

Weekly Capital Market Comments

June 17, 2019

All Eyes On The Fed

Weekly Review

Equity markets continued to recover from their recent market low, higher by about 50bps for the week. The tech-heavy NASDAQ was higher by 70bp, while the NYSE Composite was up 20bps. Bonds were mixed for the week, ranging from down 10bps to positive 10bps. Year-to-date, The S&P is now up 16.3%, while the NASDAQ and Russell 2000 are higher by 17.5% and 13.6%, respectively. From a style perspective, Value topped the table with Mid Cap Value and Large Cap Value each higher by about 70bps, while Growth lagged (if this price action isn't foreshadowing... I don't know what is). But from a sector perspective, Consumer Cyclical (retail heavy) continued to lead, higher by 1.8% for the week, driven by the on-again/off-again tariff soap opera, which last week was clearly off. But we did see more defensive sectors put up some good results as well, as Utilities, Consumer Defensive and REITs were all higher by 1.2%, 0.9% and 0.7%, respectively. Bond were also mostly for bid, but HY once again regained the top spot, higher by 40bps for the week, with Corporates higher by 20bps; Munis and MBS lagged. We even saw a resumption in EM equities, pulled along by the Chinese market, which ended the week almost 2% higher. Oil finished the week down by about 1.6%, while Gold ended higher by about 1%. Finally, the 10yr TSY, which began the week at 2.14%, fell back down to close at 2.9%.

All eyes will be on the FOMC meeting this week, expecting at the best – a 25bps cut in the overnight rate, and at the worst – some type of dovish reassurance that policy makers stand willing and able to step in and prevent any additional economic downside. Readers of this weekly are well aware of our position, that the **Fed should hold rates steady for now. But we live in strange times and would not be surprised if the Fed did provide the market; scratch that – “the economy” with a 25bps insurance cut. We keep needing to remind ourselves that that Fed's dual mandate is price stability and unemployment...not the equity market (LOL !)**

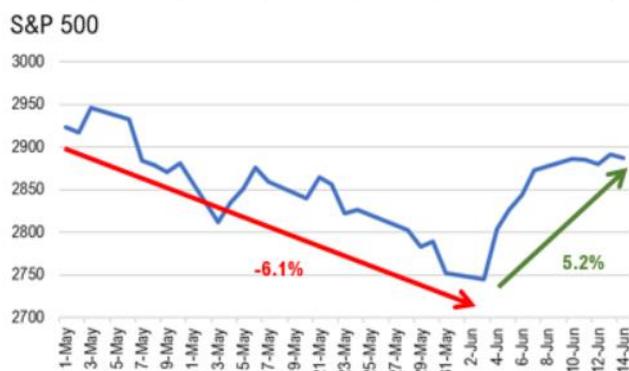
But to this end, we believe the market has already priced in a cut, and if the Fed doesn't follow through, we could be re-testing early June lows. In Exhibit 1 below, we illustrate the recent market volatility and price action. From

May 1 through June 3rd, the S&P gave up over 6%. And since the low of 2,477 on the S&P on June 3rd, the index has recovered over 5%. It will be truly interesting to see the equity market's response following the 2-day policy meeting which begins on Tuesday. While we would not be surprised if there is a cut – our prediction – is that there is no cut this time around. But rather, a clever statement making sure that any market bearishness is assuaged. As Chairman Greenspan once said, “I know you think you understand what you thought I said but I'm not sure you realize that what you heard is not what I meant”. Powel and Greenspan communicate in a similar fashion.

Finally, we once again want to remind our readers and clients of our first webinar, scheduled for Wednesday, June 26th at 3:00PM EST. We will be providing call-in numbers and Zoom Video Webinar information later this week.

We'd love to hear your thoughts.

Exhibit 1: S&P 500 – Since May 1, 2019



Source: NEPCG and FactSet

Domestic Indices	1Week
1 NASDAQ Composite PR	0.7%
2 Russell 2000 TR	0.6%
3 S&P 500 TR	0.5%
4 S&P MidCap 400	0.5%
5 DJ Industrial Average TR	0.5%
6 ICE BofAML US High Yield TR	0.4%
7 NYSE Composite PR	0.2%
8 US Inter Gov Bd TR Bond	0.1%
9 BBgBarc US Agg Bond TR	0.0%
10 BBgBarc US Government TR	0.0%
11 BBgBarc US MBS TR	-0.1%
12 BBgBarc Municipal TR USD	-0.1%

Style Stratification	1Week
1 US Mid Val	0.7%
2 US Large Val	0.7%
3 US Mid Core	0.5%
4 US Large Cap	0.5%
5 US Market	0.5%
6 US Mid Cap	0.5%
7 US Core	0.5%
8 US Large Core	0.4%
9 US Growth	0.4%
10 US Mid Growth	0.3%
11 US Small Growth	0.2%
12 US Large Growth	0.1%

Sector Stratification	1Week
1 US Consumr Cyclcl	1.8%
2 US Basic Materials	1.3%
3 US Utilities	1.2%
4 US Cyclcl Sup Sec	1.0%
5 US Consumr Dfnsvs	0.9%
6 US Real Estate	0.7%
7 US Dfnsvs Sup Sec	0.6%
8 US Technology	0.3%
9 US Financial Services	0.3%
10 US Healthcare	0.2%
11 US Commun Svc Capped	0.2%
12 US Snstve Sup Sec	0.1%
13 US Industrials	-0.2%
14 US Energy Capped	-0.9%

Bond Indices	1Week
1 ICE BofAML US High Yield TR	0.4%
2 US Lng Corp Bd TR Bond	0.2%
3 US Inter Corp Bd TR Bond	0.2%
4 US Corp Bd TR Bond	0.2%
5 US Inter Gov Bd TR Bond	0.1%
6 US Lng Core Bd TR Bond	0.1%
7 US Shrt Gov Bd TR Bond	0.1%
8 US Gov Bd TR Bond	0.0%
9 US Core Bd TR Bond	0.0%
10 US Inter Core Bd TR Bond	0.0%
11 US Lng Gov Bd TR Bond	-0.1%
12 BBgBarc Municipal TR USD	-0.1%
13 Mortgage TR Bond	-0.1%

International Markets	1Week
1 SSE Composite PR CNY	1.9%
2 MSCI Pacific Ex Japan PR LCL	1.2%
3 Nikkei 225 Average PR JPY	1.1%
4 MSCI Pacific PR LCL	1.1%
5 MSCI Japan PR LCL	1.0%
6 MSCI EM PR LCL	0.8%
7 MSCI EM PR USD	0.8%
8 MSCI World Ex USA PR LCL	0.6%
9 MSCI Pacific NR USD	0.4%
10 FSE DAX TR EUR	0.4%
11 MSCI Europe PR LCL	0.4%
12 MSCI EM Latin America PR USD	0.3%
13 FTSE 100 TR GBP	0.3%
14 Euronext Paris CAC 40 NR EUR	0.2%

Source: Morningstar.com

Weekly Capital Market Comments

June 17, 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. 2019-81442 Exp. 9/19