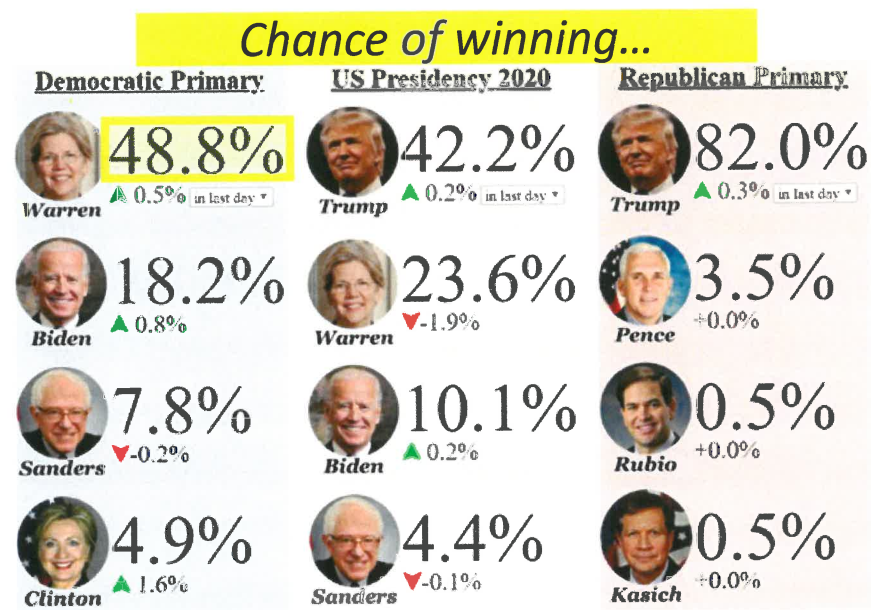
- Given the stock market's rally following President Trump's election victory in 2016, we are working under the assumption that the market would prefer Trump over a Democratic candidate in 2020. When it comes to the current Democratic candidates for President, Biden is preferable to Warren when it comes to the stock market. As shown below, Warren has opened up a very big lead in the odds to win the Democratic nomination, and she's neck and neck against Trump to win the general if she wins the nomination.
- The market should already be starting to price in the odds of a Democrat winning back the White House, but expect it to do so even more as the 2020 election gets closer. Oh, and it goes without saying that impeachment talk that re- emerged this week only adds to uncertainty that the market hates.

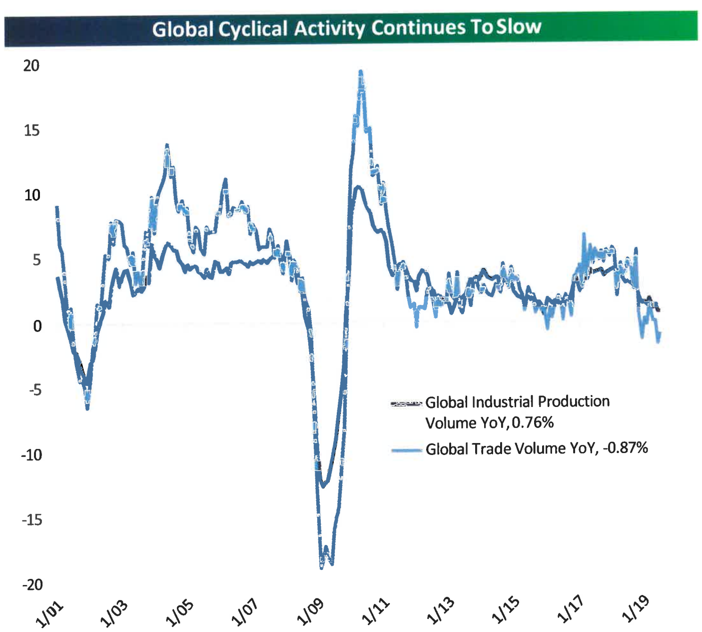
IMPEACHMENT 2019
TRANSCRIPT RELEASED
HILL ROCKED
REPUBLICAN CRACKS EMERGE
DRUDGE REPORT

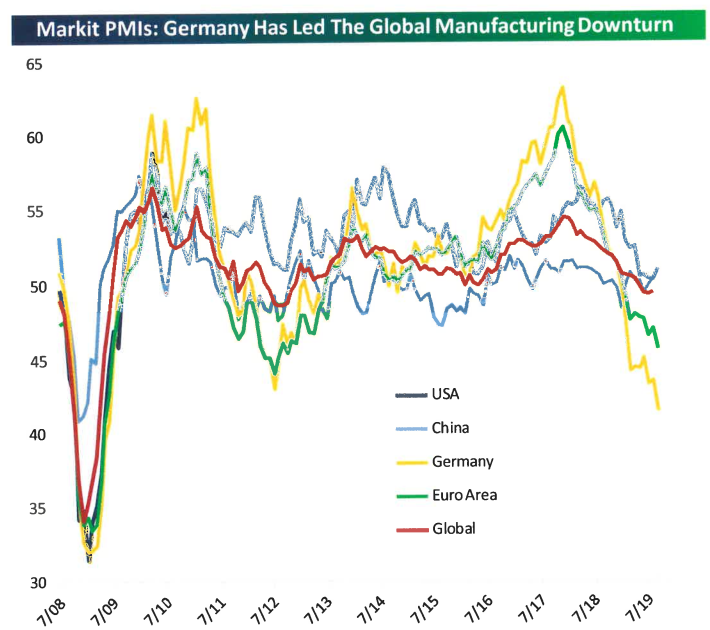


Source: Bespoke

Cons – Global Manufacturing Still Weak

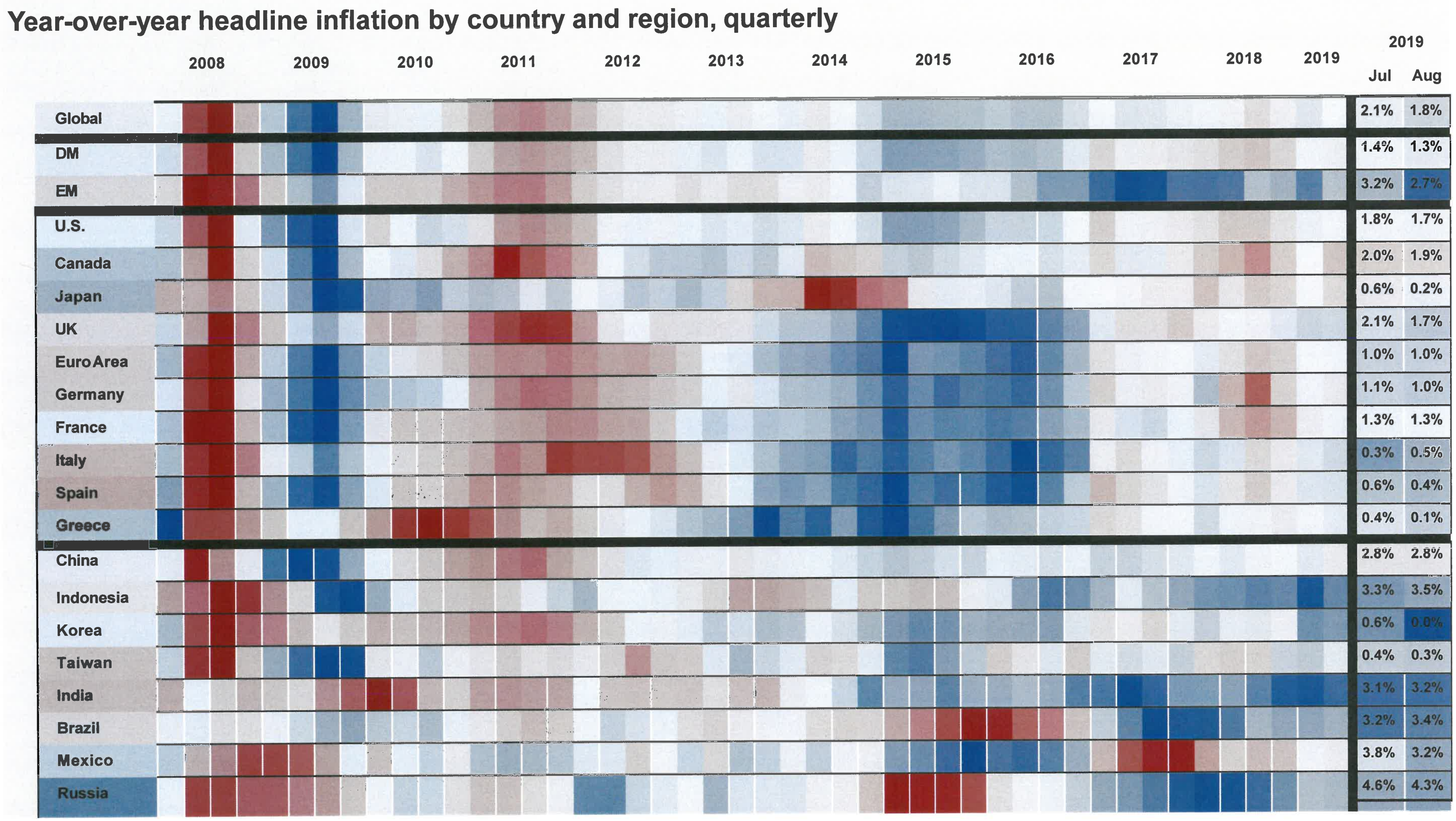
- Hard data on global manufacturing has continued to weaken, with global trade volumes declining on a YoY basis consistently and weak at higher frequencies. Global industrial production is still growing YoY but is shrinking at higher frequencies. Markit PMIs tell the story well: Germany's manufacturing collapse is ongoing, dragging down the Eurozone with it. Indices for China and the US look healthier and may turn higher but haven't done so yet.





Source: Bespoke

Global Inflation

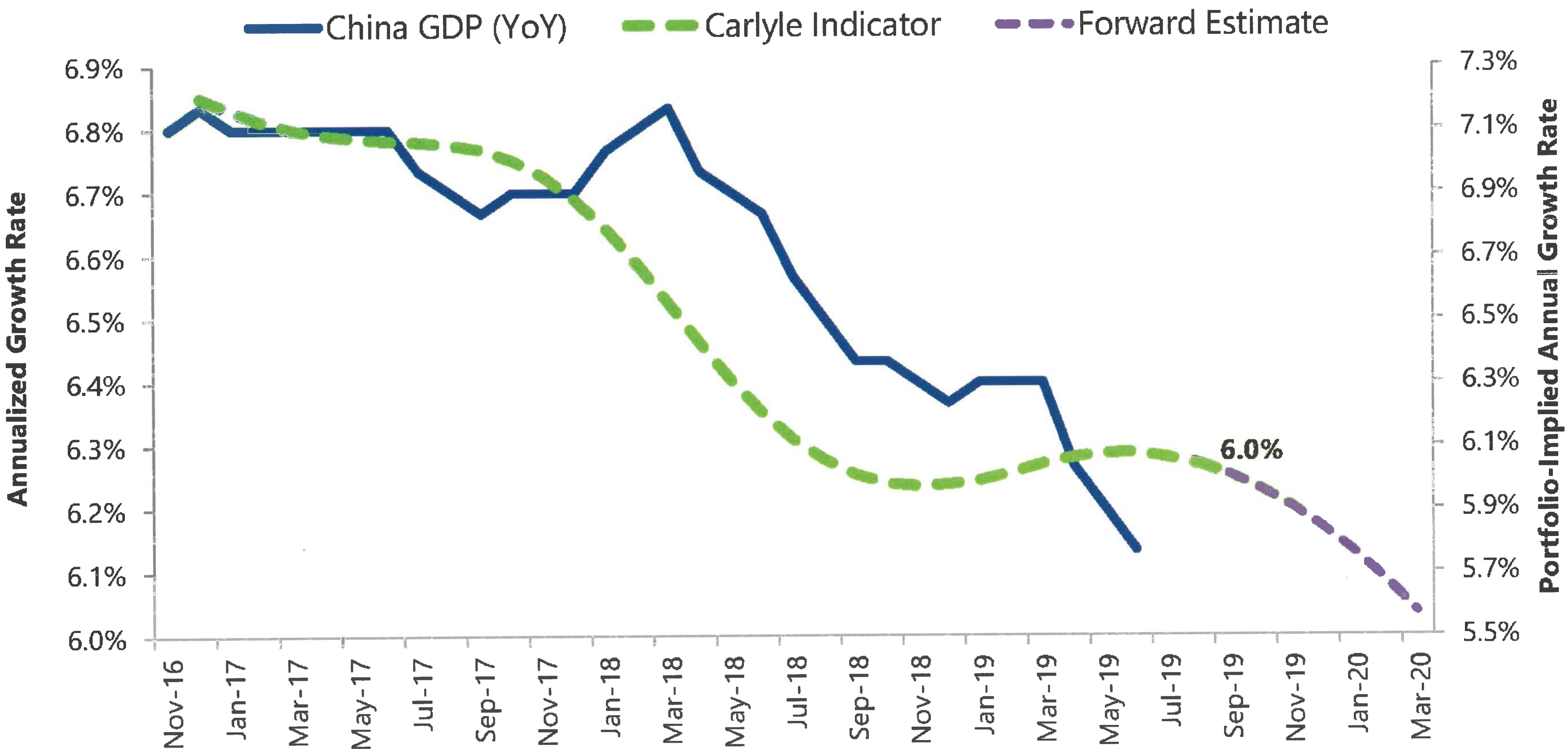


Source: Bank of Mexico, DGBAS, Eurostat, FactSet, Federal Reserve, Goskomstat of Russia, IBGE, India Ministry of Statistics & Programme Implementation, Japan Ministry of Internal Affairs & Communications, Korean National Statistical Office, Melbourne Institute, National Bureau of Statistics China, Statistics Canada, Statistics Indonesia, UK Office for National Statistics (ONS), J.P. Morgan Asset Management.
Heatmap is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Colors determined by percentiles of inflation values over the last 10 years. Deep blue = lowest value, light blue = median, deep red = highest value. DM and EM represent developed markets and emerging markets, respectively.
Guide to the Markets – U.S. Data are as of September 30, 2019.

