Halftime: Bulls 20, Bears 13 !

Weekly Review

After touching a new all-time high, the S&P 500 – along with most other equity indices – pulled back modestly this week (Thurs-Thurs), down about 1% on average; while at the same time most fixed-income indices remained unchanged. Top of mind for many investors remain the G20 this week, and the potential for a Xi/Trump side-bar and hopes of reviving trade talks. Still, equities remain higher by about 18-20% YTD, while long-bonds are up between 9-13% YTD – depending if investors hold governments or corporates. Value names were the top-performing style stratification this week, down only 60bp, while Growth lagged down between 1.5-1.6%. Across sectors, Basic materials were higher by about 0.2%, while Communication Services and Real Estate lagged, down 3.3% and 3.6%, respectively. Oil remains for bid, as continued saber rattling in Iran pushed the commodity higher by almost 4% this week, closing above $59.40. Gold was also higher on the week, up 1.4% closing at $1,417. And finally, the 10yr, remains in and around 2%, virtually unchanged from week-ago levels.

This week, we hosted our inaugural House View Webinar Series entitled, Summer 2019 – Where Do We Go From Here? Herein, we highlight the key take-aways.

- The US economy and capital markets are breaking all types of records. Since the market bottom in March 2009, the S&P 500 has returned over 440%, or 27% per year, on average. At the same time, the NASDAQ has returned over 530% in aggregate, or almost 30% annually. This puts the S&P 500 in the longest bull-market rally since the Great Depression. And come the end of July, the current economic expansion will be the longest on record
- However, we currently believe the US economy is in the declining phase of the economic life cycle, characterized by slowing employment growth, consumer and business sentiment rolling over, modest if not reversing wage growth, falling business activity, weak housing trends, virtually no inflation and dovish Fed-speak. But we doubt we are shaping up for the replay of the 2007-2009 period, when the US economy lost over 8 million jobs, while the credit market froze, and housing market imploded. But rather, we believe the US economy is simply slowing, and believe the next downturn will be short and shallow.
- And while there is no escaping the daily deluge of negative news flow, we believe the overarching geopolitical backdrop introduces not only volatility into markets, but also, opportunity; both here in the US and abroad, across both equity and fixed-income.
- But a systemic concern we have is inflation, or the lack thereof, and how will this ultimately impact the future path of our economy. And while this is a near-term positive for equities, we are not convinced it is a good long-term remedy for the economy and market. From our perspective, the US equity market is pricing a 50-75bp cut in the Fed Funds rate. But, quite frankly, we believe the Fed is setting themselves up to fail; a lose/lose situation, if you will. If the Fed doesn't cut, then the market could sell off. And if the Fed does cut, then what does that tell you about the health of the economy?
- So, as we sit here, half-way through 2019 we still continue to promote what we coin a "Value Tilt Portfolio," a portfolio with a value bias, constituted with securities/and strategies that pay dividends, have attractive yields and solid balance sheets, and trade at discounted valuations. We prefer large cap equities, as they offer liquidity. We also like defensive names over cyclicals, at least in the near-term. Globally, we prefer developed large caps, partly due to the rate divergence between the US the rest of the world; and EM, or emerging markets, have had a great run since the beginning of the year – most likely pulled along by a resumption in the Chinese economy and stock market. But we wonder if it is time to move to the sidelines at this point. Finally, we continue to like REITs and preferred equity strategies. **We'd love to hear your thoughts.**

To listen to a replay of our webinar, please click on the following URL: House View | Summer 2019 -- Where Do We Go From Here?

Domestic Indices		1Week
1	BBgBarc US Agg Bond TR	0.1%
2	BBgBarc Municipal TR USD	0.0%
3	US Inter Gov Bd TR Bond	0.0%
4	BBgBarc US Government TR	0.0%
5	BBgBarc US MBS TR	0.0%
6	ICE BofAML US High Yield TR	0.0%
7	DJ Industrial Average TR	-0.8%
8	S&P MidCap 400	-0.9%
9	NYSE Composite PR	-0.9%
10	S&P 500 TR	-1.0%
11	Russell 2000 TR	-1.0%
12	NASDAQ Composite PR	-1.0%

Style Stratification		1Week
1	US Large Val	-0.6%
2	US Mid Val	-0.8%
3	US Large Core	-0.9%
4	US Core	-0.9%
5	US Large Cap	-1.0%
6	US Market	-1.0%
7	US Mid Cap	-1.3%
8	US Large Growth	-1.3%
9	US Mid Core	-1.3%
10	US Growth	-1.5%
11	US Mid Growth	-1.6%
12	US Small Growth	-1.6%

Sector Stratification		1Week
1	US Basic Materials	0.2%
2	US Energy Capped	-0.2%
3	US Financial Services	-0.6%
4	US Technology	-0.9%
5	US Consumr Cyclcl	-0.9%
6	US Snstve Sup Sec	-0.9%
7	US Cyclcl Sup Sec	-1.0%
8	US Healthcare	-1.1%
9	US Industrials	-1.1%
10	US Dfnsve Sup Sec	-1.3%
11	US Consumr Dfnsve	-1.4%
12	US Utilities	-2.2%
13	US Commun Svc Capped	-3.3%
14	US Real Estate	-3.6%

Bond Indices		1Week
1	US Lng Corp Bd TR Bond	0.5%
2	US Corp Bd TR Bond	0.3%
3	US Lng Core Bd TR Bond	0.3%
4	US Inter Corp Bd TR Bond	0.2%
5	US Core Bd TR Bond	0.1%
6	BBgBarc Municipal TR USD	0.0%
7	US Shrt Gov Bd TR Bond	0.0%
8	US Inter Gov Bd TR Bond	0.0%
9	US Gov Bd TR Bond	0.0%
10	US Lng Gov Bd TR Bond	0.0%
11	US Inter Core Bd TR Bond	0.0%
12	ICE BofAML US High Yield TR	0.0%
13	Mortgage TR Bond	-0.1%

International Markets		1Week
1	MSCI Pacific Ex Japan PR LCL	0.1%
2	MSCI EM PR USD	0.1%
3	MSCI Pacific NR USD	0.0%
4	MSCI EM PR LCL	-0.1%
5	MSCI Pacific PR LCL	-0.2%
6	FTSE 100 TR GBP	-0.2%
7	MSCI World ex USA NR USD	-0.2%
8	MSCI Europe NR USD	-0.3%
9	MSCI Japan PR LCL	-0.4%
10	MSCI EM Latin America PR USD	-0.4%
11	Nikkei 225 Average PR JPY	-0.6%
12	MSCI World Ex USA PR LCL	-0.7%
13	FSE DAX TR EUR	-0.7%
14	Euronext Paris CAC 40 NR EUR	-0.7%

Source: Morningstar.com