WINFIELD
ASSOCIATES

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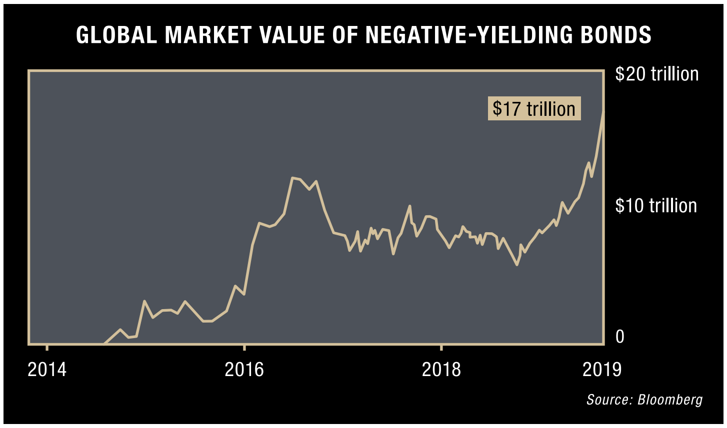
Customized Investment Portfolios and Private Wealth Advisory Services

MARKET COMMENTARY

US equity markets climbed to all-time record highs at the beginning of the third quarter. The S&P 500, the Dow Jones Industrial Average (DJIA), and the NASDAQ Composite all reacted to investors' optimism regarding a potential interest rate cut at the Federal Reserve Bank's late July meeting. The Fed delivered a quarter point cut as anticipated, but Chairman Jerome Powell called the move a "mid-cycle adjustment," stoking fears that the Fed would not continue easing through the remainder of the year. Equity markets sold off at the end of July in response to the Fed's positioning, and further ambiguity regarding US-China trade negotiations only added to volatility at the beginning of August. By the middle of the third quarter, the yield curve – the line that plots interest rates of bonds having equal credit quality but differing maturity dates – had flattened and inverted slightly, drawing concern that a recession may be imminent. On August 15, the yield of the 10-year Treasury bond traded as low as 1.47%, its lowest since 2016, while the 30-year yield dropped below 2% for the first time ever. Under normal conditions, signs like these would be enough to bring the bull market in equities to a halt, but the phenomenon of $17 trillion of negative-yielding debt made this downturn in US bond yields decidedly different. The graph below illustrates the rapid growth in the total value of negative-yielding debt across the globe:



Bonds with negative yields are fixed income securities purchased for more than face value. If the total amount of interest the bond pays over its remaining lifetime is less than the premium the investor paid for the bond, the investor loses money, and the bond is considered to have a negative yield. Investors are willing to pay a premium—and ultimately take a loss—because they need the reliability and liquidity that government and high-quality corporate bonds provide. Large investors such as pension funds, insurers, and financial institutions may have few other safe places to store their wealth. As of August 30, 2019, thirty percent of all investment grade debt had a negative yield. The largest issuers of outstanding negative-yielding debt were Japan ($7.1 trillion), France ($2.3 trillion), Germany ($2.1 trillion), and Spain ($1 trillion). While the long-term consequences of negative-yielding debt are of concern, the near term effects are evident – US bonds with positive yields and global equities with better return characteristics are more attractive investment vehicles.

Despite volatility stemming from interest rate swings and trade negotiations, developed equity markets rose mildly in the third quarter and emerging markets experienced a mild decline, with year-to-date performance remaining strong across the board. All three major US equity market indexes finished the quarter just slightly below their all-time closing highs:

	S&P 500	DJIA	NASDAQ
September 30, 2019	2,976.74	26,787.36	7,999.34
All-Time Closing High	3,025.86 *(7/26/2019)*	27,359.16 *(7/15/2019)*	8,330.21 *(7/26/2019)*
Change from High	**-1.6%**	**-2.1%**	**-4.0%**

US economic data continue to buffer domestic equity markets even as signs of a synchronized global economic slowdown become apparent. Weekly jobless claims, an important and leading indicator of economic health, remain in a range of 195,000 to 250,000. The US unemployment rate fell to 3.5% in September, a 50-year low, and US GDP entered its eleventh year of economic expansion with projected, though slowing, GDP growth of 2.0%.