Source: J.P. Morgan Asset Management

China GDP Growth: Composite Sales

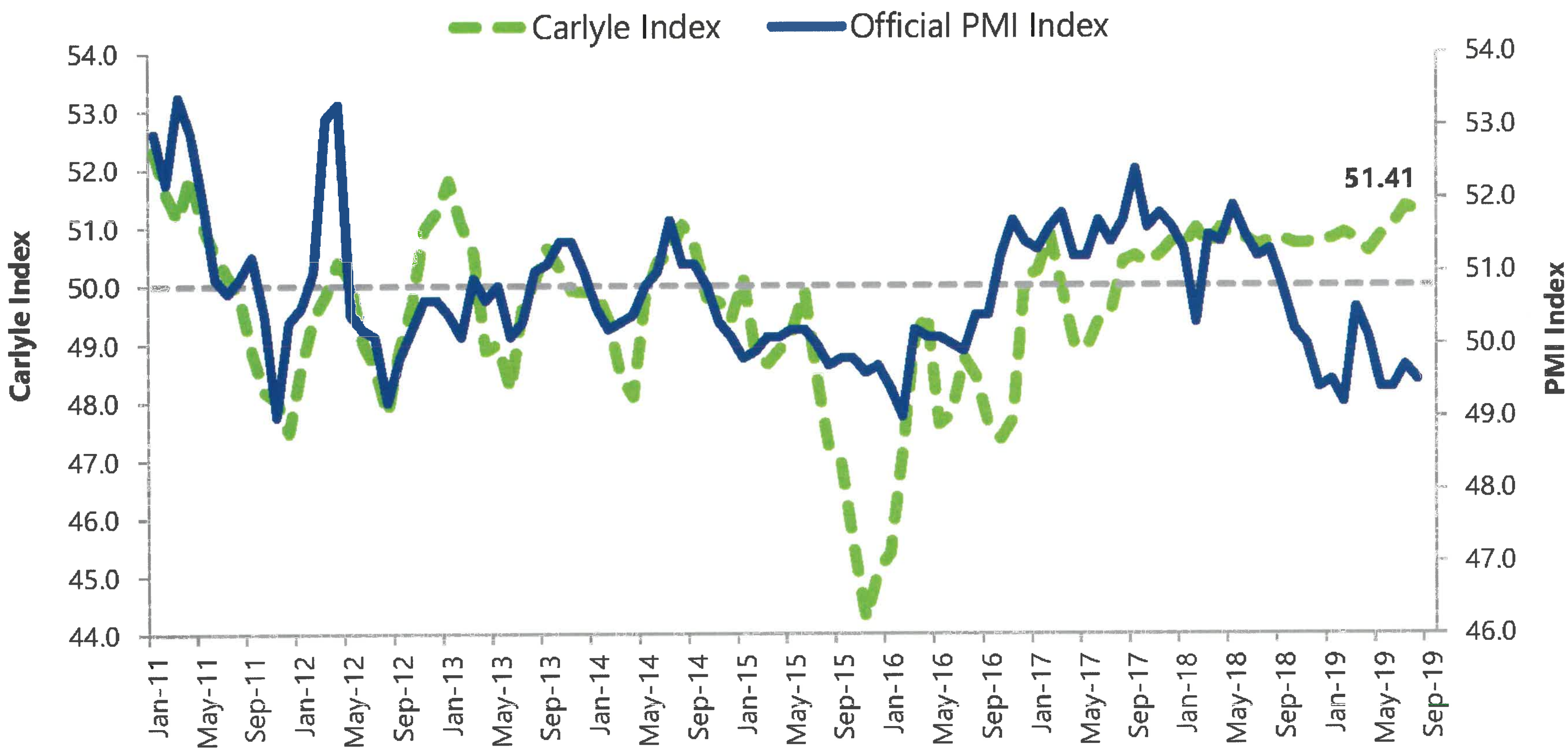
Chinese GDP Growth Appears to Have Stabilized around 5.5 – 6.0% Annual Rate



Source: Carlyle Analysis of Portfolio Company Data; National Bureau of Statistics

China Industrial Demand: Industrial Input Price Index

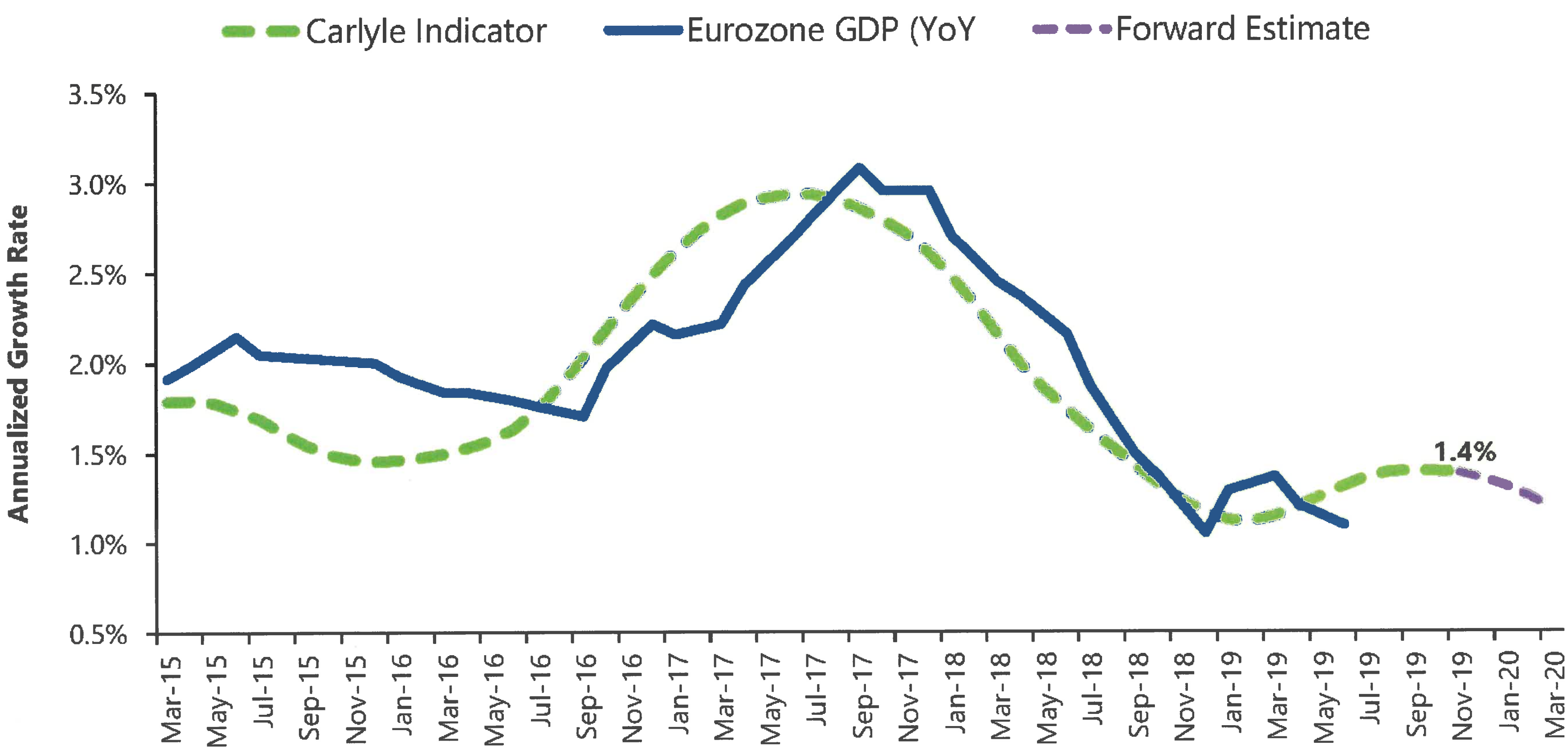
Portfolio-Implied Demand for Industrial Inputs Remains Strong While Official Index Marks Decline



Source: Carlyle Analysis of Portfolio Company Data; National Bureau of Statistics

Euro Area GDP: Composite Business Orders

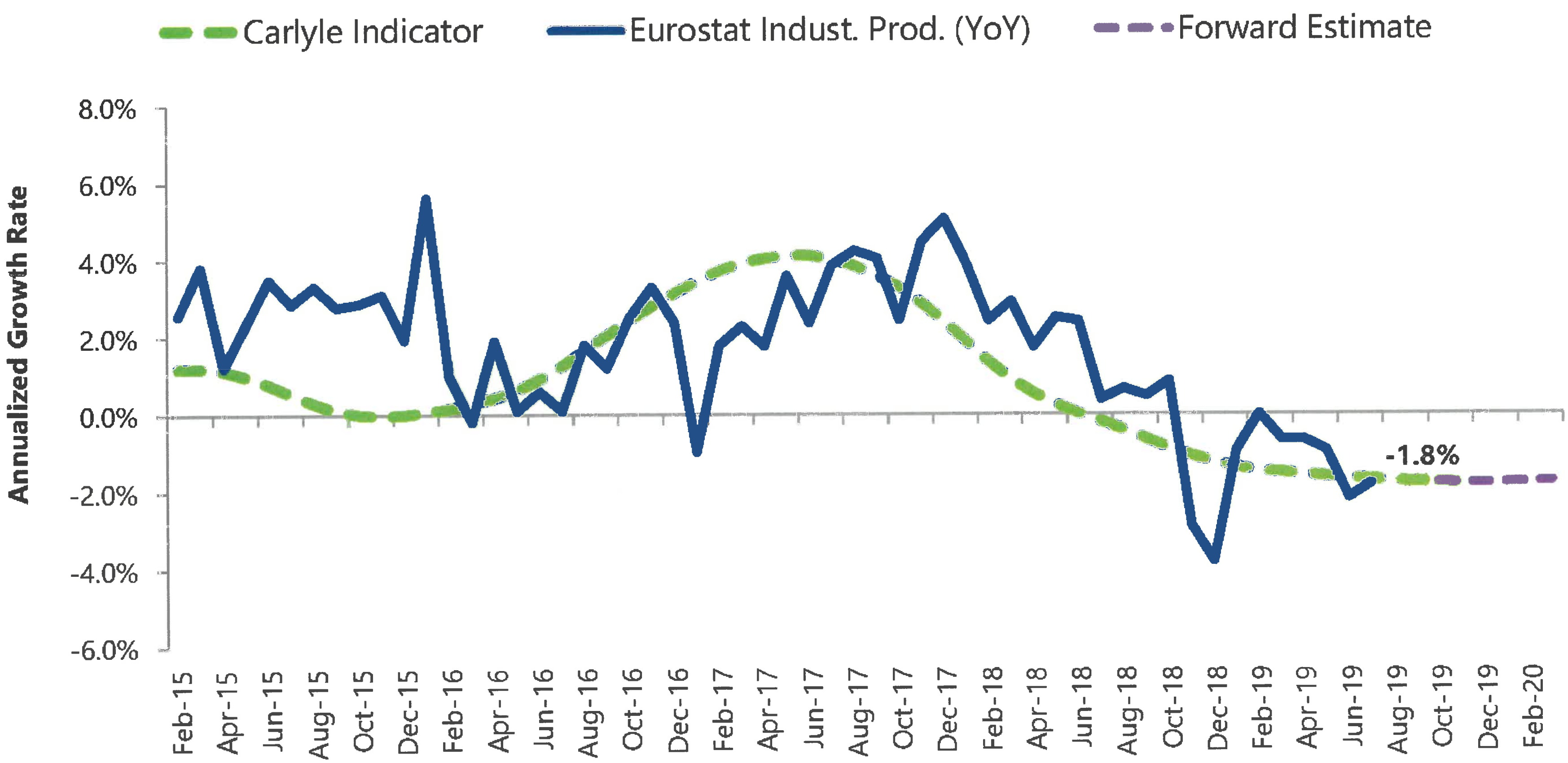
Total Order Books Remain Consistent with ~1.0-1.5% Annualized Growth



