

Threading the Needle

Weekly Review

Equity markets rallied hard over the last five trading days (Thurs-Thurs), initially driven by a dovish ECB earlier in the week, culminating with a finely tuned move/no move release on behalf of the Fed. The S&P 500 was higher by 2.2%, making an all-time high while the NASDAQ was up 2.7%; these indices are now up YTD by 19% and 21%, respectively. As you would have guessed, Growth lead the charge, with the Large Cap Growth higher by 3.0%. And as past is prologue, Value lagged, higher by only 1.6%. The beleaguered Energy Sector outperformed for the week, higher by 3.7%, but still is down almost 16% over the last 12-months. The Technology Sector was close behind, up by 3.1% for the week, led by Adobe, FaceBook and Oracle, higher by 9.3%, 6.8% and 5.9%, respectively. Fixed-Income also enjoyed solid gains this week, with Long Corporates higher by 2.1%, while Mortgages and Munis lagged, up only 0.4% and 0.2%, respectively. Duration continues to outperform YTD, with Long Corporates, Core and Governments higher by 13.4%, 11.4% and 9.3%, respectively. EM began to participate in the equity bid once again, after some YTD see-saw (strong/week) price momentum, led by the Shanghai Composite, higher for 4.2% on the week, and now up 20% YTD. Oil rebounded, after Iranian drone attacks, and expectations of US retaliation, while Gold advanced over 4% and the US\$ was under pressure for the week down by about 1%. And finally, the 10yr, closing the week at around 2.0%, touch as low as 1.98% from the week-ago levels of over 2.10%

The FOMC and Chairman Powell delivered – and then some – for market bulls this week, by suggesting the Fed stands willing and able, if conditions warrant, to cut rates in order to keep the economy from faltering. **Moreover, he did it in a very succinct manner, as to not heighten concerns about the potential for a more severe contraction in the economy.** We were pleasantly surprised with the latter, as Chairman Powell has sometimes communicated “too clearly” one direction, only to quickly reverse the position. Further, the drafting of the FOMC press release, and his answers in the subsequent press conference also provided vagaries and innuendos, like how his predecessors communicated – therefore leaving something for everyone to take away. As a result, the S&P pushed higher by 1.2% over the last two days, closing at an all-time high of 2,954. **At these levels, the large-cap index is trading back to 16.8x forward earnings (almost 1 full turn higher from May 24th), and ever so close to the 17x handle that we still think will pose as a resistance level.** But as quickly as talking heads were lauding the move up in equities, they were equally as cautious in terms of what is priced into the market, and the potential downside. **Even one commentator on CNBC echoed our phrase, “Be careful what you wish for.”** According to Goldman Sachs, there is almost a 100% chance of at least one 25bps cut in the next 12 months, up to a 90% chance of up to three (3) cuts, and almost a 50% chance of four (4) cuts or more. Even in the middle scenario, this would bring the Fed Funds Rate down close to 1.75%, leaving only a handful of cuts – if indeed the economy were to enter a recession. That is not too much room to move. But the Fed is just part of the global easing cycle that was reinforced earlier this week when the European Central Bank (ECB) pledged additional stimulus amid slowing inflation across the Eurozone. **So, this all brings us back to our original thesis, that if the Fed doesn't follow through in July with at least 25bps, we could be re-testing early late-May lows. And if they cut more than 25 bps, this suggests the economy is in worse shape than Chairman Powell's current assessment. Basically, a lose/lose.**

We'd love to hear your thoughts.

As a reminder, we will be conducting the kickoff of our House View webinar series. You can register in advance for this webinar via the following URL below. We hope you can attend.

Date: This upcoming Wednesday, June 26th

Time: 3:00PM EST.

[The House View | Summer 2019](#)

After registering, you will receive a confirmation email containing information about joining the webinar.

Domestic Indices	1Week
1 NASDAQ Composite PR	2.7%
2 DJ Industrial Average TR	2.5%
3 S&P 500 TR	2.2%
4 NYSE Composite PR	2.0%
5 Russell 2000 TR	1.8%
6 S&P MidCap 400	1.5%
7 ICE BofAML US High Yield TR	1.0%
8 BBgBarc US Aqq Bond TR	0.7%
9 BBgBarc US Government TR	0.6%
10 US Inter Gov Bd TR Bond	0.4%
11 BBgBarc US MBS TR	0.4%
12 BBgBarc Municipal TR USD	0.2%