As we enter the fourth quarter, we will carefully monitor the near-term direction of the US-China trade conflict as well as the Fed's willingness to maintain the narrative of a mid-cycle monetary policy adjustment or to switch to an outright easing cycle. We have become increasingly concerned that the impact of trade tensions is beginning to filter through not just to markets, but also to the broader US economy. Industrial and trade-exposed sectors have been suffering for several quarters, as have the major global economies (Japan and Germany) most reliant on these sectors. However, household consumption accounts for roughly 70% of US GDP, and US households are benefiting from the same low inflation, low interest rate environment that bolstered the US during the period of global economic weakness between 2015 and 2016.

(Continued on back)

(Continued from front)

The launch of impeachment proceedings against President Donald Trump adds another element of uncertainty to the direction of markets in the coming months. Fortunately or unfortunately, two data points will not provide much in the way of guidance. From the beginning of Nixon's impeachment inquiry in February 1974 through his resignation in August that year, the S&P 500 fell roughly 13%. From Clinton's impeachment in 1998 through his acquittal in 1999, the S&P 500 gained 28%. While impeachment proceedings grab the headlines and lead to short-term swings in markets, we believe investing for the long-term is far more dependent on sound fiscal and monetary policies that affect corporate profitability, economic growth, and household consumption. Nonetheless, we will continue to consider political developments in our investment decision-making process.

ZERO TRADE COMMISSIONS

On October 1, Charles Schwab & Co. announced that it was lowering all online commissions for US stocks, ETFs, and options to zero. Schwab dropped its commissions from $4.95 per online trade effective October 7. TD Ameritrade, Fidelity, and several other custodians also eliminated online commissions in the days that followed.

NEW CLIENT DROPBOX

During the third quarter, we added a new function to our website to allow a safe, easy way to share sensitive documents. The "CLIENT DROPBOX" tab on our website links to ShareFile which is a secure content collaboration, file sharing and sync solution that supports document-centric tasks. Please call us if you have questions.

REQUIRED MINIMUM DISTRIBUTION

Individuals are generally required to withdraw a minimum amount of money from tax–advantaged retirement accounts each year beginning the calendar year after turning 70½. This amount is called a Required Minimum Distribution (RMD). Individuals must take RMDs from any retirement account that included tax–deferred assets or had tax–deferred earnings.

These accounts include:

- Traditional IRAs
- SIMPLE IRAs
- Most Keogh accounts
- Rollover IRAs
- SEP–IRAs
- Most 401(k) and 403(b) plans

Annual RMDs may be taken in one distribution or periodic withdrawals throughout the year, but the total annual minimum amount must be withdrawn by the deadline of December 31. Of note, individuals can always take more than the RMD amount. Please contact us if you have questions.

MARKET PERFORMANCE

	3Q 2019	2019 YTD
Dow Jones	1.8%	17.5%
S&P 500	1.7%	20.6%
Nasdaq	0.2%	21.5%
Russell 2000	-2.4%	14.2%
MSCI EAFE	-1.1%	12.8%
Barclays Agg	2.3%	8.5%

WHEN TO WORK WITH WINFIELD

PRIVATE INDIVIDUAL INVESTORS

- Manage accumulated wealth, inheritances and settlements

ENDOWMENTS AND FOUNDATIONS

- Manage assets with a long-term growth strategy while meeting investment policy requirements

BUSINESS OWNERS

- Customize investment portfolios to lessen risk of concentrated assets
- Defer taxable earnings in profit sharing plans
- Manage and advise 401(k) plans

BUSINESS PROFESSIONALS

- Customize investment portfolios, manage stock options and consolidate 401(k)/IRA plans to lessen risk of concentrated assets

RETIREES

- Customize investment portfolios with the option of drawing income
- Management of IRAs, trusts and taxable accounts

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