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**Against a backdrop of ongoing trade tensions and potential trade wars, global markets have continued to experience outsized volatility. Yet disciplined investors have been rewarded for staying the course. So, what now? In this review, Tom Digenan and Kristin Finney-Cooke offer up their thoughts.**

**How would you describe the current state of the investment markets?**

**Finney-Cooke:** Overall, I'd say there's been a kind of resilience in the markets that many weren't expecting. As it happened, global equity markets were very robust over the third quarter, with much of the gain due to demand for technology, artificial intelligence (AI) in particular. Gold, meanwhile, has gone up significantly while the U.S. dollar has weakened.

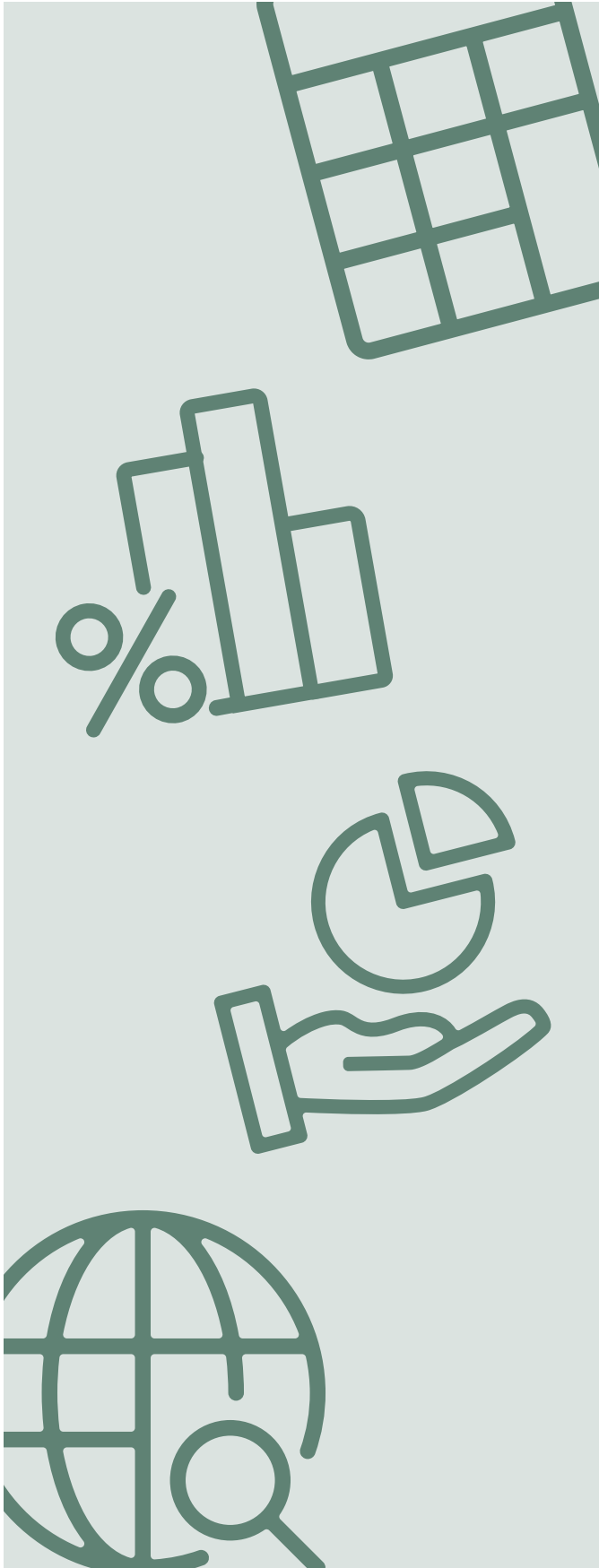
Concerns around trade negotiations and monetary policy will likely continue throughout the rest of the year, so we should be prepared for a bit of volatility. But as we've noted before, we can still have positive markets.

**"..we expect further rate cuts from the Fed."**

**— Kristin R. Finney-Cooke**

**Speaking of fixed income, can you share your thoughts on the current interest rate environment?**

**Finney-Cooke:** As you would expect, the Fed rate cut resulted in higher bond prices, especially at the longer end. At the same time, spreads narrowed in U.S. high yield, U.S. investment grade, and most mortgage-backed securities also produced higher bond prices. The investor demand for attractive yields and locking those yields in has been something that we've seen across the spectrum of the fixed-income market. I might add here that we expect further rate cuts from the Fed.



**How does duration play into your fixed income decisions?**

**Digenan:** Duration is an area where you can really be opportunistic, but when the opportunity is not there, you have to dial it down, which is what we’ve done. Without a reasonable expectation for compensation, we’re not willing to take a duration bet.

**Finney-Cooke:** We are being mindful of where we are from a monetary policy standpoint, and that we could be entering into increased inflation. Focusing on asset allocation in the credit markets and the credit sectors is where we think we’ll find the most benefit.

**We’ve heard you say this is an exciting time to talk about equities.**

**Digenan:** It is an exciting time. As Kristin mentioned, we’ve gone through this period of generally robust returns, yet we’re still seeing attractive valuations in various parts of the world. A lot of people may not be aware that European equities have come alive — they actually outperformed the U.S. by a wide margin this period. Equities to us look like a big diversification opportunity.

**“..we’re still seeing attractive valuations in various parts of the world.”**

**— Tom Digenan**

**Do you believe there are still compelling growth opportunities to be found?**

**Digenan:** The U.S. market has been strong for many years, but it's currently trading at approximately 28 times earnings. That's a very high multiple. Compare that to other parts of the world — Europe, Japan, emerging markets — now all of a sudden you're looking at 16 to 17 times earnings. As the world transitions into AI 2.0, you're going to see margin improvements across other industries in other countries, and that's where lower multiples will be opportunistic.

The Frontier markets are also interesting. Stocks there are trading at 10 to 11 times earnings. These are high-risk/high-reward trades, but to get valuations roughly one-quarter to one-third of the U.S. is exciting.

**Any final thoughts?**

**Finney-Cooke:** Maybe now more than ever, it's important to maintain a dialogue. We encourage you to connect with your investment representatives to make the most of your partnership. Talk to them about the issues that you're facing and match them up with the opportunities we see in the market.



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**We want to hear from you!**

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