THE PRIVATE CLIENT GROUP
WEALTH MANAGEMENT

July 2019

~ Market and Economic Insights ~

Monthly Summary

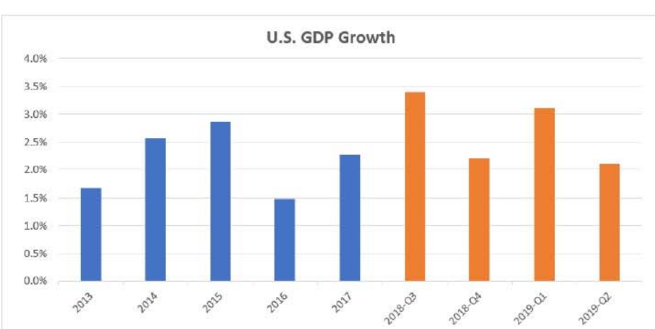
Market volatility was relatively low throughout the month and U.S. indices briefly touched all-time highs. However, the expected but controversial federal funds interest rate cut of 0.25% triggered volatility as we headed into August. Notably, this was the first time since 2008 the Federal Reserve Board cut the federal funds rate. In an effort to handle market uncertainties, Federal Reserve Chairman Jerome Powell said the cut was "intended to ensure against downside risks from weak global growth and trade tensions" and did not imply the start of a series of future interest rate reductions. Some investors were hopeful for a larger reduction, perhaps 0.50%, but this did not materialize and the target rate now sits at 2.0%.

Although the S&P 500 Index incurred a sharp decline on the last trading day of the month, the Index increased by more than 1% throughout July, attributable to surprise positive earnings reports from some larger companies, including Alphabet and Apple. Information technology was the best performing sector within the S&P 500, driven by companies' strong reported earnings. On the flip-side, the energy sector again lagged due to reports of increasing natural gas supplies coupled with decreasing demand. The U.S. unemployment rate is the lowest it's been in 50 years and consumer spending remains a key area of strength within the economy. U.S. manufacturing is still reporting expansionary figures, although at a slowing pace and is now straddling the line between expansion and contraction. It remains to be seen how overall global growth continues to develop, and what impact future trade negotiations will have on this dynamic.

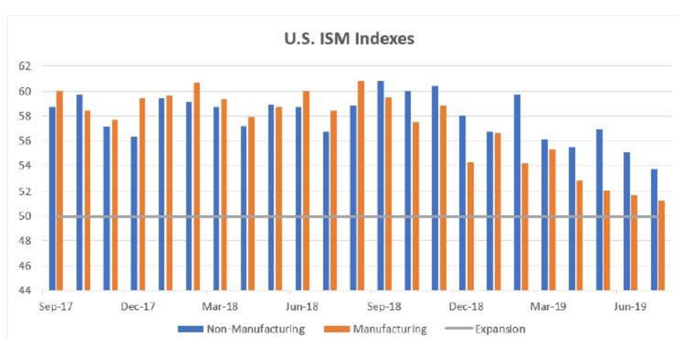
Internationally, most equity indices declined within both developed and emerging markets. European equities fell during the month partially due to the Bank of England's stagnant monetary policy and declining growth forecast. Additionally, the election of Boris Johnson as the U.K. Prime Minister signaled a possible no-deal Brexit and contributed to a falling British pound. Likewise, Asian equity markets dropped after reports showed Chinese manufacturing activity contracted slightly in July.

Within fixed income, the U.S. Treasury yield curve remains inverted with the short-term 3-month rate sitting around 2.1%, above the 5-year rate of 1.8%. The U.S. Aggregate Bond Index produced higher returns than its international counterpart, the Global Aggregate ex. U.S. Index based on higher yields.

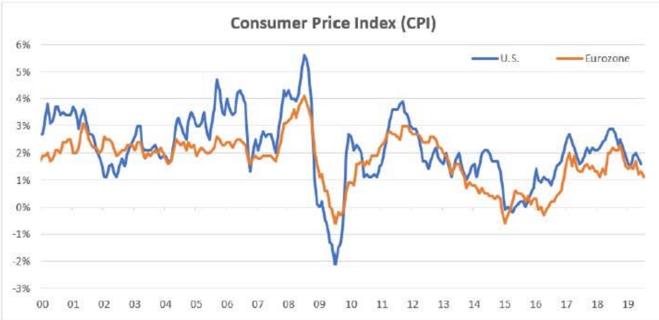
Economic Data



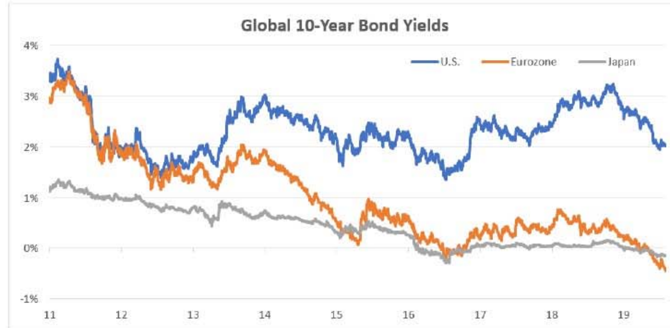
U.S. Department of Commerce



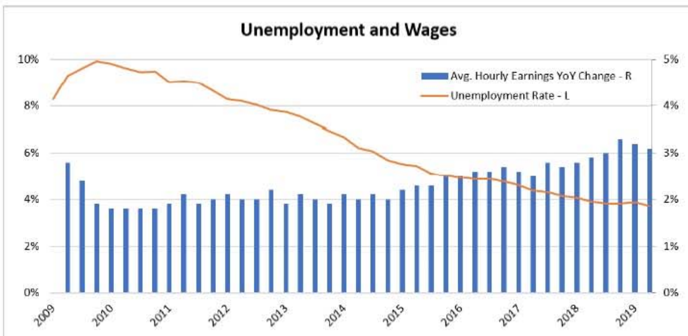
Institute for Supply Management



U.S. Bureau of Labor Statistics

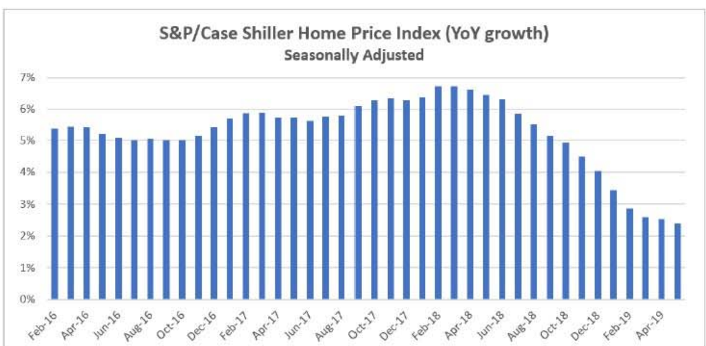


Bloomberg



U.S. Bureau of Labor Statistics

Conference Board



S&P/Case Shiller

U.S. Bureau of the Census