Markets started the year on a risk-off mode as unprecedented efforts to contain the spread of the coronavirus weighed on extended markets. As investors began to shave expectations for China and 2020 global growth, global stocks lost -1.1% in January led by a -4.7% decline in emerging markets. Credit spreads widened and safe haven assets gained on the heightened risk aversion as 10-year US Treasuries fell 41 bp, gold advanced 3.8% and the USD increased 1.0%. Oil (-15.6%) led commodities lower with the worst January since 1991. Even as we expect a one to two quarter hit to China, and, to a lesser extent global growth, progress on trade talks, easier financial conditions, and a healthy US consumer have led to an uptick in economic activity and we do not anticipate a sustained impact on growth. Our key outlook of stabilizing and modestly improving global growth remains intact. Nevertheless we remain flexible given the uncertainty and unpredictability in forecasting how the unprecedented efforts to contain the spread of the virus will play out and believe that risks are to the downside.

Global Economy
Progress on trade talks, easy financial conditions, and a resilient US consumer have stabilized the downturn and led to an uptick in economic activity, particularly in the manufacturing sector. The coronavirus could pause China’s recent improvement. Central banks remain handcuffed by modest inflation with limited upside potential at least in the near-term.

Financial Markets
Global equities lost in January, after ending the year with the best annual performance since 2009, on increased geopolitical risk concerns and the coronavirus outbreak’s potential negative impact on the global economic outlook for 2020. US large caps were flat and outperformed major country indices which finished the month in the red. Emerging markets had the worst January performance since 2016. Safe haven assets gained, pulling sovereign bond yields in major developed economies lower. The USD gained by 1% against major crosses in January. Commodities lost during the first month of the year fueled by oil’s worst January performance since 1991.

Market Roundup
Capital market performance across asset classes.

Sector Performance
US small and large cap sector returns.

Factor Performance
MSCI US and EAFE factor returns.
Global Economy

Growth
Progress on trade talks and easier financial conditions have stabilized global manufacturing. The US consumer remains the driver of global growth and Europe is showing signs of bottoming. China’s recent improvement could be paused if not reversed due to the coronavirus.

Inflation
Modest inflation remains contained and will likely stay within a range during 2020. Central banks could let inflation run above target before tightening policy again.

Central Bank Policy
The benefit from last year’s global central bank easing has yet to be fully felt by the global economy. While central banks, particularly the US, are expected to remain on hold in 2020, there is a non-trivial likelihood of further easing.
Global Economy

Progress on trade talks and easier financial conditions have stabilized global manufacturing. The US consumer remains the driver of global growth and Europe is showing signs of bottoming. China’s recent improvement could be paused if not reversed due to the coronavirus.

- **US Growth Steady Near ~2%.** GDP growth was 2.1% q/q (saar) in the fourth quarter and unchanged from Q3. Growth continues to be driven by consumption as investment remains modest and slowing, and net exports provided a higher-than-expected boost in Q4. For the year, GDP expanded 2.3% — down 0.6% from 2018 and the slowest since 2016. Conference Board consumer confidence continues to improve and is near the highest in five months while CEO confidence has shifted higher after falling over the last year. 2.1 million jobs were created in 2019 but the least since 2011 and wage growth (2.9% y/y) dipped below 3.0% in December for the first time since mid-2018.

- **Eurozone Slowly Bottoming.** Since falling to a multi-year low in September, the Eurozone Markit manufacturing PMI improved to 47.9 in January, which is the highest since April. GDP growth fell from 0.3% in Q3 to 0.1% q/q in Q4, the slowest in nearly seven years as both France (-0.1%) and Italy (-0.3%) contracted. Retail sales gained 0.5% to 2.2% y/y in November which is above the 2.0% average since 2016. While growth in German factory orders has been negative over the last 18 months, it appears the rate of contraction has stabilized.

- **Japanification Reigns.** Retail sales growth in Japan fell to -2.6% y/y in December which is near the lowest since 2015.

- **UK Brexit Official.** The UK officially became the first country to leave the EU on January 31 and has until the end of 2020 to negotiate a new trading agreement. The Markit manufacturing PMI gained to 50.0 in January which is the highest since April.