Source: Carlyle Analysis of Portfolio Company Data; EuroStat

Euro Area Industrial Production: Industrial Composite

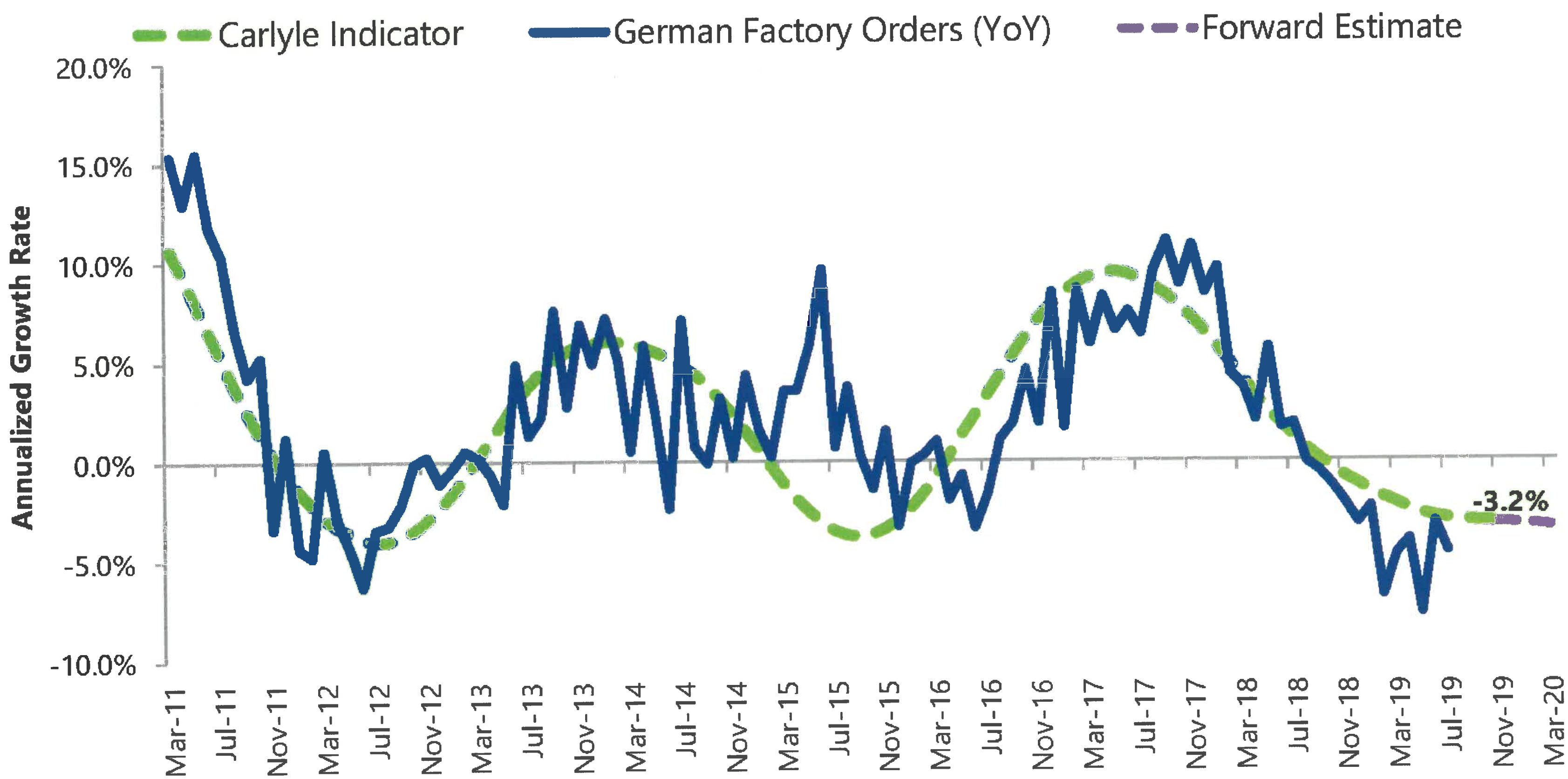
Industrial Orders Continue to Decline



Source: Carlyle Analysis of Portfolio Company Data; EuroStat

Germany Factory Orders: Tungsten Volumes (Industrial Equipment)

Portfolio-Implied Orders Decline on Waning Trade Volumes; Official Decline Stabilizes around -3%



Source: Carlyle Analysis of Portfolio Company Data; EuroStat

GUGGENHEIM

Guggenheim Partners

Q4 2019 IACFM Meeting

Federal Reserve Bank of New York

Scott Minerd
Global Chief Investment Officer

October 9, 2019

Innovative Solutions. **Enduring Values.**®

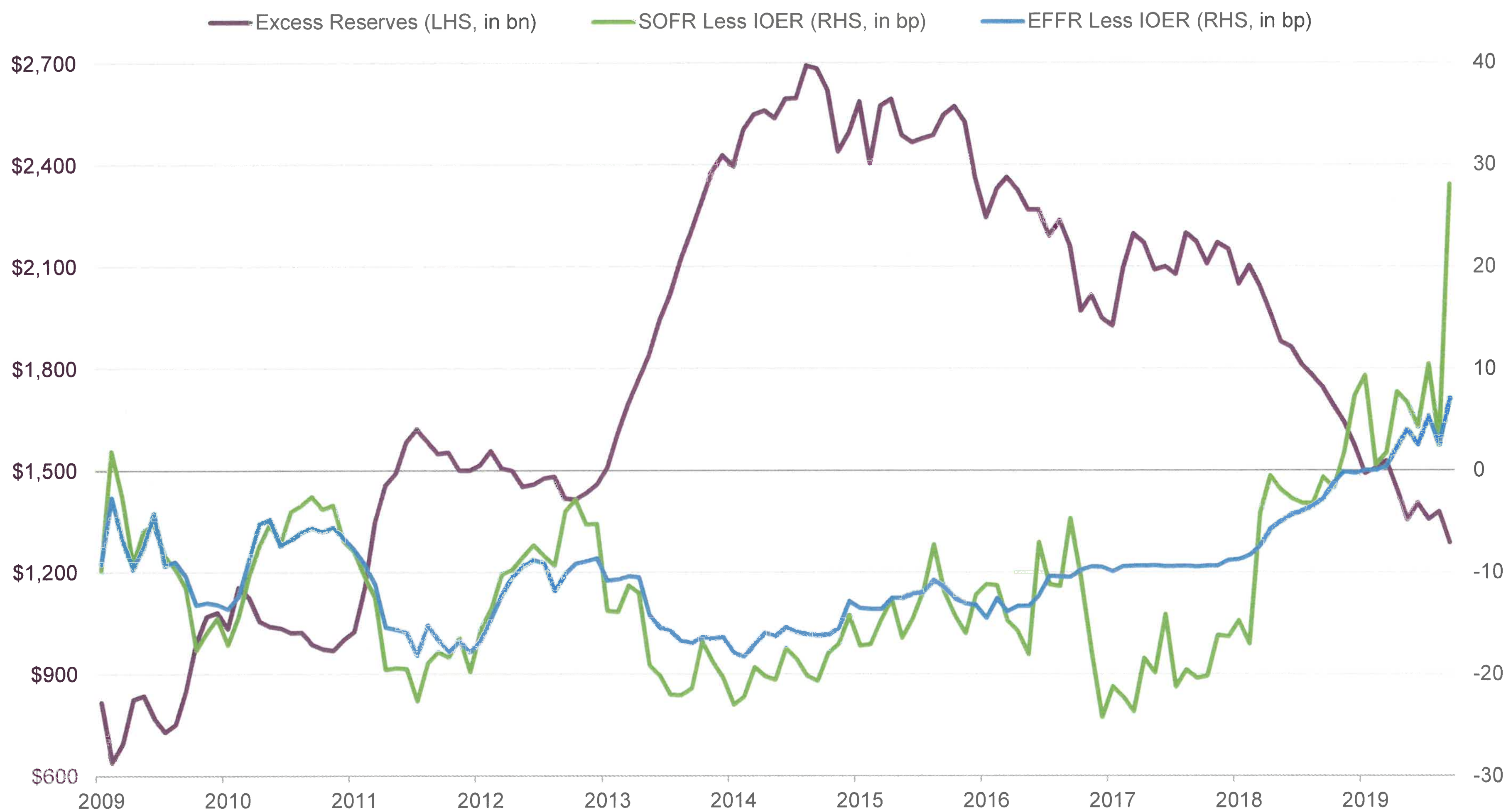
GUGGENHEIM

What caused the spike in funding rates?

Reduced supply of short term liquidity.

The Decline in Excess Reserves Has Pushed Funding Rates Higher

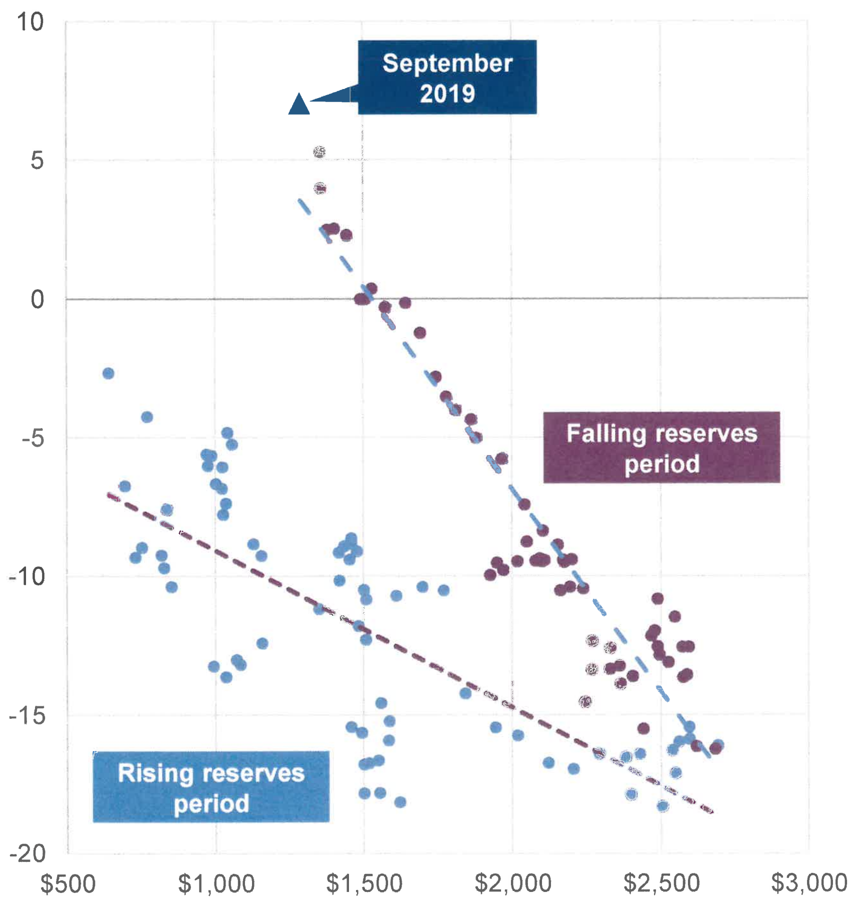
Excess Reserves vs Funding Rate Spreads Over IOER



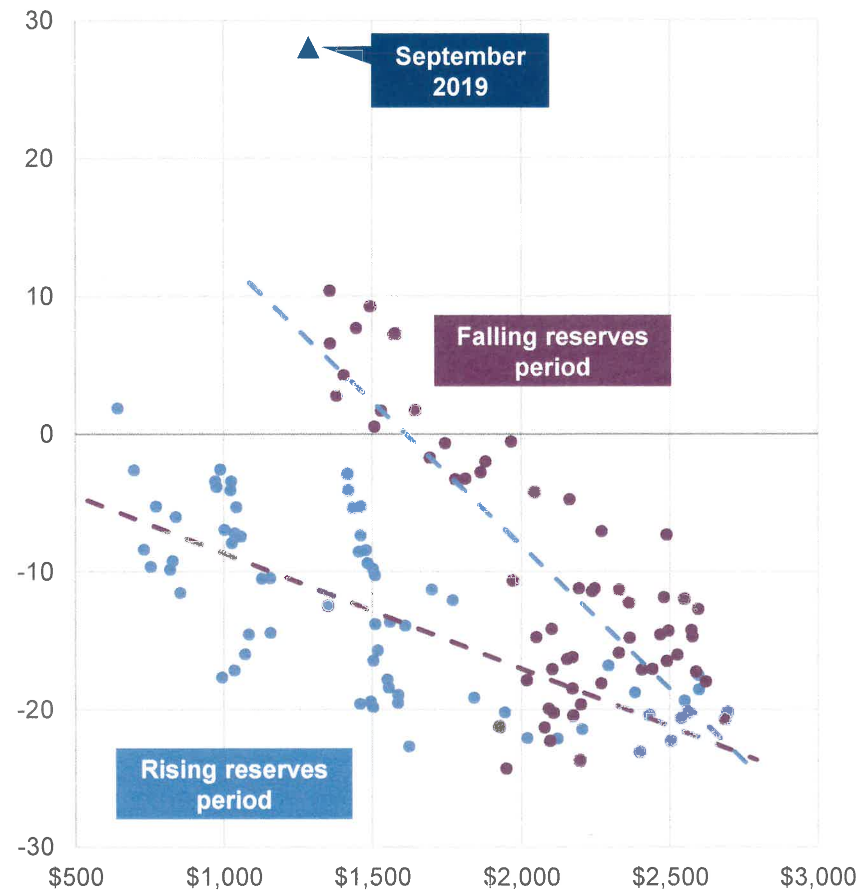
Source: Guggenheim Investments, Haver Analytics. Data as of 09/30/2019.

