THE PRIVATE CLIENT GROUP
WEALTH MANAGEMENT

August 2019

~ Market and Economic Insights ~

Monthly Summary

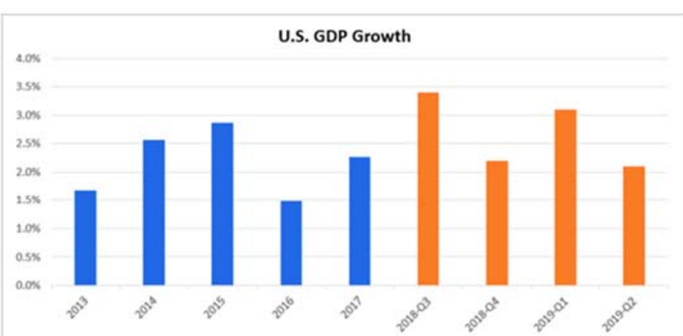
The summer of 2019 has been rather turbulent for investors. As the trade war between the U.S. and China escalated, the ongoing Brexit struggle frayed relations in Europe. Plunging global interest rates and the inversion of the U.S. yield curve for the first time since the financial crisis also unnerved investors, triggering stock market volatility. Fixed income and other defensive assets were safe-havens, once again demonstrating the benefits of a diversified investment portfolio. Both the stock and bond markets continue to hold on to healthy gains year-to-date.

Equity market sectors that investors perceive to be more stable outperformed for the month. Defensive sectors such as consumer staples, utilities and real estate earned positive returns. Larger high-quality growth companies experienced modest losses. Areas of the market that are more exposed to a slowdown in economic growth underperformed. Energy and financial stocks suffered the largest losses, dragging down the value category which has a large weighting in these sectors. Emerging markets were hampered by their reliance on trade and manufacturing as well as sharp currency declines versus the U.S. dollar. Cyclical commodities such as copper also experienced sharp losses.

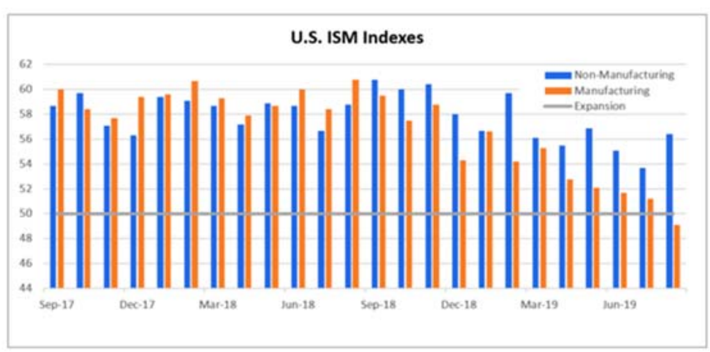
Fixed income results were positive for the month of August. High quality, longer maturity bonds outperformed as interest rates fell and credit spreads widened. U.S. Treasury yields are trading at the lowest levels seen in years. High yield bonds and loans with heightened credit risk have recently languished amid concerns over corporate leverage and liquidity as well as the stock market pullback. Strong investor demand for municipal bonds, which tend to outperform late in an economic cycle, has offset an increase in issuance from states and municipalities.

U.S. economic growth has been relatively stable, coming in between 2% and 3% for several quarters. However, signs of a slowdown are becoming more widespread. The Federal Reserve regional banks estimate that third quarter growth will be in the 1.5% to 2.0% range. Although the services sector continues to expand, U.S. manufacturing activity has declined for the first time in three years. Investment spending by corporations and business confidence have weakened as the trade war continues. U.S. consumers, the driving force behind economic growth, have also shown some signs of declining confidence. The most recent jobs report was disappointing and annualized wage growth has declined since passing the 3% threshold a few months ago. Global manufacturing activity and trade have been slowing for several months. As a result, the Federal Reserve and the ECB are being closely watched by investors as they consider rate cuts and other stimulus measures.

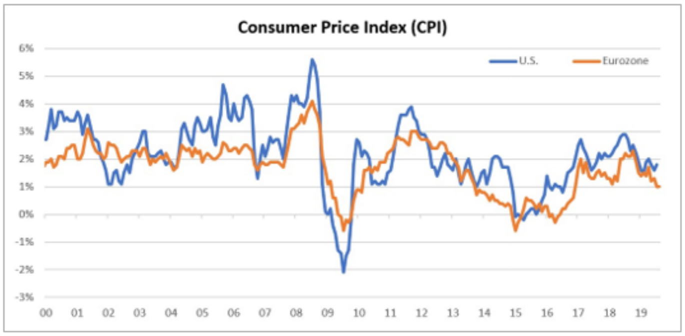
Economic Data



U.S. Department of Commerce

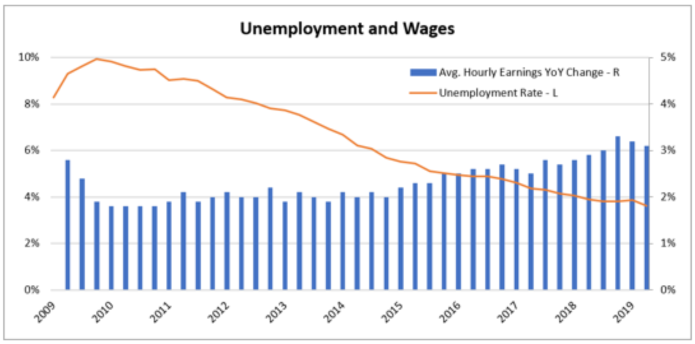


Institute for Supply Management



U.S. Bureau of Labor Statistics

Bloomberg



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