- **China Trying to Maintain Momentum.** Q4 growth was 6.0% y/y finishing the full year at 6.1% compared to 2018’s 6.7%. While modest, the latest improvement in economic activity could be halted and reversed by the coronavirus and measures to limit its contagion.

**TAKEAWAY:** The manufacturing downturn has stabilized.

**TAKEAWAY:** Improving sentiment towards Germany suggests the Eurozone’s slowdown has bottomed.
Global Economy

Growth | Inflation | Central Bank Policy

Modest inflation remains contained and will likely stay within a range during 2020. Central banks could let inflation run above target before tightening policy again.

- **US.** Inflation increased 0.2% to 2.3% y/y in December which is the third consecutive monthly gain from 1.7% y/y in September and marginally above the 2.1% average since 2017. The latest reading is the highest since October 2018 but is expected to finish 2020 slightly lower at 2.1% per Bloomberg. Core inflation remained at 2.3% y/y for the third month in a row. The Fed's preferred measure of inflation, core PCE, was unchanged at 1.6% y/y in December. The market's estimate of inflation, both in the short and long run, had held steady before falling as coronavirus fears escalated towards the end of the month.

- **Eurozone.** Eurozone inflation was 1.4% y/y in January and is up 0.4% over the last two months to the highest since last April. 2020 inflation is expected to finish near 1.2%. After gaining momentum in the last several months, inflation expectations retreated in January.

- **UK.** Inflation fell 0.2% to 1.3% y/y in December, the lowest since the end of 2016. Core inflation declined 0.3% to 1.4% y/y which is the lowest in over two years.

**US 2-YEAR BREAKEVEN INFLATION RATE (%)**

*US 2-Year Breakeven Inflation Rate (%)*

- **TAKEAWAY:** Inflation expectations remain anchored and have fallen as coronavirus concerns increased.

**US WAGE GROWTH**

*US Average Hourly Earnings % y/y — All Employees*

- **TAKEAWAY:** Wage growth remains elevated but has started to soften.


Global Economy

The benefit from last year’s global central bank easing has yet to be fully felt by the global economy. While central banks, particularly the US, are expected to remain on hold in 2020, there is a small but non-trivial likelihood of further easing.

• **US.** The Fed kept interest rates steady and provided little change to policy expectations. One slight change was interpreted as a stronger commitment to higher inflation as it adjusted language in the post-meeting statement stating that policy is geared to “inflation returning to the committee’s symmetric 2% objective” whereby previously its policy was “near” 2%. By using “symmetric” and “return to” the Fed is indicating it will let inflation run above the 2% target. The Fed also changed its portrayal of consumer spending from “strong” to “moderate.” While the Fed has repeated it will likely remain on hold for the rest of 2020, the market’s pricing of one rate cut and the recent yield curve re-inversion could shift the Fed’s communication to an even more dovish tone if growth surprises to the downside.

• **Eurozone.** The ECB kept policy unchanged as it began its first strategic review since 2003, which is expected to finish by year-end. The strategic review will assess its approach to inflation targeting, policy toolkit, and communication practices. The ECB suggested again how policy will remain with an easing bias until it is clear inflation is consistently converging to and near the 2% inflation target. ECB president Christine Lagarde also reaffirmed that risks to the region’s growth outlook remain “tilted to the downside” and that other areas of government policy are needed to improve the structural growth outlook.

• **UK.** The BOE kept rates on hold but downgraded its growth forecasts to average 1.1% over the next several years.

**TAKEAWAY:**
The market still expects a rate cut in 2020.

**MARKET FED FUNDS EXPECTATIONS FOR DECEMBER 2020**

USA Treasury Yield Curve

- US Treasury 2s–10s spread (bp)
- US Treasury 2s–5s spread (bp)
- US Treasury 3 month–10s spread (bp)
- US Fed Funds–2-year Treasury (bp)


**TAKEAWAY:**
The US yield curve has started to re-invert in early 2020.
Financial Markets

Global Equities
Global stocks lost in January, losses led by emerging markets, on increased geopolitical risk concerns and the coronavirus outbreak’s potential negative impact on the global economic outlook for 2020. US stock markets were flat and outperformed major country indices which finished the month in the red. European stock markets losses were led by stocks that were the most exposed to China. Emerging markets had the worst January performance since 2016 and worst monthly performance since August 2019.

