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"Trick or Treat?"

October was quite an eventful month. The U.S.-China trade issues remain, impeachment proceedings are underway, interest rate cuts continue, and there seems to be no end in sight for BREXIT. October has historically been associated with significant market volatility, but the major stock market indices posted solid gains for the month.

As investors continued to keep a close eye on the U.S. -China trade talks, another significant item was on the docket in October, the Federal Open Market Committee (FOMC) meeting. Prior to the meeting, the markets widely expected that the FOMC would reduce rates by 25 basis points, marking the third rate cut in 2019. As expected, the FOMC did just that at the end of October, effectively lowering the target range for the federal funds rate to 1.50-1.75%. The Committee's economic assessment was positive, pointing out a strong labor market, buoyed by solid job creation and a low unemployment rate, describing economic growth as moderate, and household spending once again said to be rising at a "strong pace".

Weakness in business investment, which is partly the result of slowing global demand for U.S. exports, was the main driver in the Fed's efforts to stimulate growth, along with the need to lift inflation back to their 2% target. Moving forward, the Committee will continue to monitor economic data as it assesses the appropriate path of the target range for the federal funds rate.

As indicated above, the economic outlook for the U.S. was not one of the concerns, and as evidence, the 3rd quarter GDP grew by an annualized 1.9% which, although down from the 2.0% in the previous quarter, exceeding the consensus estimates of 1.6%. Moreover, the growth was driven largely by the strength in consumer spending, which increased at a 2.9% rate and far surpassed the estimates for a 2.6% rate.

Within the fixed income space, the yield curve normalized a bit more during the month of October, with the short end of the yield curve falling throughout the month and the long end rising. Short-term rates declined across the board, with the 1-year rate dropping from 1.75% to 1.53%, while longer term rates rose slightly, with the 10-year going from 1.68% to 1.69%. The Bloomberg Barclays Aggregate Index and Bloomberg Barclays High Yield Index both returned 0.3% in October.

Market Return Indexes	October 2019	YTD 2019
Dow Jones Industrial Average	0.6%	18.2%
S&P 500	2.2%	23.2%
NASDAQ (price change)	3.7%	25.0%
MSCI Europe Asia Far East (EAFE)	3.6%	16.9%
MSCI Emerging Markets	4.2%	10.4%
Bloomberg Barclays High Yield	0.3%	11.7%
Bloomberg Barclays Aggregate	0.3%	8.9%
Yield Data	**Oct 31, 2019**	**Sept. 30, 2019**
U.S. 10-Year Treasury Yield	1.69%	1.68%

As the month ended, the impeachment proceedings against President Trump continued. On Halloween, the House of Representatives approved a resolution, with a vote of 232-196 to formalize the procedures of the impeachment inquiry. While movement on this front will not necessarily move the market one way or another, the uncertainty of the situation is not helping matters. Adding that to the continued questions surrounding the trade issues between the U.S. and China, the continued slowdown in global growth, and geopolitical issues across the globe, one has to wonder if these markets will finally run out of steam.

LEGAL UPDATE | **Department of Labor Issues Proposed Regulations on New Electronic Disclosure Rules**

In an effort to expand the use of internet technology to furnish retirement plan disclosures, on October 22nd the Department of Labor (DOL) issued proposed regulations to allow online disclosures to reduce printing and mail expenses and make disclosures more readily accessible to plan participants. Reflecting modern internet technology, the proposal offers a new, voluntary safe harbor for employers who want to make retirement plan disclosures available on a website, rather than sending volumes of paper documents through the mail.

Current Safe Harbor: Under the current safe harbor for electronic delivery, which was adopted by the DOL in 2002, electronic delivery is permissible as a default method of delivery only if the participant is required to access electronic information as an integral part of his or her job duties. In addition, the current rules permit employers to furnish documents electronically to any individuals who have affirmatively consented to electronic delivery.

New Safe Harbor: Under the new proposed rules, employers will have the option to follow a "notice and access" approach, whereby the employer can send a participant or beneficiary a notice of internet availability, explaining that a document is available on the website for viewing. The proposed safe harbor is an additional method and would still allow employers the option to use the current safe harbor for delivery. In general, the new safe harbor is available provided certain conditions are met:

- The safe harbor may only be used for retirement plan documents that are required to be furnished under ERISA (the rule does not apply to health and welfare documents).
- The employer may not default a participant into electronic delivery unless the participant has a valid electronic address.
- The employer must furnish an initial notification on paper to each person for whom the new safe harbor is to be used, informing them that the documents will be furnished electronically and that they have the right to request a paper copy and to opt out of electronic delivery.
- After providing the initial notice, the employer may use the notice and access approach when a document is required to be disclosed, which must include a prominent notice that the document is ready for view, a brief description of the notice, access to the website where the document is available, and instructions for requesting a free paper copy or electing paper delivery in the future.
- A separate notice must be sent for each document at the time it is due to be delivered (special rules apply for combining certain notices).
- The employer's delivery system must be designed to alert the employer if an individual's electronic address is invalid or inoperable. In the event of an invalid electronic address, the employer must treat the individual as opting out of electronic delivery.

Effective Dates: The new rules will not be effective until after the final regulations are published, which will likely be sometime in 2020. In the meantime, the DOL has issued a Request for Information to solicit information, data, and additional ideas and measures the DOL should take into consideration regarding the electronic disclosure rules before they become final.

USI Consulting Group will continue to monitor further developments regarding these new rules and will provide updates as they become available. If you have any questions regarding these proposed regulations, please contact your representative.

For previous market commentaries please click here.

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

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