Excess Reserves Have Fallen Below the Equilibrium Level

Spread of Fed Funds Effective Rate Over IOER
In Basis Points (Monthly Avg of Daily Data Since Jan 2009)



Spread of SOFR Over IOER
In Basis Points (Monthly Avg of Daily Data Since Jan 2009*)



Source: Guggenheim Investments, Haver Analytics. Data as of 09/30/2019. Note: excess reserves peaked at $2.7 trillion in August 2014. Primary dealer survey repo rate is used prior to August 22, 2014 due to SOFR data limitations.

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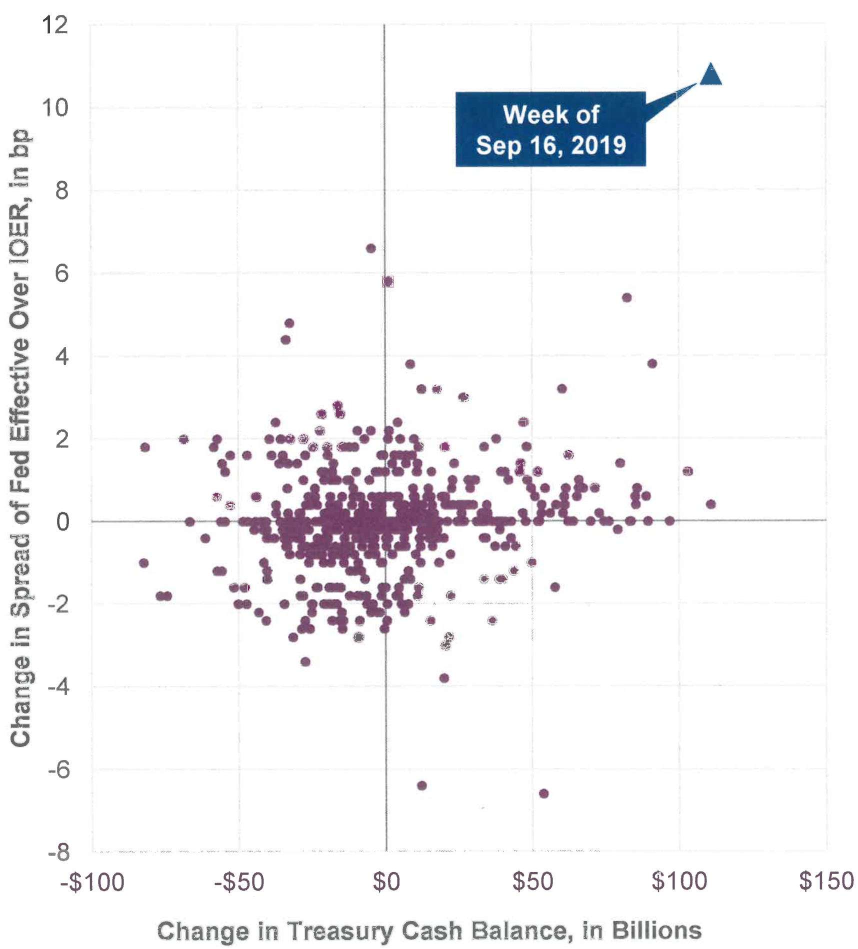
Why did funding rates spike now?

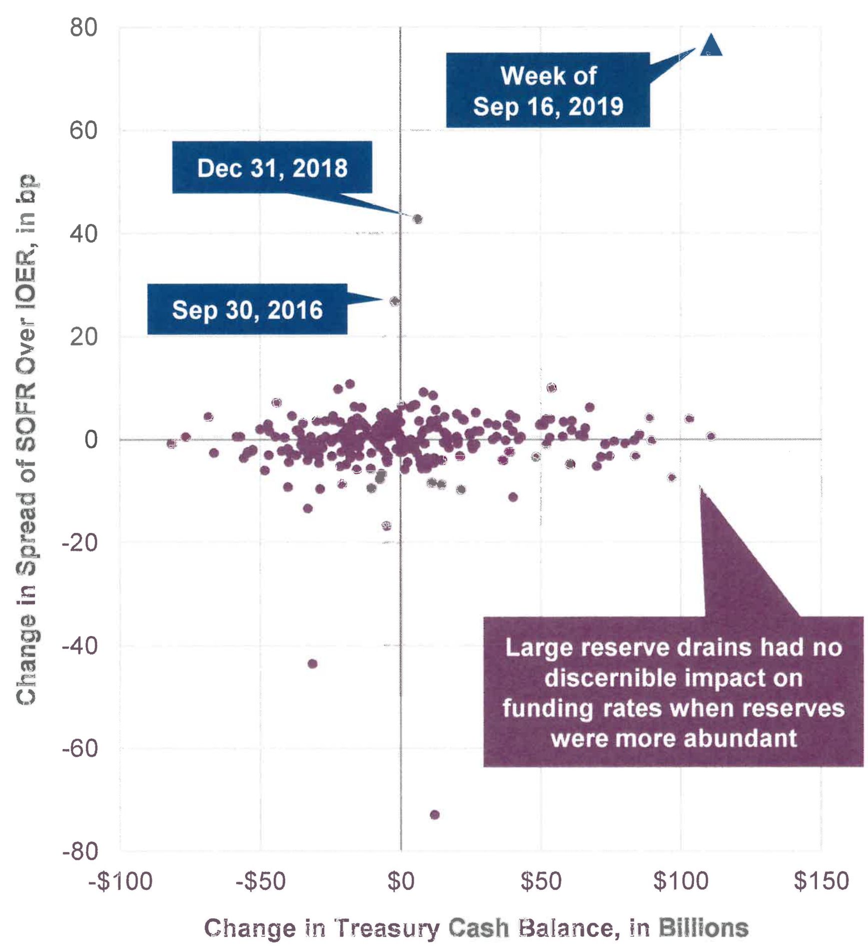
A surge in the demand for credit at tax date and increasing Treasury financing.

We've Seen Large Increases in the Treasury Cash Balance Before…
But the Recent Spike in Rates Suggests Reserve Scarcity is a Problem

EFFR-IOER Spread vs Change in Treasury Cash Balance
Weekly Average of Daily Data Since January 2009



SOFR-IOER Spread vs Change in Treasury Cash Balance
Weekly Average of Daily Data Since January 2009*

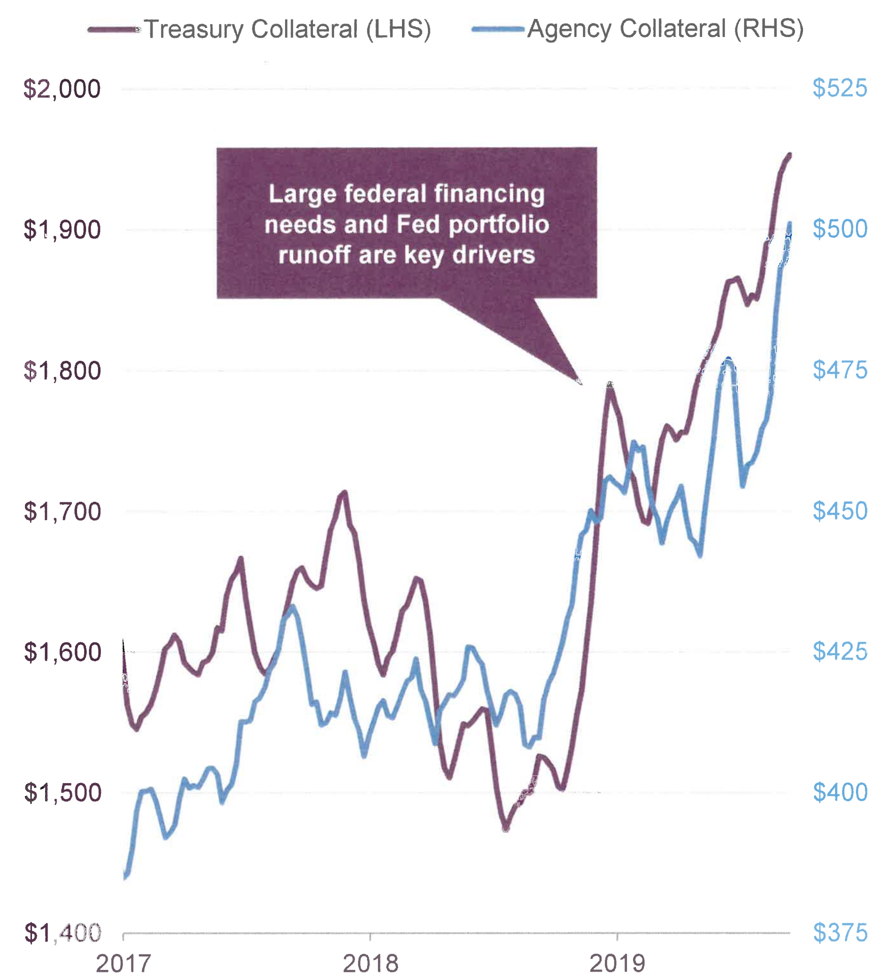


Source: Guggenheim Investments, Haver Analytics. Data as of 09/27/2019. Note: primary dealer survey repo rate is used prior to August 22, 2014 due to SOFR data limitations.

Rising Demand for Funding Has Also Played a Role

Repo Activity Has Begun to Rise Again…
Dealer Repo (Securities Out), in USD Billions

…Driven by a Pickup in Treasury and Agency Financing
Primary Dealer Repo (Securities Out), in USD Billions*



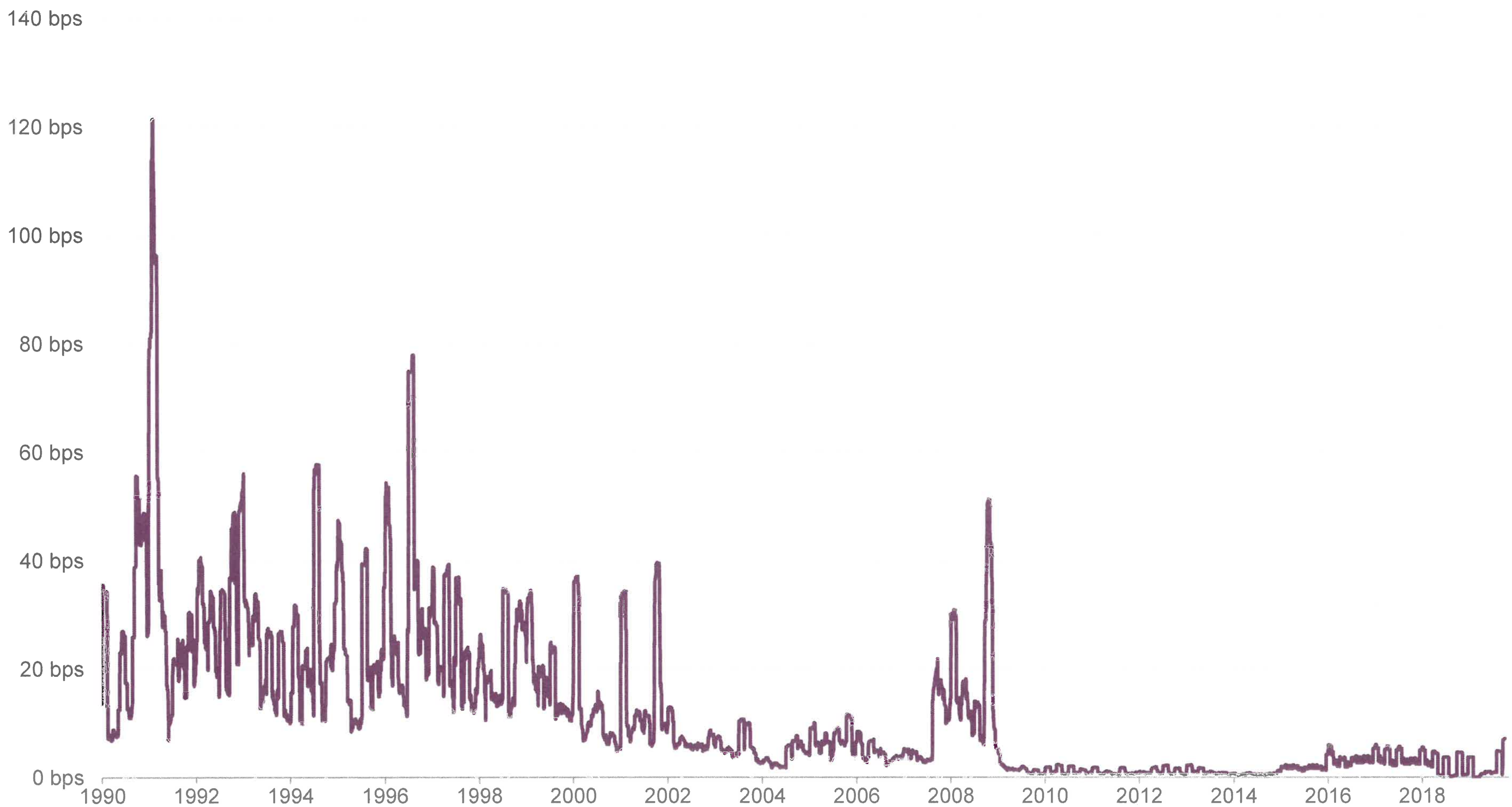
Source: Guggenheim Investments, Haver Analytics, Federal Reserve. Data in left chart as of 06/30/2019; data in right chart as of 09/18/2019 (4-week moving average).