Fixed Income
Safe haven assets gained in January and credit spreads widened as markets were hit by concerns over coronavirus and geopolitical tensions. Global sovereign bond markets gained, led by the US, pushing sovereign debt yields in major developed economies lower.

Foreign Exchange
The USD gained by 1% against major currencies as the dollar’s safe haven status strengthened in January.

Commodities
Commodities lost during the first month of the year fueled by oil’s worst January performance since 1991.
Global stocks lost in January, losses led by emerging markets, on increased geopolitical risk concerns and the coronavirus outbreak's potential negative impact on the global economic outlook for 2020. US stock markets were flat and outperformed major country indices which finished the month in the red. European stock markets losses were led by stocks that were the most exposed to China. Emerging markets had the worst January performance since 2016 and worst monthly performance since August 2019.

- Global equities (-1.1% MTD/YTD total return) ended the month in the red, losses led by emerging markets equities, as markets welcomed the signing of the phase one trade deal between the US and China but were hit by increased uncertainty for the global economic outlook due to the coronavirus outbreak and geopolitical risk escalation worries following the US-Iran conflict.
- US large cap stocks finished the month flat and outperformed major stock markets. Among large caps, sectoral performance was mixed, with gains led by utilities (+6.6%) followed by information technology (+3.9%) stocks. Energy lost the most (-11.2%) following December’s strong performance.
- US small caps (-3.2%) underperformed large caps (+0.0%) in January. Among small cap sectors, the utilities sector (+2.6%) was the only sector that gained; losses for other sectors were led by energy stocks (-16.6%) and consumer staples (-8.4%).
- In the US and EAFE, momentum stocks led the gains (+3.7% in the US, +0.8% in EAFE).
- European bourses lost in January on increased risk-off sentiment; losses were led by stocks that were the most exposed to China. UK stocks (-3.4%) lagged the region’s bourses.
- Emerging markets (-4.7% MTD/YTD total return) had the worst January performance since 2016 and worst monthly performance since August 2019 due to concerns over the coronavirus outbreak and its impact on the global economy.

**TAKEAWAY:**
Chinese tech stocks hit harder vs. the FAANG since the start of the tech war.

**CHINA TECHNOLOGY STOCKS VS. THE FAANG**

Indices are normalized to 100=2/1/2018. FAANG stands for Facebook, Apple, Netflix, Amazon and Google. Source: Bloomberg and Bank of England.

**S&P 500 HISTORICAL PERFORMANCE DURING PRESIDENTIAL ELECTION YEARS**

Data since 1950, indexed to 100. Source: Strategas.

**TAKEAWAY:**
Stock market favors incumbents post-elections.
Safe haven assets gained in January and credit spreads widened as markets were hit by concerns over coronavirus and geopolitical tensions. Global sovereign bond markets gained, led by the US, pushing sovereign debt yields in major developed economies lower. The USD gained by 1% against major currencies as the dollar’s safe haven status strengthened in January. Commodities lost during the first month of the year fueled by oil’s worst January performance since 1991.

**FIXED INCOME**

- In December, average G-4 10-year government bond yields edged lower (-25 bp MTD), led by the US 10-year Treasury (-41 bp to 1.51%), followed by the UK 10-year Gilt (-30 bp to 0.52%), German 10-year Bund (-25 bp to -0.43%), and Japan’s 10-year (-6 bp to -0.07%).

- Credit spreads widened in January, due to heightened risk aversion as coronavirus concerns hit markets (US HY +54 bp MTD/YTD; US IG +9 bp; EM USD +18 bp).

- The USD Index (+1.0% MTD/YTD) gained against major crosses as the USD’s risk-haven status made a comeback amid virus and geopolitical risk concerns. The euro (-1.1%) and sterling (-0.4%) both lost against the USD.

- Emerging markets currencies (-1.1% MTD/YTD) were down against a stronger USD during January and the yuan weakened past 7 per dollar on February 3.

**COMMODITIES**

- Commodities lost in January (-7.4% MTD/YTD) and oil (-15.6% MTD/YTD) had the biggest January slide since 1991 due to decreased fuel demand as the coronavirus hit Chinese economy. To halt oil’s slide, OPEC members are expected to implement further production cuts in mid-February.

