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STOCKS & BOND YIELDS: TURN DOWN FOR WHAT!

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EQUITIES

Data as of: 08/15/19

Index	Price	1Wk%	QTD%	YTD%
DJIA	25579.39	-3.03	-3.84	9.65
S&P 500	2847.60	-3.08	-3.20	13.59
Nasdaq	7766.62	-3.39	-2.99	17.05
Russell 2000	1461.65	-4.56	-6.57	9.30
S&P 500 Growth	1759.90	-2.75	-2.21	17.53
S&P 500 Value	1104.38	-3.34	-3.84	12.23
Cons. Disc.	905.42	-3.88	-4.15	16.78
Cons. Staples	611.74	-0.11	2.65	19.26
Energy	414.12	-5.87	-11.67	-0.08
Financial Svcs.	432.16	-4.22	-5.54	10.75
Health Care	1033.52	-2.00	-3.40	4.39
Industrials	612.61	-4.13	-5.74	14.41
Info. Tech.	1345.34	-3.23	-1.72	24.93
Materials	348.22	-4.32	-5.00	11.39
Real Estate	237.36	-0.01	4.54	25.72
Comm. Services	162.44	-2.89	-0.75	18.19
Utilities	308.83	0.41	2.32	17.36
MSCI EAFE	1797.33	-2.56	-6.26	6.88
MSCI EM	963.52	-2.05	-8.13	1.59

- Investors endured another volatile five-day stretch as the combination of trade uncertainty, plunging global bond yields, and conflicting messages between the United States and global economies further pressured stock prices. It may seem hard to believe that the S&P 500 Index achieved record levels just three weeks ago, but that speaks to the curious nature of the current **market dynamics**, along with the seasonal weakness typically associated with the Dog Days of Summer, as August and September historically deliver the weakest monthly returns for the equity markets.
- Indeed, the **current volatility** presents many concerns for investors. Trade uncertainty weighs on sentiment, as businesses delay capital expenditures until clarity emerges on the logistics of their future supply chains. In turn, consumers may feel threatened by the potential for tariff-induced price pressures, yet that has failed to show up in recent spending and confidence measures. The inversion of the U.S. Treasury yield curve, where short-term rates have exceeded those of several longer-term rates, has historically preceded recessions in the United States. Finally, recent economic data in the U.K., China, and Germany was weaker than forecast, resulting in significantly lower global interest rates.
- The combination of these concerns pushed the major domestic **equity market** indexes down by approximately 3% over the past five trading days, bringing the markets down about 6% from their late-July record levels. Large caps have outperformed small caps, and the likelihood of easier monetary conditions in the months ahead further propelled the growth style of investing to outperform value.

FIXED INCOME

Data as of: 08/015/19

	Yield	Total Return		
		1Wk%	QTD%	YTD%
90 Day UST	1.91	-	-	-
2 Yr UST	1.48	-	-	-
10 Yr UST	1.52	-	-	-
30 Yr UST	1.98	-	-	-
US Agg	2.18	0.88	2.51	8.78
US Agg Govt.	1.58	1.27	3.17	8.51
US TIPS	1.70	0.67	2.44	8.74
Munis	1.62	0.55	2.39	7.61
HY Munis	4	0.85	2.73	9.57
Inv. Grade	2.90	1.10	3.15	13.31
High Yield	6.59	-0.35	-0.42	9.48
MBS	2.38	0.16	0.98	5.19
Global Agg	1.21	0.71	1.82	7.49
Intl. Treasuries	0.37	1.31	3.67	10.24
JPM EMBI	6.16	-2.82	-1.31	9.34

	Price	WTD%	QTD%	YTD%
US Dollar	98.14	0.54	2.10	2.05
EUR/USD	0.90	0.83	2.52	2.91
USD/JPY	106.15	-0.07	-1.48	-3.25
WTI Oil	54.47	3.67	-7.04	16.74
Gold	1531	1.44	7.40	17.01
Copper	2.60	-0.48	-4.37	-1.88

The yield presented refers to the corresponding index except for the U.S. Treasury (UST) data, which is of individual Treasury note securities and not an index. The Currency and Commodity data presented are quotes of the exchange rate. This data is from FactSet.

- The disappointing economic data coming from Europe, particularly in the U.K. and Germany, resulted in the **developed markets** slightly underperforming the emerging space. The year-to-date trend, though, continues to indicate momentum for developed markets.
- The global uncertainties and the inverted U.S. Treasury yield curve resulted in a global push for safe havens, enabling **bonds** to catch more bids last week, building on their year-to-date gains.
- While **global** economic data is clearly weakening, we do not believe the inverted U.S. Treasury yield curve portends imminent recession. Instead, we view the global demand for U.S. bonds as a bid for quality and relative valuation. To be sure, global investors are faced with a choice: purchase negative yielding sovereign bonds from Germany and Japan, or buy “less expensive” paper in the United States, where relative valuations remain attractive despite record or near-record low yields.
- The global pursuit for quality and yield is also evident in the performance of the **U.S. dollar**. Despite the Federal Reserve’s intentions to lower interest rates and the rising “twin deficits” of trade and budget, the trade-weighted dollar continued to climb last week.
- In another surprising development, and a signal of the excess global liquidity, **commodities** like oil and gold, priced in dollars, rose over the past five trading days. The weaker than expected economic data out of China and concerns regarding global growth continued to pressure copper prices.

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All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Sector data is represented by S&P 500 GICS sub-indexes.

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