Why didn't the market pick up on imbalances sooner?

Interest rate targeting policy resulted in an unstable equilibrium which did not allow market rates to signal increasing liquidity shortfalls.

Volatility in Effective Fed Funds Was Higher Pre-Crisis

Rolling 30 Day Standard Deviation of Changes in the Effective Fed Funds Rate (bps)



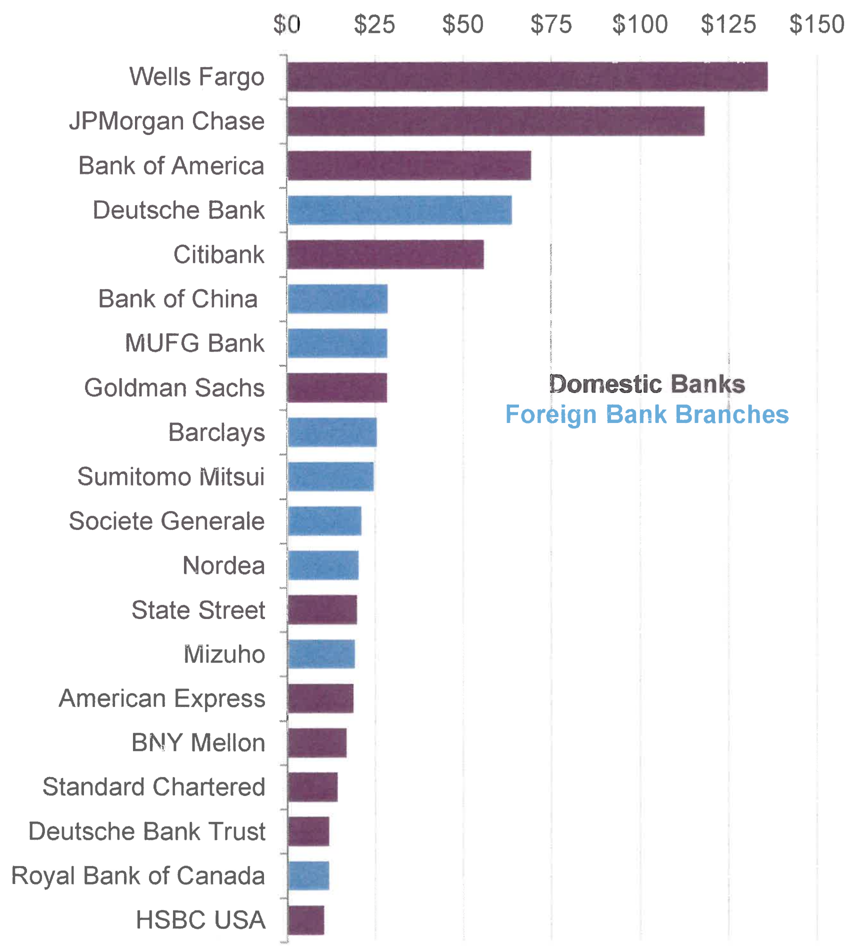
Source: Guggenheim Investments, Haver Analytics. Data as of 10/4/2019.

Why don't banks lend excess reserves to cover the liquidity shortfall?

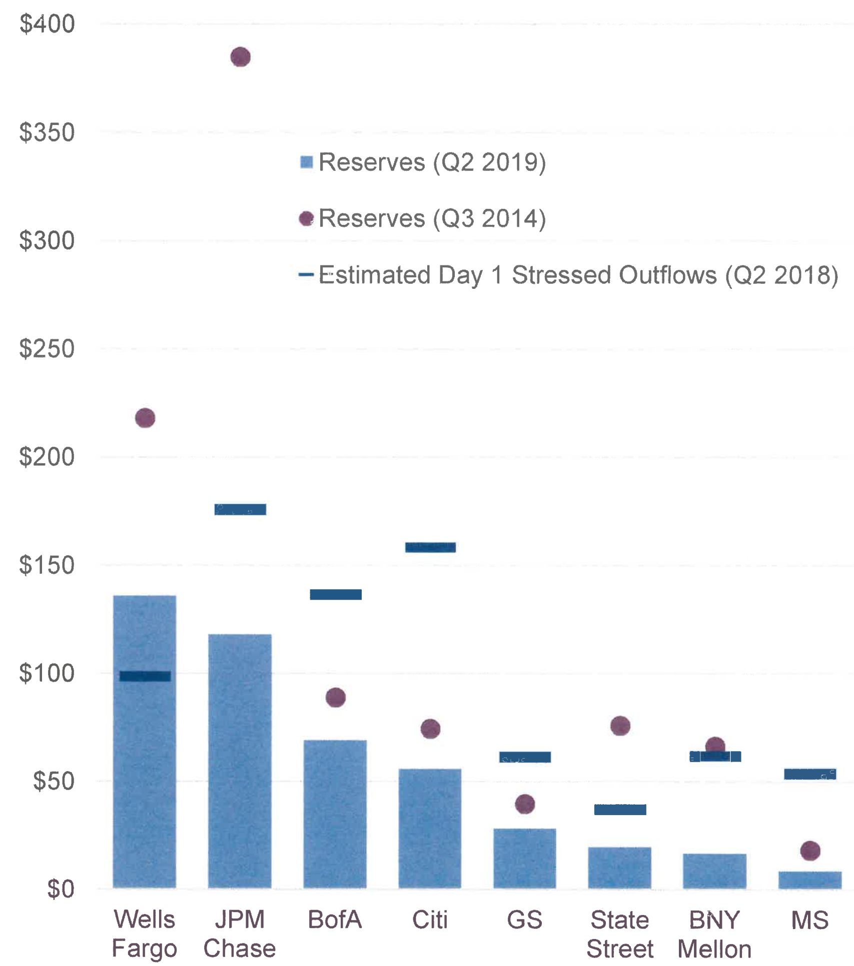
Macroprudential policy constraints discourage the elasticity of balance sheets of large financial institutions to meet surges in credit demand.

Reserves Are Unevenly Distributed…
And May Not Be Circulating Due to Binding Intraday Liquidity Constraints

Top 20 Holders of Reserve Balances at the Fed
USD Billions



Intraday Liquidity Needs May be Binding as Reserves Fall
USD Billions



Source: Guggenheim Investments, Wrightson, New York Fed. Data as of 06/30/2019. Estimated stressed outflows as of Q2 2018, per Liberty Street Economics Blog.

Regulations Limit Large Banks' Ability to Intermediate Liquidity

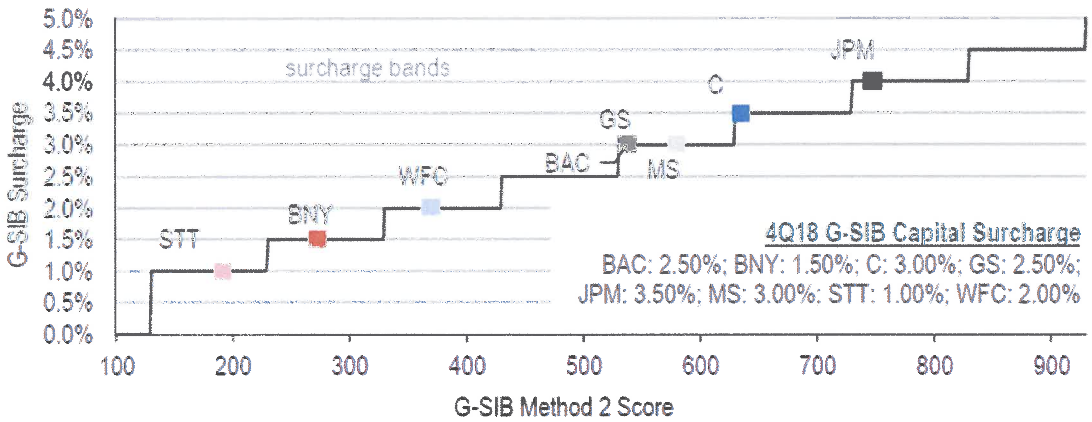
Rule	Full Name	Type	U.S. Rule Finalized	Description	Implications for Funding Markets
CLAR	Comprehensive Liquidity Analysis and Review	Liquidity	December 2012	Reviews the liquidity positions and liquidity risk management of large, complex banks, and requires them to conduct internal liquidity stress tests, which for some banks may be more binding than the LCR	Substantially increases the quantity of liquid assets (especially reserves at the Fed) that banks must hold
LCR	Liquidity Coverage Ratio	Liquidity	September 2014	Requires that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 days	Substantially increases the quantity of liquid assets (including reserves at the Fed) that banks must hold
eSLR	Enhanced Supplementary Leverage Ratio	Capital	April 2014	Requires that banks hold Tier 1 capital against all assets (both on- and off-balance sheet), without regard to risk weighting, with higher requirements for the largest and most complex U.S. banks	Dramatically reduces the return on equity of lending in short-term funding markets when the SLR is the binding capital constraint
G-SIB Surcharge	Risk-Based Capital Surcharge for Global Systemically Important Banks	Capital	July 2015	Requires that large banks hold extra risk-weighted capital based on their size, interconnectedness, cross-jurisdictional activity, substitutability, complexity, and reliance of short-term wholesale funding	Creates incentives for large banks to reduce their participation in funding markets, especially as the year-end balance sheet snapshot approaches, to avoid higher capital surcharges

Source: Guggenheim Investments, Federal Reserve.

The G-SIB Surcharge Step Function is a Constraint to Marginal Liquidity

Exhibit 7: As of 2Q19, four US G-SIBs are currently operating in a higher G-SIB surcharge band relative to 4Q18

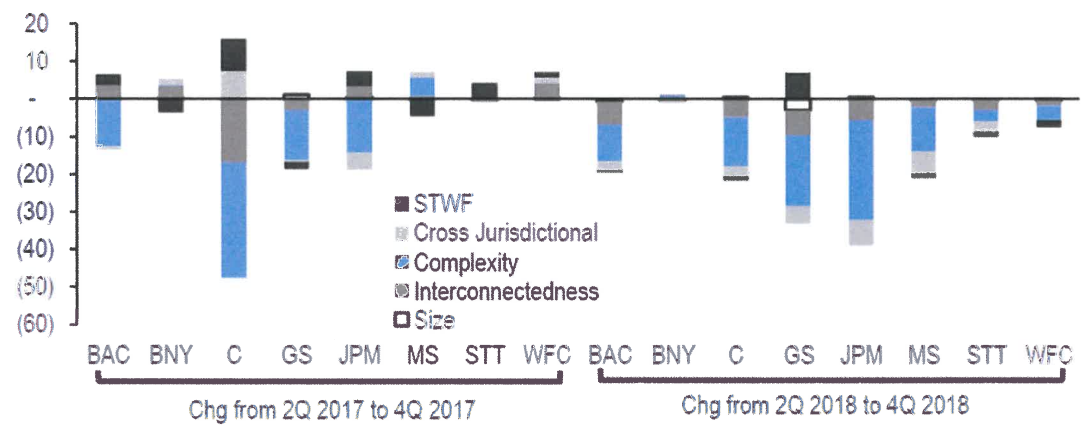
US G-SIBs' scores (unitless) and surcharge buckets, as of 2Q19 (%)



Source: FR Y-15, J.P. Morgan

Exhibit 8: Over the past two years, US G-SIBs reduced their footprint in the secured lending and OTC derivatives markets—an action that materially reduced their G-SIB scores but which raised the costs of USD funding

Changes in G-SIB subcomponent scores in 2H17 and 2H18, by US G-SIB (unitless)



Source: FR Y-15, J.P. Morgan

Source: Guggenheim Investments, Federal Reserve.

