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Market Monitor



- The S&P 500 and Dow Industrials posted their strongest monthly gains since January, when they reached their 2018 peaks. The Dow advanced 4.83% in July, while the Nasdaq Composite rose 2.19%.
- U.S. crude oil futures retreated 7.27% in July amid concerns over rising global production rates.
- World stocks also rose the most since January, with the MSCI All-Country World Index up 3.02% in July.

The S&P 500 ended July on a strong note, snapping a three-day losing streak and capping a fourth consecutive monthly gain. Wall Street's month-end rebound was led by gains in industrial firms on reports that China and the U.S. resumed trade talks after being stalled for weeks. Investors have been busy reviewing a flurry of second quarter earnings data, with the reporting season now over two-thirds complete. S&P 500 companies are on pace to expand operating EPS by 21.7% YoY with corresponding revenue growth of 9.1%. Mega cap tech sector stocks delivered uneven performance toward the end of the month after a pair of social media giants plunged on disappointing forward earnings guidance. Meanwhile, U.S. GDP data showed that the economy expanded at a 4.1% annualized pace in the second quarter, the fastest pace of growth since the third quarter of 2014.

By market capitalization, large cap stocks outperformed both mid caps and small caps in July, while small caps have performed best on a year-to-date basis. Sector returns were led by cyclical-oriented companies in both July and YTD, while large cap growth stocks trailed value stocks. In international stocks, emerging markets and ex-U.S. developed markets underperformed relative to domestic equities.

Treasuries declined in July, sending the yield on 10-year Treasury notes up 10 basis points to end July at 2.961%. Investment-grade bonds of all types were nearly flat in July and negative YTD. State and local municipal bonds posted a third-straight monthly gain, the longest winning streak in over a year. Non-investment grade high-yield corporate bonds outperformed within U.S. fixed-income markets in both time periods.

| Top Performers – July 2018 ¹ | Bottom Performers – July 2018 |
|---|---------------------------------|
| Industrials (+7.32%) | Real Estate (+1.08%) |
| Healthcare (+6.61%) | Energy (+1.42%) |
| Financials (+5.27%) | Consumer Discretionary (+1.83%) |
| Top Performers – YTD 2018 | Bottom Performers – YTD 2018 |
| Consumer Discretionary (+13.56%) | Telecom (-6.22%) |
| Technology (+13.19%) | Consumer Staples (-4.83%) |
| Healthcare (+8.57%) | Materials (-0.21%) |

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

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Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision. All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards. Glossary The Bloomberg Barclays Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multicurrency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973. The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The MSCI All-Country World Ex-U.S. Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, but excludes the United States. The SMCI ACWI consists of 45 country indexes comprising 22 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.