**TAKEAWAY:**

Yuan weakened past 7 per dollar due to risk-off sentiment underpinned by the coronavirus.


**TAKEAWAY:**

Copper nose-dives as coronavirus brings back global economic growth slowdown worries.

Market Roundup

Data as of January 31, 2020 close.

| REGIONAL EQUITIES (USD, % chg. Total Return) | MSCI All-Country World | 1,168 | -1.1% | -1.1% | 16.7% | 11.6% | 27.3% |
| MSCI World – DM | 9,921 | -0.6% | -0.6% | 18.4% | 12.1% | 28.4% |
| MSCI EAFE | 8,465 | -2.1% | -2.1% | 12.7% | 8.3% | 22.7% |
| MSCI EM | 2,451 | -4.7% | -4.7% | 4.2% | 8.3% | 18.9% |
| COUNTRY EQUITIES (% chg. Total Return) | US (S&P 500) | 6,551 | 0.0% | 0.0% | 21.7% | 14.5% | 31.5% |
| US (NASDAQ) | 10,753 | 2.0% | 2.0% | 27.0% | 19.0% | 36.7% |
| US (Russell 2000) | 8,167 | -3.2% | -3.2% | 9.2% | 7.3% | 25.5% |
| Japan (NIKKEI 225 JPY) | 37,623 | -1.9% | -1.9% | 14.1% | 9.0% | 20.7% |
| EU (STOXX 600 USD Hedged) | 15,801 | -2.7% | -2.7% | 20.2% | 10.4% | 30.5% |
| Germany (DAX 30 EUR) | 12,982 | -2.0% | -2.0% | 16.2% | 4.0% | 25.5% |
| EM USD Denominated | 155 | -4.8% | -4.8% | 6.0% | 11.4% | 23.7% |
| FIXED INCOME (USD, % chg.) | Global Treasury ex. US | 710 | 1.8% | 1.8% | 8.2% | 5.3% | 7.4% |
| US Treasury | 2,428 | 2.4% | 2.4% | 9.0% | 4.1% | 6.9% |
| Global IG Corporate | 288 | 2.1% | 2.1% | 12.6% | 6.3% | 12.5% |
| Global High Yield | 519 | 0.4% | 0.4% | 9.0% | 5.7% | 13.3% |
| US Leveraged Loans | 3,073 | 0.6% | 0.6% | 6.5% | 4.3% | 8.6% |
| EM USD Denominated | 1,228 | 1.5% | 1.5% | 11.3% | 6.2% | 13.1% |
| COMMODITIES (USD, % chg.) | Bloomberg Commodity Index | 159 | -7.4% | -7.4% | -5.4% | -3.5% | 7.7% |
| Oil (WTI, USD/Barrel) | 51.6 | -15.6% | -15.6% | -4.1% | -0.8% | 34.5% |
| Gold (USD/Troy Ounce) | 1,580.9 | 3.8% | 3.8% | 19.5% | 9.7% | 18.8% |
| SPREADS (OAS, bp chg.) | US Investment Grade Corporate | 102 | 0 | 9 | -26 | -19 | -60 |
| US High Yield | 390 | 54 | 54 | -33 | 2 | -190 |
| EM USD Denominated | 319 | 18 | 18 | 23 | 34 | -42 |
| KEY RATES (bp chg.) | 3M US Libor | 1.75 | -16 | -16 | -99 | 72 | -90 |
| 2Y US Treasuries | 1.31 | -26 | -26 | -114 | 11 | -92 |
| 10Y US Treasuries | 1.51 | -41 | -41 | -112 | -95 | -77 |
| 10Y German Bund | -0.43 | -25 | -25 | -58 | -87 | -43 |
| 10Y UK Gilt | 0.52 | -30 | -30 | -70 | -89 | -46 |
| 10Y Japanese Bond | -0.07 | -6 | -6 | -7 | -15 | -1 |
| CBOE VIX | 18.84 | 13.78 | 13.78 | 16.57 | 11.99 | 25.42 |
| US 30Y Fixed Rate Mortgage | 3.63 | -23 | -23 | -74 | -41 | -65 |
| FOREIGN EXCHANGE (vs. USD, % chg.) | USD – Major Dollar Index | 97.3900 | 1.0% | 1.0% | 1.9% | -0.7% | 0.2% |
| Euro | 1.1093 | -1.1% | -1.1% | -3.1% | 0.9% | -2.2% |
| British Pound | 1.3206 | -0.4% | -0.4% | 0.7% | 1.6% | 3.9% |
| Japanese Yen | 108.3500 | 0.2% | 0.2% | 0.5% | 1.4% | 1.0% |

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Please see important footnotes for returns and charts on last page. Past performance is no guarantee of future results.
Sector Performance Data as of January 31, 2020 close.