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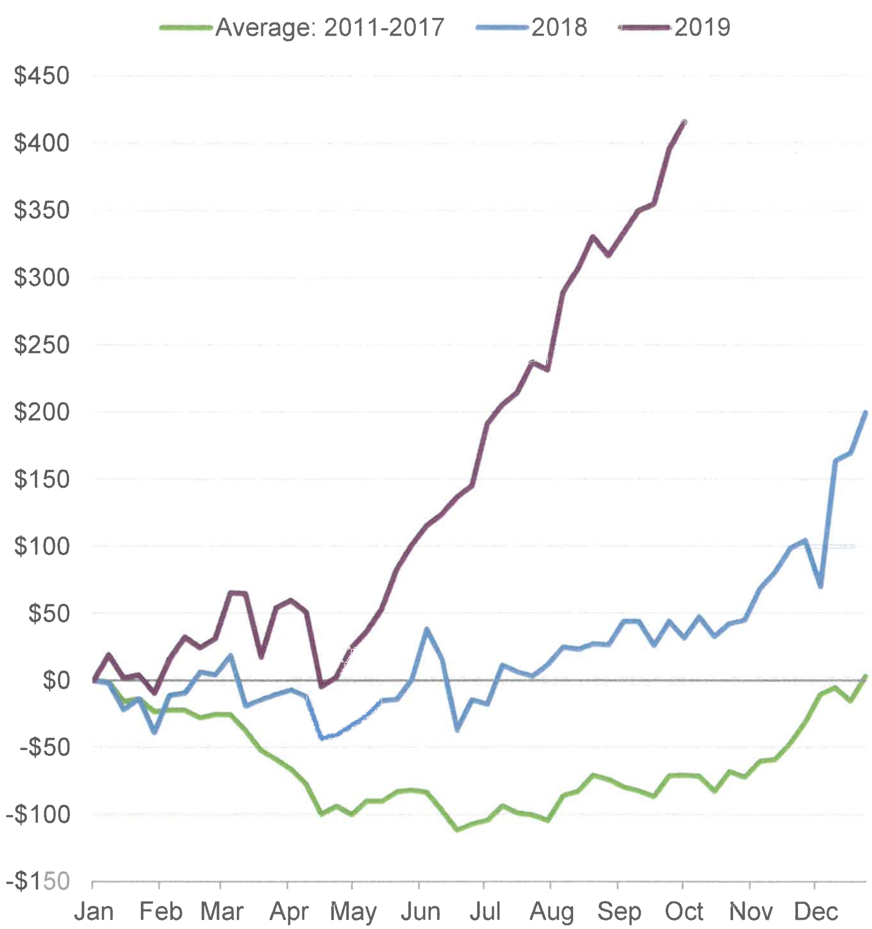
Are there are other sources of liquidity?

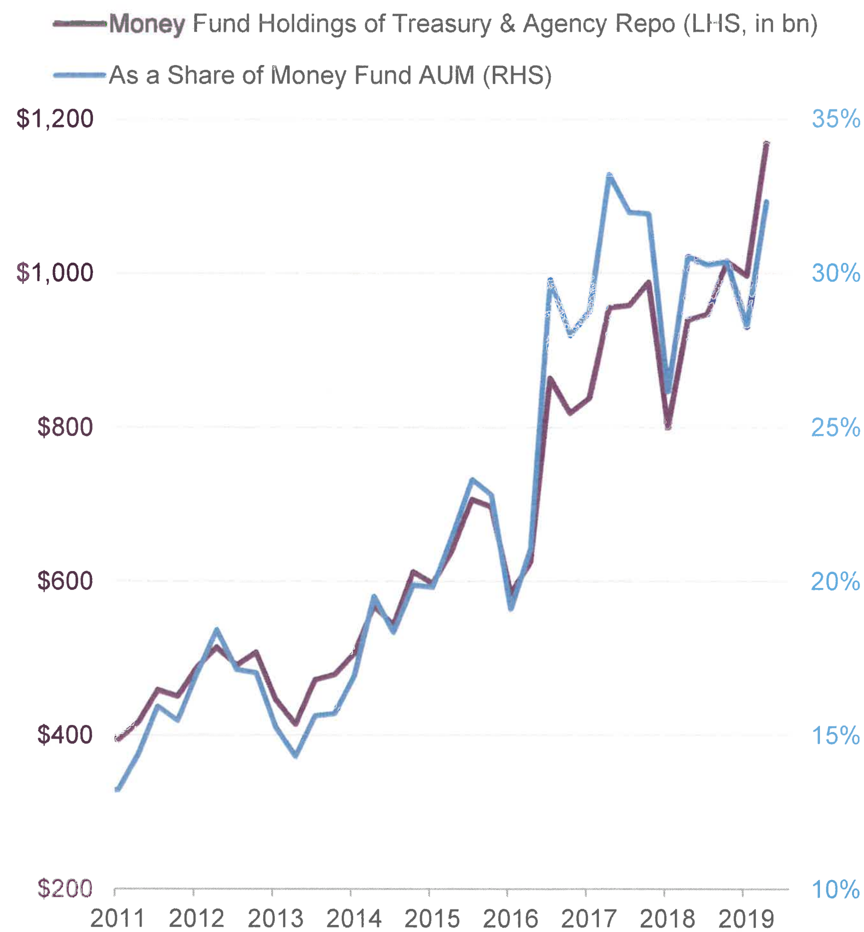
Yes, there are a number of liquidity providers in the shadow banking system, but they are insufficient to provide adequate funding.

Funding Stress Would Be More Acute if Not for Money Fund AUM Growth

Cumulative Annual Change in Money Fund Assets Under Management, in Billions



Money Fund Holdings of Treasury and Agency Repo
in Billions and as a % of AUM



Source: Guggenheim Investments, Haver Analytics. Data in left chart as of 10/02/2019; data in right chart as of 07/31/2019.

Other Sources of Liquidity: Non-bank Dealers

Sample List of Non-Bank Dealers

Non-Bank Dealer	Assets ($mm)	Liabilities ($mm)	Equity ($mm)	Debt / Assets	Debt / Equity	as of (year)
Interactive Brokers LLC	$50,852	$45,591	$5,261	90%	9x	2018
Curvature Securities	$35,680	$35,650	$31	100%	1166x	2018
South Street Securities	$35,316	$35,140	$176	100%	200x	2018
Ronin Capital	$15,016	$14,759	$232	98%	64x	2014
ASL Capital Markets	$7,068	$6,929	$138	98%	50x	2018
Aardvark Securities	$517	$483	$34	93%	14x	2018
Mirae Asset Securities	$250	$2	$248	1%	0x	2016
Becker Securities	n/a	n/a	n/a	n/a	n/a	n/a
Average	**$20,671**	**$19,793**	**$874**	**83%**	**215x**	
Median	**$15,016**	**$14,759**	**$176**	**98%**	**50x**	

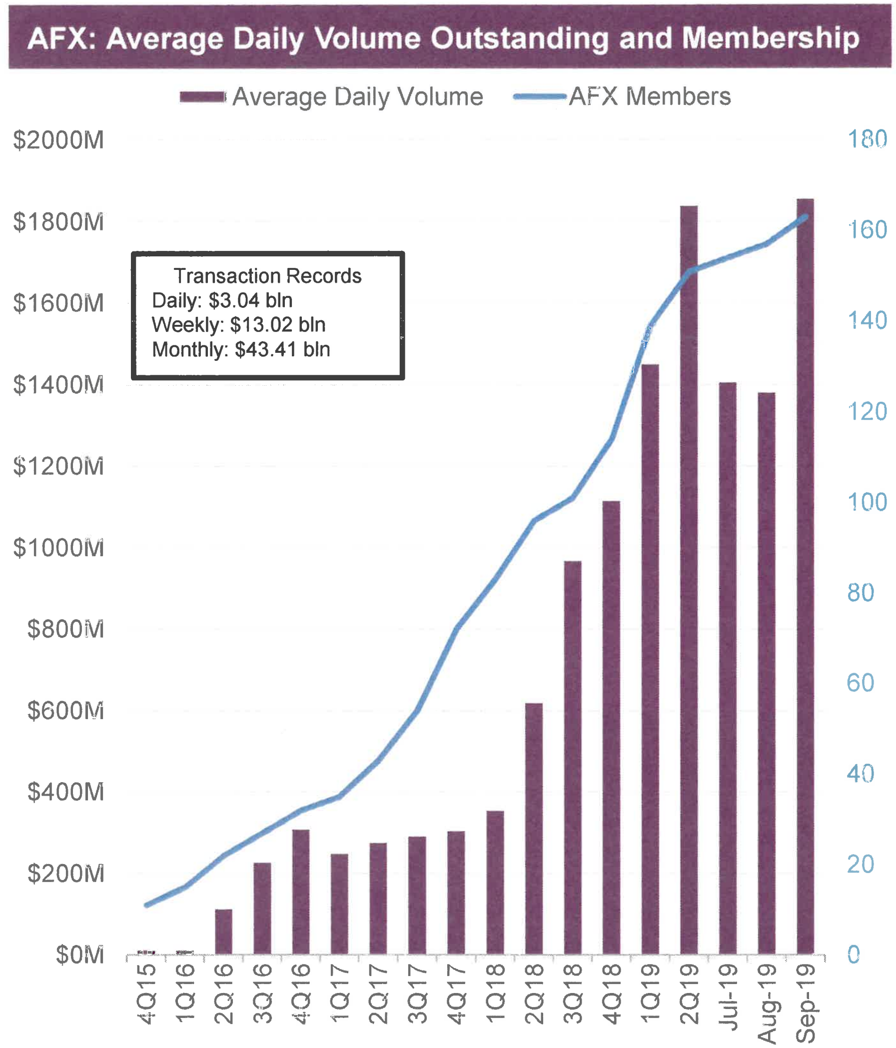
Other Market Participant Estimates of Non-Bank Dealer Statistics

- Balance sheet leverage of up to 300x
- Balance sheet size: $5 billion - $50 billion
- Intermediate at least $300-400bn of net financing in the financial markets

Source: Guggenheim Investments, SEC. Based on statement of financial condition as required by the SEC.

The American Financial Exchange (AFX) Continues to Grow

	December 2015 (AFX opened on Dec. 11, 2015)	September 2019
# of members	4 member banks	133 banks + 30 non-banks (insurance companies, broker-dealers, private equity firms, corporates) = 163 members (plus over 1,000 downstream banks in its correspondent program)
Geographic presence	4 states	50 states
Credit lines	4 lines	Over 1,250 new lines representing $50B in bilateral credit lines created between banks that would have never met each other otherwise
Volume	13 M	1.86 Billion average daily volume – September experienced a record day (3B) and a record week (13B)



Source: Guggenheim Investments. AFX. Data as of 9/30/2019.

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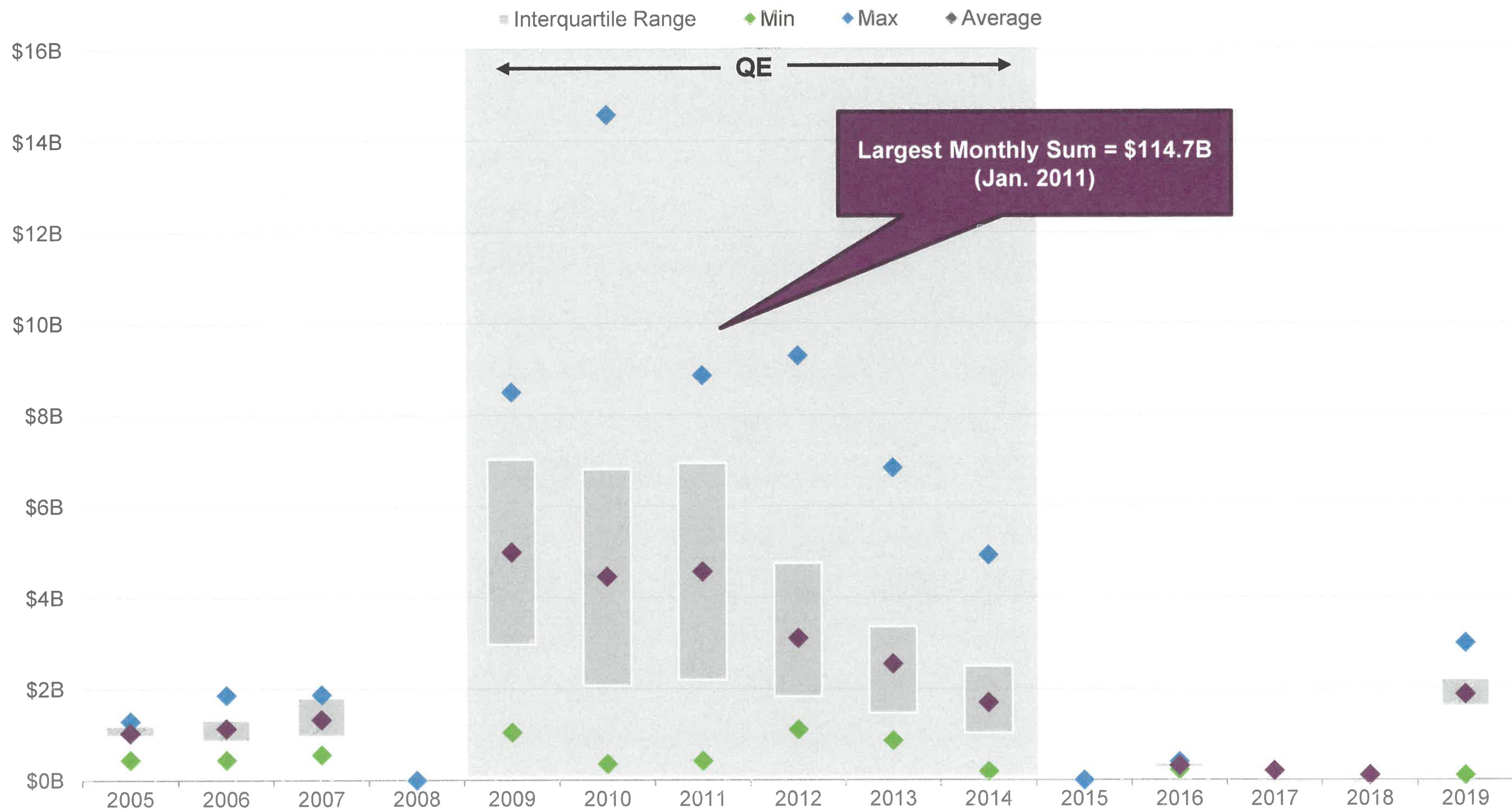
What are the potential solutions to provide the necessary short-term liquidity?

