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In many respects, the third quarter of 2019 was confounding. On the surface, numerous potentially market-shaping events transpired. The Federal Reserve cut interest rates for the first time in a decade. An ominous yield curve inversion took shape, signaling to many a looming recession. Global economic tumult continued featuring negative interest rates, continued Brexit deliberations, and struggling economies. Oil recorded its biggest one-day percentage jump on record after an attack on Saudi Arabia's oil infrastructure. The repo market, which essentially serves as the plumbing of the financial markets, required Fed intervention in a sign that banks may be facing liquidity issues. September was punctuated with the United States House of Representatives commencing an impeachment inquiry against the President of the United States.

The historically weak third quarter should have buckled against this backdrop. At a minimum, we should have witnessed breathtaking market volatility. In the end, however, the major market indices increased modestly with below average volatility. The market conundrum that was the third quarter has set the stage for investors to ponder what is in store for the remainder of the year as well as for 2020.

Outside the United States, investors have very few compelling investment options. It is somewhat unusual to witness simultaneous strength in domestic equities, Treasuries, and fixed income markets. Investors continue to gravitate to U.S. debt instruments as most dollar indices hover around record highs. Many countries are grappling with how best to stimulate their dormant economies. Many economic planning entities, including the European Central Bank, have reinstated 2008-like stimulus programs. In the third quarter, 16 central banks around the world lowered interest rates. As a result, nearly $15 trillion in government debt globally currently feature negative yields. The U.S. economy remains stronger than most developed countries, buoyed by the strength of the U.S. consumer. Until or unless this trend abates, expect flows to continue into U.S.-domiciled financial instruments.

The Federal Reserve, as per usual, finds itself in the center of the financial market dialogue. July marked the first time in a decade that the Fed reduced interest rates. They did so again later in the quarter. The Fed is in somewhat of a precarious position, however. It is unusual to cut rates during periods of strong economic growth. However, considering the weak global markets and the interest rate differential between the U.S. and the rest of the world, some fret over an eventual weakening of our economy. Many bullish investors are hoping for two more rate cuts in the fourth quarter. This appears unlikely barring data indicating a weakening U.S. economy.

Many divergent opinions exist regarding equities as we approach the end of 2019. The good news for investors is that earnings expectations remain subdued. Low expectations reduce the overall risk for equities should companies issue conservative earnings guidance. Many potentially market disrupting events will shape the fourth quarter. These include the October Brexit deadline, two tariff implementation dates, Fed meetings, and ongoing impeachment hearings.

> Riverbridge continues to focus on identifying companies possessing the ability to grow their business while generating strong free cash flow and without being dependent on the financial markets to finance this growth.

Our portfolio companies are managed by leaders focused on the next decade and not simply the next year. They are making the proper capital allocation decisions while considering the global economic backdrop. Regardless of market sentiment, our portfolio companies remain well-positioned for growth.

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