### S&P 500 SECTORS

<table>
<thead>
<tr>
<th>Sector</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2019</th>
<th>5Y Annualized</th>
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<td>15.6%</td>
<td>8.7%</td>
<td>29.2%</td>
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</tr>
<tr>
<td>Health Care</td>
<td>-2.9%</td>
<td>-2.9%</td>
<td>10.1%</td>
<td>12.3%</td>
<td>18.7%</td>
<td>7.6%</td>
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<tr>
<td>Consumer Discretionary</td>
<td>0.6%</td>
<td>0.6%</td>
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<td>4.2%</td>
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The performance data quoted represent past performance, which is no guarantee of future results.

### S&P 500 JANUARY SECTOR PERFORMANCE

- **Utilities**: 6.6%
- **Information Technology**: 3.9%
- **Real Estate**: 1.4%
- **Communication Services**: 0.7%
- **Consumer Discretionary**: 0.6%
- **Consumer Staples**: 0.2%
- **Industrials**: -0.5%
- **Financials**: -2.8%
- **Health Care**: -2.9%
- **Materials**: -6.2%
- **Energy**: -11.2%

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## Sector Performance

Data as of January 31, 2020 close.

### S&P 500

<table>
<thead>
<tr>
<th>S&amp;P 500 INDEX SECTORS</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
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<th>2019 Annualized</th>
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### Russell 2000

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#### RUSSELL 2000 JANUARY SECTOR PERFORMANCE

Utilities: 2.6%
Technology: -0.5%
Consumer Discretionary: -2.3%
Health Care: -2.7%
Financial Services: -3.2%
Producer Durables: -4.4%
Materials and Processing: -5.1%
Consumer Staples: -8.4%
Energy: -16.6%

The performance data quoted represent past performance, which is no guarantee of future results.

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Factor Performance  

Data as of January 31, 2020 close.

**US FACTORS**

<table>
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<tr>
<th></th>
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<th>YTD</th>
<th>1Y</th>
<th>Annualized</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI US</td>
<td>0.2%</td>
<td>0.2%</td>
<td>21.2%</td>
<td>13.9%</td>
<td>30.9%</td>
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<tr>
<td>Value</td>
<td>-2.6%</td>
<td>-2.6%</td>
<td>13.4%</td>
<td>8.4%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Growth</td>
<td>2.8%</td>
<td>2.8%</td>
<td>29.3%</td>
<td>19.5%</td>
<td>37.3%</td>
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<td>Large Cap</td>
<td>0.2%</td>
<td>0.2%</td>
<td>21.8%</td>
<td>14.5%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>-2.7%</td>
<td>-2.7%</td>
<td>10.4%</td>
<td>8.4%</td>
<td>26.7%</td>
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<td>2.3%</td>
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<td>15.3%</td>
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<tr>
<td>High Div. Yield</td>
<td>-1.8%</td>
<td>-1.8%</td>
<td>13.0%</td>
<td>—</td>
<td>21.3%</td>
</tr>
<tr>
<td>Momentum</td>
<td>3.7%</td>
<td>3.7%</td>
<td>23.9%</td>
<td>19.8%</td>
<td>27.4%</td>
</tr>
<tr>
<td>Quality</td>
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<td>0.6%</td>
<td>28.9%</td>
<td>18.4%</td>
<td>38.4%</td>
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**EAFE FACTORS**

