



## Investment Update for the week of November 18<sup>th</sup>, 2019

- **Global Markets: U.S. equity markets outperformed the rest of the world while bond yields fell modestly**
  - **U.S. Equities:** Most domestic, large-cap indices held or set highs as the S&P 500 Index increased 0.9% over the week. Within the S&P, the healthcare (+2.5%) sector got a bounce following favorable regulatory news from Washington. The real estate (+2.1%) and utilities (+1.8%) sectors also performed well as rates declined from recent highs. The energy (-1.0%) sector again lagged suffering from a decline in Exxon Mobil, a large constituent. Outside of the S&P, large-caps outperformed small-caps and growth outpaced value for the week, although the same trends have continued so far this year.
  - **International Equities:** Non-U.S. equity markets generally lagged domestic counterparts last week. The developed, international MSCI EAFE Index was nearly flat, rising a modest 10 basis points. Emerging markets suffered more, as the MSCI Emerging Markets Index fell 1.5% following a larger decline in Chinese equities.
  - **Credit Markets:** Bond yields fell slightly following a recent rally from prior lows. The decline was partially a consequence of lower inflation data, although it was in-line with expectations. The fall in yields was generally supportive for credit asset classes, which generated small-sized positive returns last week. The investment-grade market had a large level of issuance that was generally received well. In issuer specific news, Dean Foods – the largest U.S. dairy company, filed for bankruptcy following a wave of challenges for the industry. These challenges included a heightened preference for alternative milks (almond, oat, soy, etc.).
- **Economic Data/News: Global economic weakness appears contained to select areas of the economy (for now).**
  - **U.S.:** Optimism around a potential U.S. trade deal with China continues to be a key driver of markets and global economic sentiment. Latest reports indicate that negotiations for phase I of a deal continue to be in progress, despite some conflicting signals last week. Outside of trade, the U.S. Fed appears to be on hold following data supporting that domestic economic weakness is contained to the manufacturing sector. While industrial output remains weak, recent retail sales data came in at better than expected levels.
  - **International:** In Europe, recent German data indicated that their economy is still growing, albeit just barely at a pace of 0.1% over Q3. Like the U.S., much of the weakness in the German economy has been contained to the manufacturing sector, which has suffered from various uncertainties (trade, Brexit, etc.). Other areas of their economy, such as services, remain more resilient. The U.K. similarly avoided recession over Q3. Their economy grew 1% over the quarter, although many experts point to lower growth moving forward. In Asia, Japan's economy expanded at a modest pace of 0.2% as strong domestic demand fended off a fall in exports. In emerging markets, China's economy had some worrisome signs as the government reported a host of disappointing

economic data. Weaker than expected data have experts expecting that Beijing will further increase stimulus measures to offset economic strain from tariffs and slower growth globally.

- **Odds and Ends: Nike runs from Amazon, Alibaba Single's Day breaks new records, and the Mustang goes electric (sort of)**
  - **Nike** is going against the tide, confirming last week its commitment to stop selling its apparel products directly on Amazon. This comes only two years after Nike agreed to sell its products on the e-commerce behemoth in 2017 in exchange for better policing of counterfeit and unsanctioned sales. Nike's move is aligned with its ambitions to focus on its direct to consumer business where it can better control the customer experience and earn higher margins. Nike also expressed some disappointment in the short-lived Amazon deal as it didn't effectively cutdown on counterfeits and give the brand more control over the gray market.
  - Last Monday (11/11) marked China's annual Single's Day festival, which has turned into a sort of Black Friday on steroids. Reports indicate that **Alibaba** alone sold more than \$38 billion in goods during the world's biggest shopping day of the year. Sales were up 26% from last year's record of \$30.8 billion. This year also demonstrated Alibaba's greater focus on an increasingly popular marketing technique in China of doing live infomercials with internet celebrities.
  - **Ford** announced a new Mustang over the weekend, although its probably not the pony car you had in mind. The Mustang Mach-E is an indication of Ford's future commitment to electrification of its lineup. The Mach-E is an all-electric small-sized SUV that is expected to go toe-to-toe with Tesla's new Model Y. Prices will range from the low \$40,000s up to over \$60,000 for the top of the line GT trim that boasts a 300+ mile range and a 0-60 mph time below 4 seconds. Move over Elon.
- **Resource of the week:** Even if you don't use Spotify personally, you've likely heard of the way it's changed the music industry over the past decade and made streaming the mainstream. Afterall, when's the last time you purchased a CD? This episode of *Invest Like the Best* sits down with Spotify's founder and CEO, Daniel Ek. The conversation spans Spotify's past and future in addition to the audio industry's evolution. Worth a listen if any of these items appeal to you.
  - Link: <http://investorfieldguide.com/ek/>

Sources: Bloomberg, The WSJ, T. Rowe Price Global Markets Weekly Update

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