1. *Continue the current repo programs*
2. *Begin a protracted series of coupon passes*
3. *Establish a permanent repo facility*
4. *Resume large scale asset purchases*
5. *Do nothing and allow the market to establish an equilibrium level of interest rates*

History of Coupon Passes

Permanent Open Market Operations: Daily Amounts of Treasury Security Purchases by Calendar Year



Source: Guggenheim Investments, Haver Analytics. Data as of 10/07/2019. 2005 data starts in late August.

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Equity Thoughts and Scenarios into 2020

--What have been the primary drivers of equity markets in recent months?

--Do returns across sectors or "factors" reveal anything about these underlying drivers?

--What signal do you take from the recent sector rotations and what does this say about the outlook for equities and any risks around that outlook?

October 2019

Rebecca Patterson
Chief Investment Officer

U.S. Equities Have Outperformed Most of This Cycle

Why U.S. Strength?

- Relatively stronger underlying growth
  - Major fiscal stimulus late 2017/early 2018
  - Less sensitivity to trade war
- Share buybacks
- Equity sector composition

As of October 2, 2019.
Source: Bloomberg

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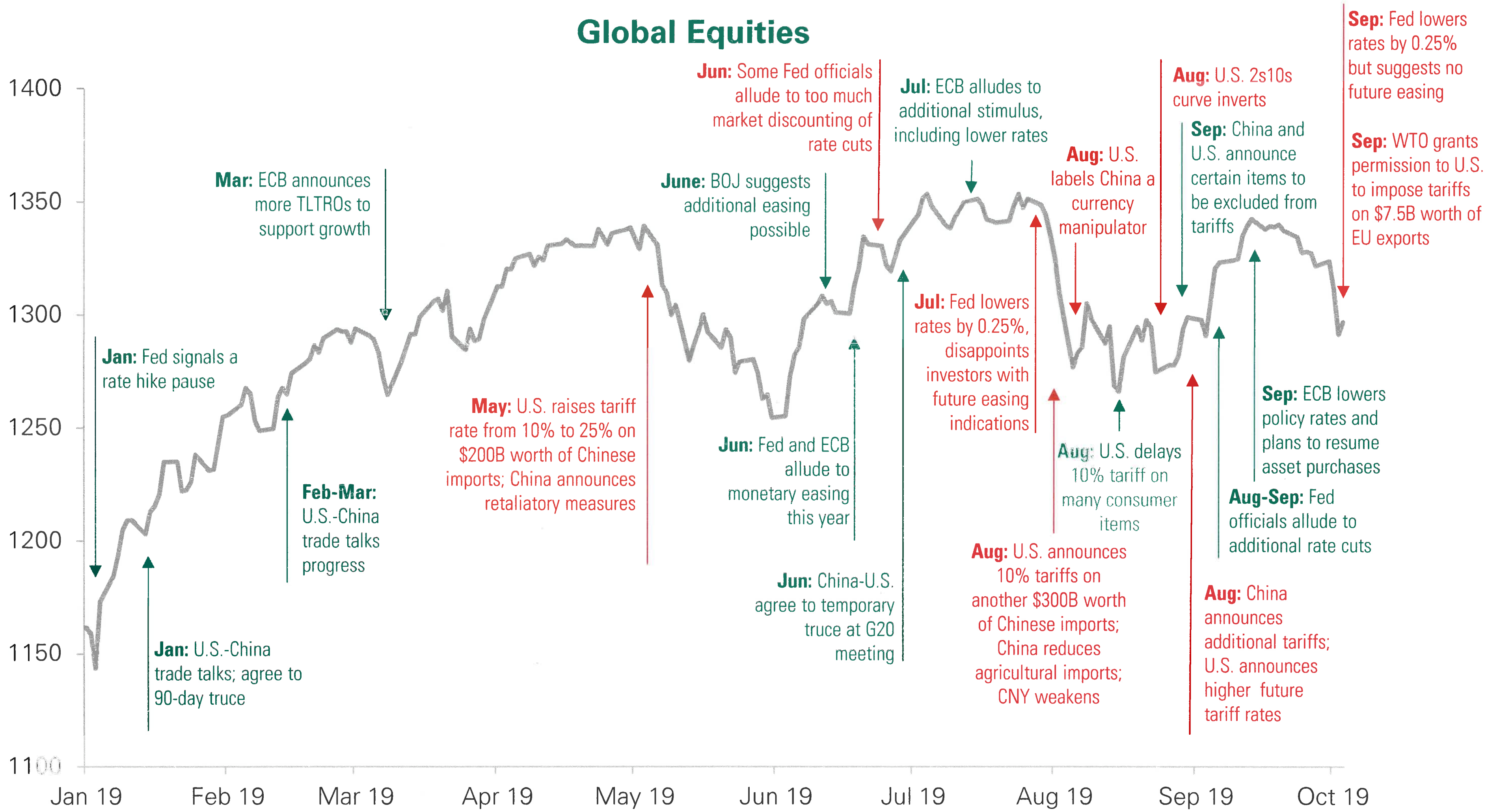
This Year: Trade and Monetary Policy (i.e. Growth Sentiment) Dominating



As of October 3, 2019. Global equities measured using MSCI ACWI IMI and reflect the price level.
Source: Bloomberg, MSCI

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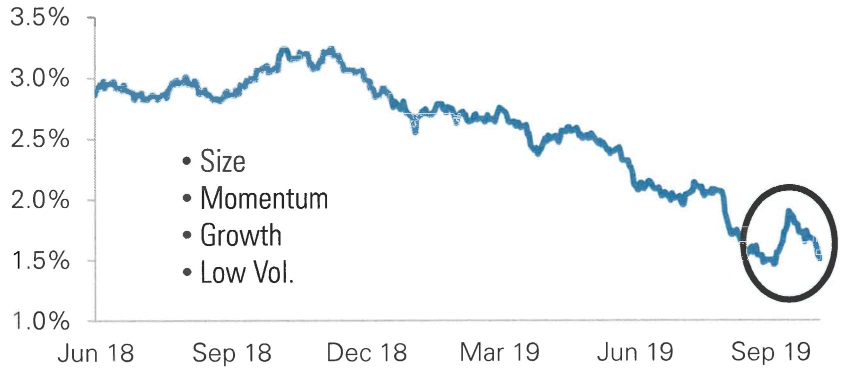
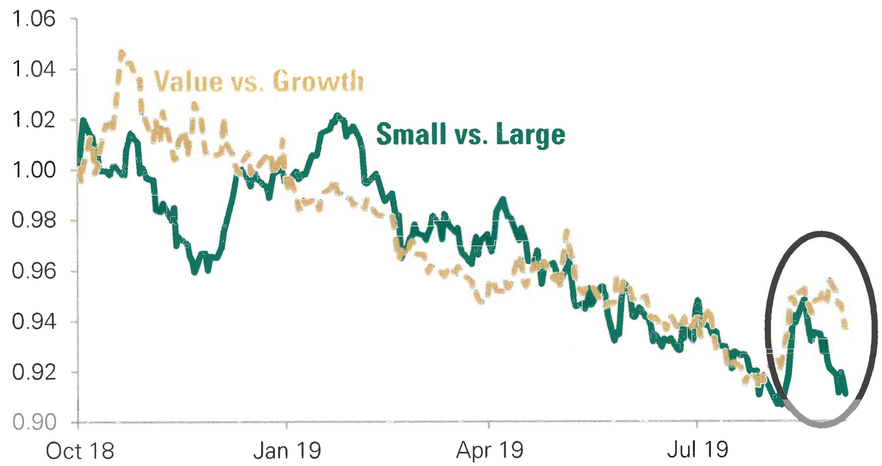
Tying Factors to Market Narratives

10-Year Treasury Yield

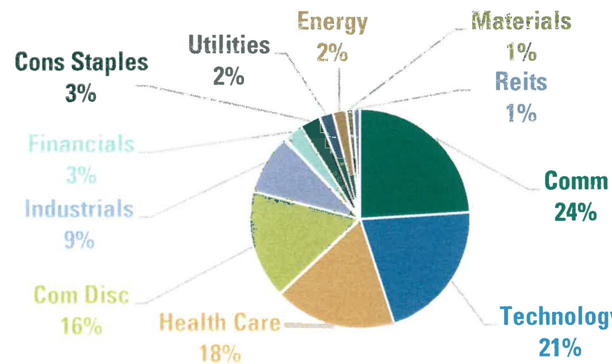


Relative U.S. Equity Returns

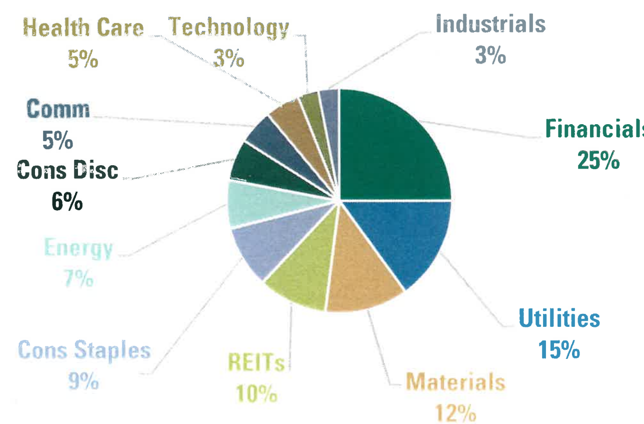


Sector Market Cap Weightings

S&P 500 Pure Growth: 16% Cyclicals



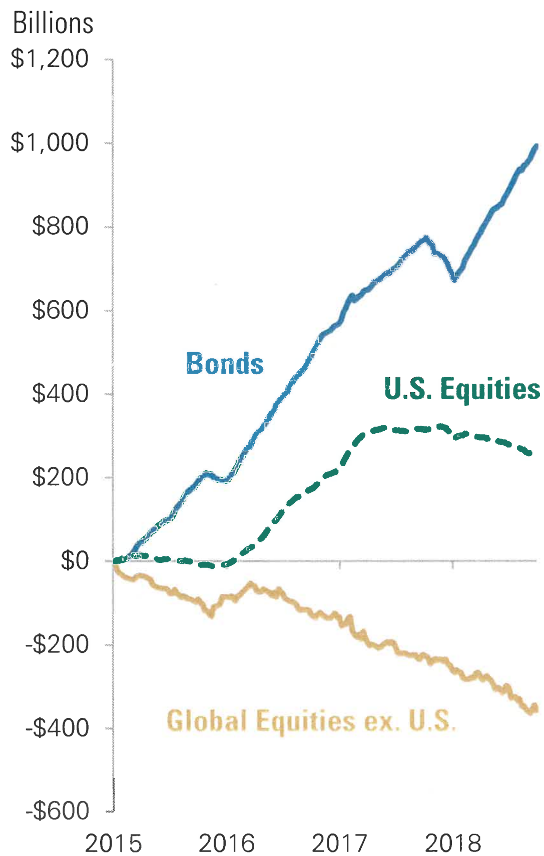
S&P 500 Pure Value: 47% Cyclicals



Left as of October 3, 2019. Right as of September 13, 2019. Equites reflect the price return and are measured using the following indices: small cap (Russell 2000), large cap (S&P 500), growth (Russell 1000 Growth), value (Russell 1000 Value). Cyclicals are defined as the financials, industrials, materials and energy sectors.
Source: Bloomberg, FactSet, Standard & Poor's, Russell, UBS

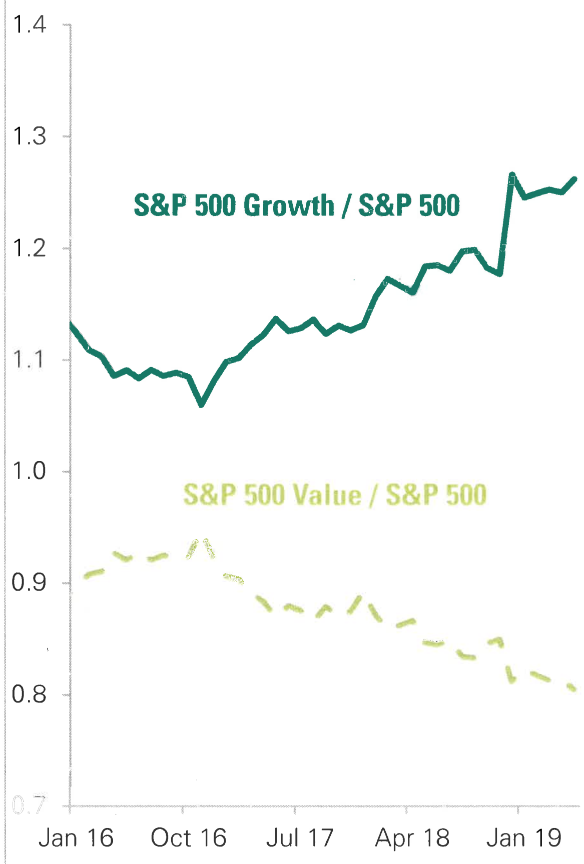
Positioning and Valuations Supported Equity Rotation