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<tr>
<th></th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>Annualized</th>
<th>2019</th>
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</thead>
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<tr>
<td>MSCI EAFE</td>
<td>-2.1%</td>
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<td>7.8%</td>
<td>22.0%</td>
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</tr>
<tr>
<td>Large Cap</td>
<td>-2.0%</td>
<td>-2.0%</td>
<td>12.0%</td>
<td>7.7%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Small Cap</td>
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<td>-2.9%</td>
<td>12.3%</td>
<td>8.6%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Min. Vol.</td>
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<td>0.3%</td>
<td>12.0%</td>
<td>9.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>-3.1%</td>
<td>-3.1%</td>
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<td>24.5%</td>
</tr>
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<td>0.8%</td>
<td>0.8%</td>
<td>18.1%</td>
<td>—</td>
<td>23.9%</td>
</tr>
<tr>
<td>Quality</td>
<td>-0.4%</td>
<td>-0.4%</td>
<td>23.0%</td>
<td>12.7%</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

**MSCI US JANUARY FACTOR PERFORMANCE**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Monthly Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Momentum</td>
<td>3.7</td>
</tr>
<tr>
<td>Min. Vol.</td>
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</tr>
<tr>
<td>Large Cap</td>
<td>0.2</td>
</tr>
<tr>
<td>Value</td>
<td>-2.8</td>
</tr>
</tbody>
</table>

**MSCI EAFE JANUARY FACTOR PERFORMANCE**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Monthly Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Momentum</td>
<td>0.8</td>
</tr>
<tr>
<td>Value</td>
<td>0.3</td>
</tr>
<tr>
<td>Large Cap</td>
<td>-0.6</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

The performance data quoted represent past performance, which is no guarantee of future results. Factor performance: the return attributable to a particular common factor.

Data provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon product. An investor cannot invest directly in the index. Source: Bloomberg.
BNY Mellon Global Economics and Investment Analysis

Shamik Dhar
Chief Economist

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Market Strategist

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Chief Strategist

Bryan Besecker, CFA, CAIA
Market Strategist

Abbreviations

y/y — year-over-year
m/m — month-over-month
q/q — quarter-over-quarter
MTD — month-to-date
YTD — year-to-date
Fed — Federal Reserve
ECB — European Central Bank
BOJ — Bank of Japan
bp — basis points
EM — emerging markets
DM — developed markets
USD — US dollar
EAFE — Europe, Australasia and Far East
BOE — Bank of England
PBOC — People’s Bank of China
HY — high-yield
G4 — US, UK, Germany, Japan
Saar — Seasonally adjusted annualized rate
WTI — West Texas Intermediate
G7 — US, UK, Germany, Japan, Italy, Canada, France

ISM — Institute for Supply Management
Fx — Foreign exchange
CPI — consumer price index
IG — investment grade
PCE — personal consumption expenditure
QE — quantitative easing
FOMC — Federal Open Market Committee
IIF — Institute of International Finance
IMF — International Monetary Fund
EPS — earnings per share
Min. — minimum
Div. — dividend
PMI — purchasing managers index
PCE — personal consumption expenditures
Global equities — MSCI All Country World Index
OIS — Overnight indexed swap rate
NFIB — National Federation of Independent Business
CBO — Congressional Budget Office
Appendix

GLOBAL ECONOMY > GROWTH

GLOBAL PMIs — % IN EXPANSION

Manufacturing  Services

% of Global PMIs >50 or in Expansion


TAKEAWAY:
The manufacturing downturn has stabilized.
Improving sentiment towards Germany suggests the Eurozone’s slowdown has bottomed.


Appendix | 15
Please see important footnotes for returns and charts on last page.
Past performance is no guarantee of future results.
TAKEAWAY:
Inflation expectations remain anchored and have fallen as coronavirus concerns increased.
TAKEAWAY:
Wage growth remains elevated but has started to soften.
TAKEAWAY:
The market still expects a rate cut in 2020.
**Global Economy > Central Bank Policy**

**US Treasury Yield Curve**

- US Treasury 2s–10s spread (bp)
- US Treasury 2s–5s spread (bp)
- US Treasury 3 month–10s spread (bp)
- US Fed Funds-2-year Treasury (bp)

Source: BNY Mellon using data from Bloomberg.

**Takeaway:**
The US yield curve has started to re-invert in early 2020.
TAKEAWAY:
Chinese tech stocks hit harder vs. the FAANG since the start of the tech war.