Style Stratification	1Week
1 US Large Growth	3.0%
2 US Growth	2.8%
3 US Large Cap	2.3%
4 US Small Growth	2.3%
5 US Market	2.2%
6 US Mid Growth	2.1%
7 US Large Core	1.9%
8 US Core	1.9%
9 US Mid Cap	1.8%
10 US Mid Core	1.8%
11 US Mid Val	1.6%
12 US Large Val	1.6%

Sector Stratification	1Week
1 US Energy Capped	3.7%
2 US Technology	3.1%
3 US Snstve Sup Sec	2.9%
4 US Healthcare	2.6%
5 US Industrials	2.5%
6 US Commun Svc Capped	2.4%
7 US Consumr Cyclcl	2.0%
8 US Dfnsvs Sup Sec	1.8%
9 US Real Estate	1.8%
10 US Utilities	1.7%
11 US Cyclcl Sup Sec	1.5%
12 US Financial Services	1.2%
13 US Basic Materials	0.8%
14 US Consumr Dfnsvs	0.4%

Bond Indices	1Week
1 US Lng Corp Bd TR Bond	2.1%
2 US Lng Core Bd TR Bond	1.6%
3 US Corp Bd TR Bond	1.2%
4 US TIPS TR	1.2%
5 US Lng Gov Bd TR Bond	1.1%
6 ICE BofAML US High Yield TR	1.0%
7 US Inter Corp Bd TR Bond	0.8%
8 US Core Bd TR Bond	0.7%
9 US Gov Bd TR Bond	0.5%
10 US Inter Core Bd TR Bond	0.5%
11 US Inter Gov Bd TR Bond	0.4%
12 Mortgage TR Bond	0.4%
13 BBgBarc Municipal TR USD	0.2%

International Markets	1Week
1 SSE Composite PR CNY	4.2%
2 MSCI EM PR USD	3.1%
3 MSCI Pacific Ex Japan PR LCL	3.1%
4 Euronext Paris CAC 40 NR EUR	3.0%
5 MSCI Pacific NR USD	2.6%
6 MSCI EM PR LCL	2.2%
7 MSCI World ex USA NR USD	2.2%
8 Nikkei 225 Average PR JPY	2.1%
9 MSCI Pacific PR LCL	2.0%
10 MSCI Europe NR USD	1.8%
11 MSCI EM Latin America PR USD	1.7%
12 MSCI World Ex USA PR LCL	1.7%
13 FSE DAX TR EUR	1.5%
14 MSCI Europe PR LCL	1.4%

Source: Morningstar.com

Weekly Capital Market Comments

June 21, 2019

NORTHEAST | SEQUOIA
PRIVATE CLIENT GROUP

Disclosure: The information in this publication and references to specific securities, asset classes and financial markets are provided for illustrative purposes and do not constitute an offer to sell, or solicitation of an offer to purchase, any securities, nor does they constitute an endorsement with respect to any investment area or vehicle. This material serves to provide general information to clients and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel. Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed. Investment products (other than deposit products) referenced in this material are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by Northeast Private Client Group, and are subject to investment risk, including the loss of principal amount invested. Portfolios are subject to investment risks, including possible loss of the principal amount invested. In addition, foreign investments may be less liquid, more volatile and less subject to governmental supervision than in the United States. The values of foreign securities can be affected by changes in currency rates, application of foreign tax laws, changes in governmental administration and economic and monetary policy. Investors should consider the investment objectives, risks, charges, and expenses of ETFs carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained from your investment professional. Please read it before you invest. Investments in ETFs are subject to risk, including possible loss of the principal amount invested. This information is being provided to current Northeast Private Client Group clients and should not be further distributed without Northeast Private Client Group's approval. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Each company's security affects the index in proportion to its market value. This commentary contains forward-looking statements and projections. Actual results may differ from current expectations based on a number of factors including but not limited to changing market conditions, leverage and underlying asset performance. Northeast Private Client Group makes no representation or warranty, express or implied that this information shall be relied upon as a promise or representation regarding past or future performance. This material contains the current opinions of the author but not necessarily those of Guardian or its subsidiaries and such opinions are subject to change without notice. Past performance is not a guarantee of future results. Indices are unmanaged, and one cannot invest directly in an index. Data and rates used were indicative of market conditions as of the date shown. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA, SIPC. OSJ: [200 Broadhollow Road Suite 405, Melville, NY 11747](#), 631-589-5400. PAS is an indirect, wholly-owned subsidiary of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Northeast Private Client Group is not an affiliate or subsidiary of PAS or Guardian. 2019-81755 Exp. 9/19