Cumulative Fund Flows of Equity and Bond ETFs and Long-Term Mutual Funds



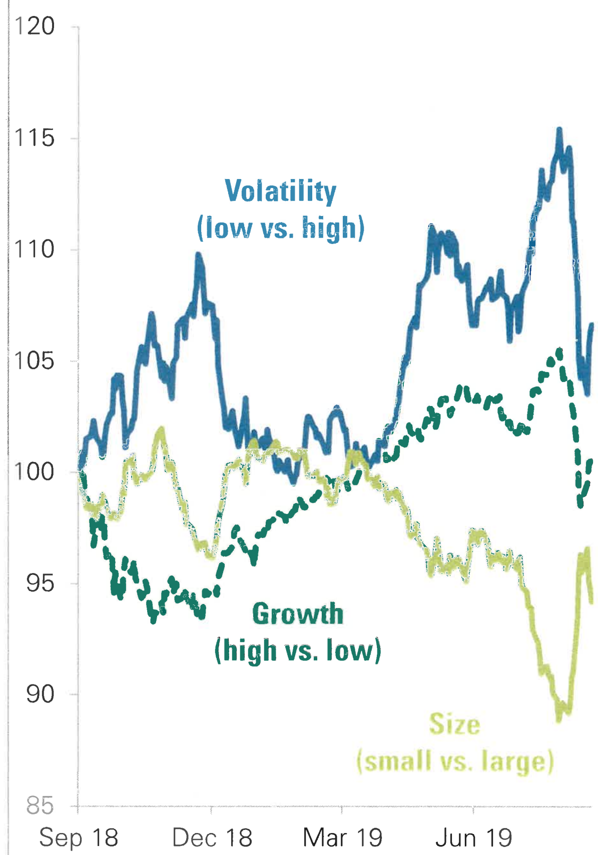
Price to Earnings (NTM)

Growth and Value Relative to the S&P 500



Factor Performance

Indexed to 100 on September 30, 2018



Left as of September 25, 2019. Middle as of September 30, 2019. Right as of September 19, 2019.
Source: Bloomberg, Investment Company Institute, FactSet, Goldman Sachs

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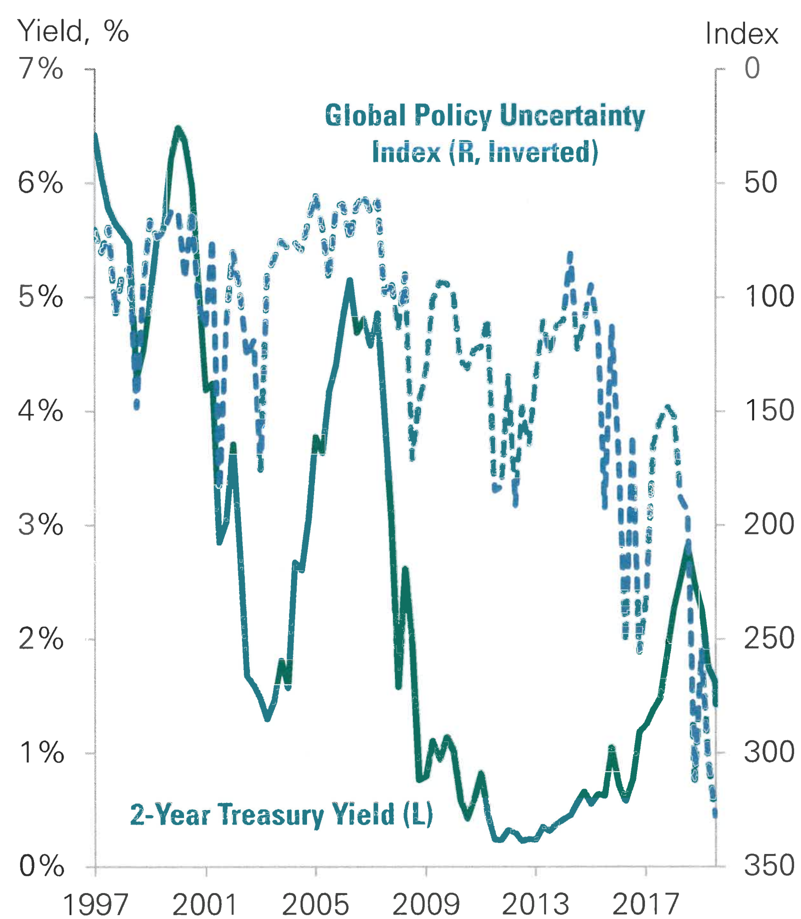
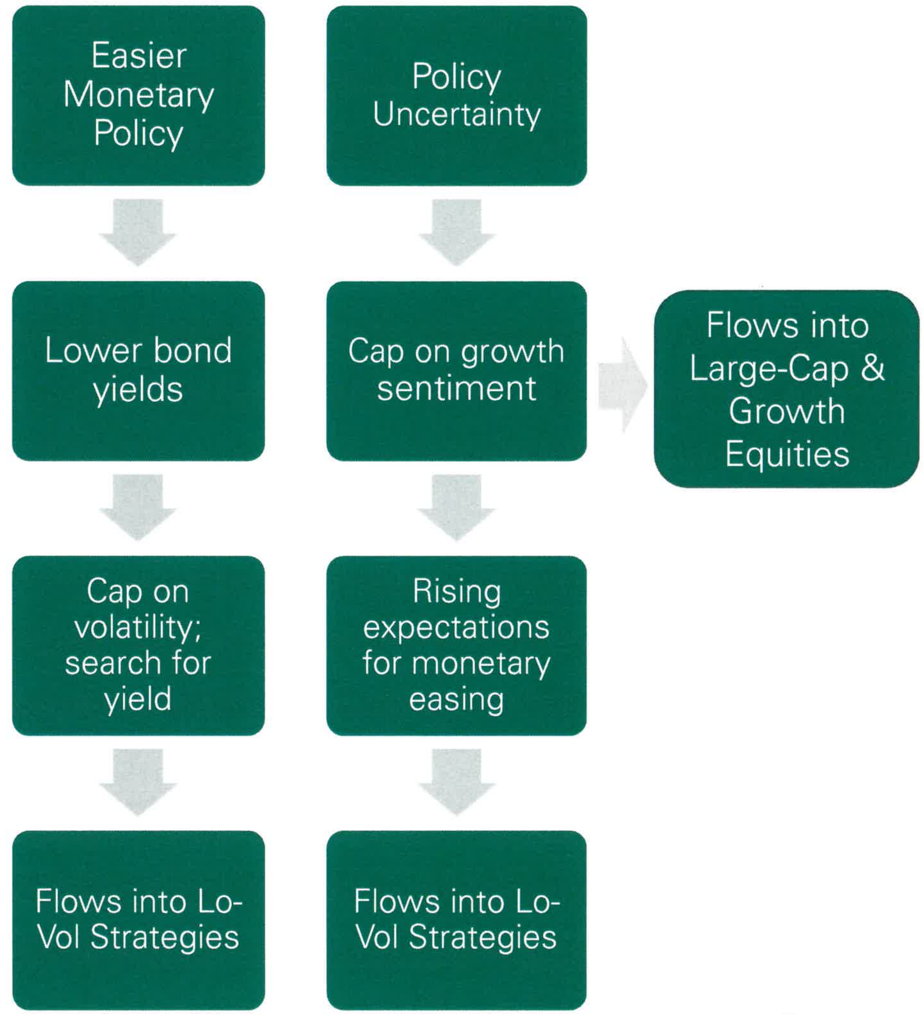
Underlying Drivers and Sector/Factor Performance

U.S. 2-Year Yield and Policy Uncertainty



As of October 7, 2019.
Source: Bloomberg, Baker, Bloom & Davis



Investment Scenarios into 2020: Extrapolating from Recent Trends

Macro Scenario into 2020	*Potential Market Reactions*	*Considerations*
• Trade tensions diminish; capex improves • Central banks ease despite better growth as insurance against deflation – in line or more than consensus • Populist pressures fade as labor recovery broadens	• Equities higher on better growth sentiment • ACWI outperforms US; USD lower • Value outperforms defensives & growth • Bond yields higher; curves steepen • Commodities higher; industrials outperform precious metals	• Positioning (long bonds and growth equities) could reinforce rotation should growth sentiment improve
• Trade tensions and tech "cold war" linger even if U.S.-China deal announced • Central banks ease as insurance against deflation – in line or less than consensus • Lingering business uncertainty starts to feed into service sector and broader labor markets	• Equities range-bound with risks skewed lower on "muddle through" global growth outlook • Growth and defensives outperform value • Bond yields lower; curves flat • Precious metals outperform among commodities	• 2020 election a two-way risk, both to broader growth sentiment as well as specific equity sectors
• Trade tensions and U.S.-China tech "cold war" linger or worsen – "beggar thy neighbor" FX policy a possibility • Central banks ease but not enough to offset downward earnings revisions and deteriorating labor market	• Equities lower on recession worries • Defensives outperform value and growth • Bond yields lower • Precious metals outperform among commodities	

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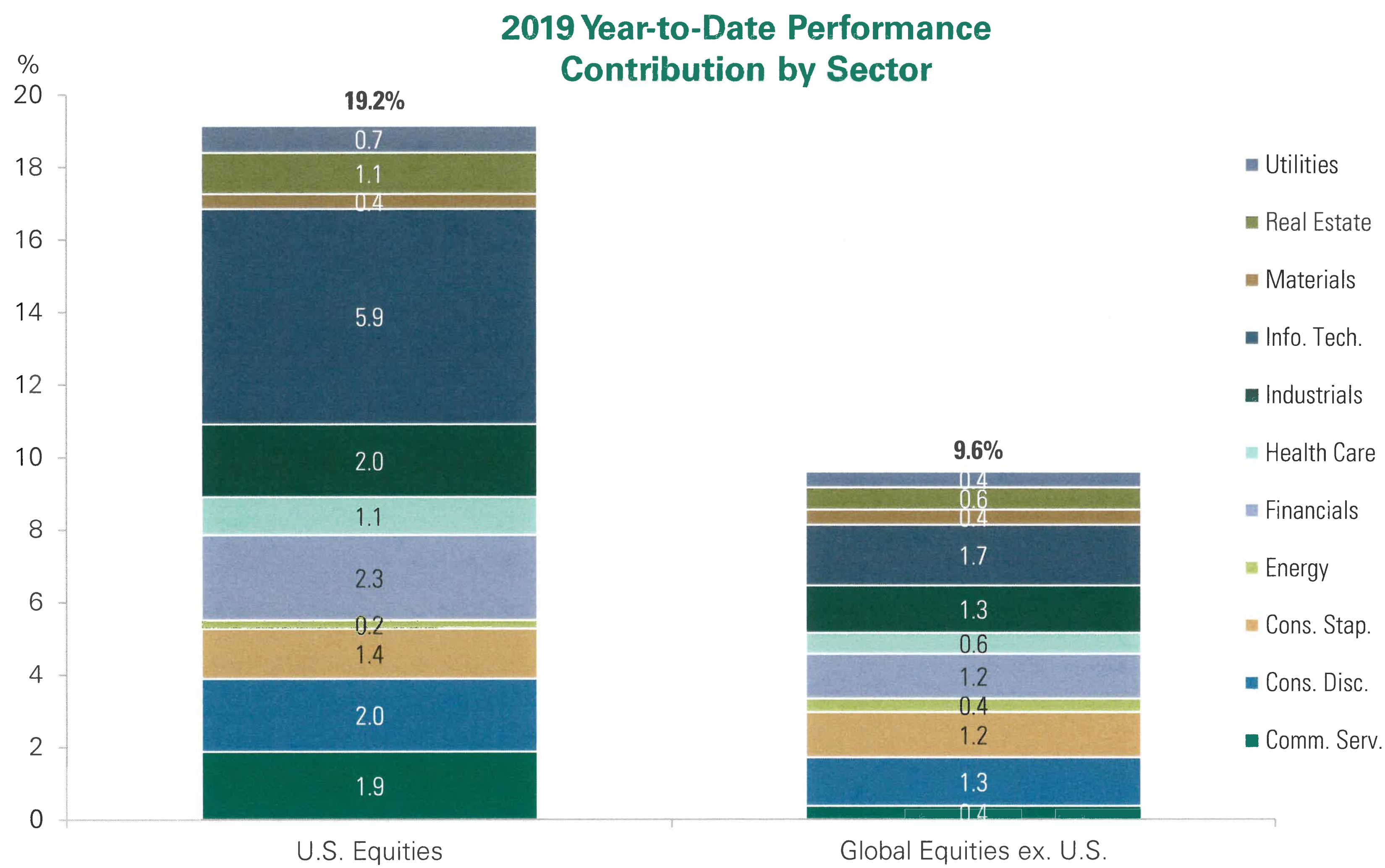
Appendix

U.S. Equities Have Sizeable Tilt Toward Tech and Health Care

September 30, 2019. Equities are measured using: MSCI AC World IMI ex. USA and MSCI USA IMI.
Source: FactSet, MSCI

Technology Sector the Greatest Driver of Recent U.S. Outperformance



As of October 4, 2019. Equities are measured using: MSCI AC World IMI ex. USA and MSCI USA IMI.
Source: FactSet, MSCI

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