Indices are normalized to 100=2/1/2018. FAANG stands for Facebook, Apple, Netflix, Amazon and Google, Source: Bloomberg and Bank of England.
TAKEAWAY:
Stock market favors incumbents post-elections.

Data since 1950, indexed to 100.
Source: Strategas.
TAKEAWAY:
Yuan weakened past 7 per dollar due to risk-off sentiment underpinned by the coronavirus.
TAKEAWAY:
Copper nose-dives as coronavirus brings back global economic growth slowdown worries.

COPPER FUTURES/GOLD FUTURES PRICE RATIO

Copper Futures/Gold Futures Price Ratio

Definitions

MSCI All-Country World: The MSCI All-Country World is an index that tracks the performance of both Developed and Emerging Market equities.

MSCI World – DM: The MSCI World Index is an index that tracks the performance of Developed Market equities.

MSCI EAFE: The MSCI EAFE Index is an index that tracks the performance of Developed Market equities across Europe, Australasia and the Far East excluding the US and Canada.

MSCI EM: The MSCI EM Index tracks the performance of Emerging Market Equities.

MSCI US: Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI Momentum: Index is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum.

MSCI Growth: Index is designed to reflect the performance of securities exhibiting overall growth characteristics.

MSCI Value: Index is designed to reflect the performance of securities exhibiting overall value style characteristics.

MSCI Small Cap: Index is designed to reflect the performance of the small cap segment of the respective market.

MSCI Quality: Index is designed to reflect the performance of quality growth stocks by identifying stocks with high quality scores based on three fundamental variables: high return on equity, stable y/y earnings growth, and low financial leverage.

MSCI Large Cap: Index is designed to reflect the performance of the large cap segment of the respective market.

MSCI Min. Volatility: Index is designed to reflect the performance of a minimum variance strategy.

MSCI High Dividend Yield: Index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

US (S&P 500): The S&P 500 is an index designed to track the performance of the largest 500 US companies. US High Beta: The S&P 500 High Beta Total Return Index measures the performance of 100 constituents in the S&P 500 that are most sensitive to changes in market returns.

US Value: The S&P Composite 1500 Total Return Value Index is a subset of the S&P 1500 index tracking the performance of value stocks. US Growth: The S&P Composite 1500 Total Return Growth Index is a subset of the S&P 1500 index tracking the performance of growth stocks.

US Low Vol: The S&P 500 Low Volatility Total Return Index is designed to measure the performance of the 100 least volatile stocks of the S&P 500.

US (NASDAQ): The Nasdaq Composite Index is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange.

US (Russell 2000): The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

Japan (Nikkei 225): The Nikkei 225 is an index that tracks the performance of the largest 225 companies traded in the Japanese market.

Europe (STOXX 600): The STOXX 600 is an index that represents the performance of 600 large, mid and small capitalization companies across 18 countries in the European Union. The index is hedged in USD.

UK (FTSE 100): The FTSE 100 is an index that tracks the performance of the largest 100 companies traded on the London Stock Exchange.

France (CAC 40): The CAC 40 is an index that tracks the performance of the largest 40 companies traded on the Paris Stock Exchange.

Germany (DAX 30): The DAX 30 is an index that tracks the performance of the largest 30 companies traded on the Frankfurt Stock Exchange.

China (SHANGHAI A SE): The SHANGHAI A SE index tracks the performance of the Renminbi denominated equities traded at the Shanghai Stock Exchange.

Global Aggregate: The Bloomberg Barclays Global Aggregate Total Return (USD hedged) Index is a broad-based measure of the global investment-grade fixed income market.


US Treasury: The Barclays Bloomberg US Treasury Index is the US Treasury component of the US Aggregate Index and uses public obligations of the US Treasury with a remaining maturity of one year or more.

US TIPS: The Bloomberg Barclays US Treasury Inflation-Protected Securities Total Return Index tracks the performance of publicly issued, US Treasury inflation-protected securities that have at least one year remaining to maturity and have $250 million or more of outstanding face value.

Global Investment Grade – Corp.: This index reflects the corporate component of the Bloomberg Barclays Global Aggregate Index which is designed to provide a broad-based measure of the global investment-grade fixed income markets.

Global High Yield: The Barclays Bloomberg Global High Yield Index is a broad-based measure of the global high yield market.

US Leveraged Loans: The S&P/LSTA Leveraged Loan Total Return Index is designed to measure the performance of the US leveraged loan market.

Hedge Funds: The Hedge Fund Research HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

EM USD Denominated: The Bloomberg Barclays EM USD Aggregate Index includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

EM Debt LC: The Bloomberg Barclays EM Local Currency Government Total Return Index measures the general performance of locally issued fixed income securities by Emerging Market governments.

Bloomberg Commodity Index: The Dow Jones UBS Commodity index is designed to provide diversified commodity exposure with weightings based on the commodity’s liquidity and economic significance.

USD: The US Majors Dollar Index tracks the performance of the USD versus a basket of foreign currencies including the euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona, and Swiss Franc.

Oil (WTI, USD/Barrel): Generic West Texas Intermediate crude oil spot price.

Gold (USD/Troy Ounce): Gold London Bullion Market spot price, quoted in USD per Troy Ounce.

US Investment Grade Corporate: The Barclays Bloomberg US Aggregate – Corporate Index is designed to measure the performance of the investment grade corporate sector in the US.

US High Yield: The Bloomberg Barclays US High Yield Index covers the universe of fixed-rate, non-investment grade corporate debt in the US.

3M US Libor: Average interest rate at which a selection of banks in London lend to one another in USD with a maturity of 3 months.

2Y US Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a two-year maturity.

10Y US Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a ten-year maturity.

10Y UK Gilt: Average yield of a range of UK government bonds all adjusted to the equivalent of a ten-year maturity.

10Y German Bund: Average yield of a range of German government bonds all adjusted to the equivalent of a ten-year maturity.

10Y Japanese Bond: Average yield of a range of Japanese government bonds all adjusted to the equivalent of a ten-year maturity.

CBOE VIX: Indicator of the implied volatility of S&P 500 index as calculated by the Chicago Board Options Exchange (CBOE).


Consumer Price Index (CPI): Index measures changes in the price level of market basket of consumer goods and services purchased by households.

carry Trading: Borrowing a currency at a low interest rate to finance the purchase of another currency earning a higher interest rate.

Emerging Markets Carry Trade Index: The EM-8 Carry Trade Index measures the cumulative total return of a buy-and-hold carry trade position that is long eight emerging market currencies (Brazilian real, Mexican peso, Indian rupee, Indonesian rupiah, South African rand, Turkish lira, Hungarian forint, Polish zloty) that is fully funded with short positions in the US dollar.

EM FX Volatility: JP Morgan EM FX Volatility is calculated based on 3 month at-the-money-forward vols, which are combined with a set of fixed weights to produce the daily result.

Manufacturing PMI: An economic indicator derived from monthly surveys of private sector companies. A level above 50 indicates expansion compared to the prior month and below 50 contraction.

Conference Board Consumer Confidence: Published by The Conference Board to measure the degree of optimism on the state of the US economy that consumers are expressing through their activities of savings and spending.

Citi Economic Surprise Index: Objective and quantitative measures of economic news defined as weighted historical standard deviations of data surprises (actual releases vs. Bloomberg survey median).
Disclosure

FOOTNOTES FOR RETURNS AND CHARTS

1 Total 3Y% change annualized for equities, commodities, foreign exchange and fixed income. 2 Total returns in USD. USD hedged for Global Treasury ex US, Global Investment Grade – Corporate, and Global High Yield. 3 OAS: option-adjusted spread. Both level and change in bp. 4 Current level of interest rates (%) shown in “Level” column except for CBOE VIX. For CBOE VIX the value as of each date is shown not the change. 5 “Level” for each exchange rate: USD/1 Euro; USD/1 British Pound; Japanese Yen/1 USD. Changes for Japanese Yen calculated using USD/1 Japanese Yen. A carry trade is when a trader benefits from a difference in rates and uses the high-yielding currency to fund the trade with low-yielding currency.

RISKS

Investing in foreign denominated and/or domiciled securities involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries. Bonds are subject to interest rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. Small and midsized company stocks tend to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories. Commodities contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. Currencies can decline in value relative to a local currency, or, in the case of hedged positions, the local currency will decline relative to the currency being hedged. These risks may increase fund volatility.