June 24, 2019

Stocks Reach New Heights

June 17-21, 2019 Recap

- **Equities Post Third Weekly Gain.** U.S. stocks finished slightly lower Friday, its first decline within a strong week as equities were whipsawed from the quarterly quadruple-witching of options and futures contract expirations. Wall Street's near week-long rally was also dampened after President Trump authorized, but later called off retaliatory military strikes against Iran for downing a U.S. drone.

- **Weekly Performance.** For the week, the Dow Industrials advanced 2.41%, the S&P 500 gained 2.22%, while the tech-heavy Nasdaq Composite jumped 3.03%. On Thursday, the S&P 500 posted a new all-time high for the first time since April 30 and with it, benchmark equities fully recovered from May losses.

- **Fed Positions for Cuts.** On Wednesday, the Federal Reserve kept interest rates unchanged, but dropped its "patient" phrasing from its policy statement. The removal signals the central bank could cut rates in the coming months.

- **Energy Performed Best.** All 11 major sectors ended positive last week, led by Energy (+5.16%), Technology (+3.34%) and Healthcare (+3.13%). Financials (+0.40%), Materials (+0.26%) and Consumer Staples (+0.20%) rose the least. Energy firms rallied amid an 8.83% surge in oil prices last week, tied to rising Middle East tensions.

- **Treasurys Yields Fall.** Treasury prices reversed Friday from their strongest levels of the year that drove 2-year yields down 10.3 basis points to 1.77% and the yields on 10-year notes down 2.5 basis points to 2.06%. The U.S. Dollar Index was lower a fourth day amid the Fed's dovish signaling on Wednesday, falling 1.39% for the week.

What We're Reading

Diplomacy Still Possible

Business Issues Under Debate

Trump-Xi G-20 Meeting

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Week's Economic Calendar

Monday, June 24: Chicago Fed National Activity, Dallas Fed Manufacturing Activity;

Tuesday, June 25: Case-Shiller Home Prices, Richmond Fed Manufacturing Activity, New Home Sales, Consumer Confidence;

Wednesday, June 26: Durable & Capital Goods Orders, Retail & Wholesale Inventories, Mortgage Applications;

Thursday, June 27: Final 1Q GDP, Jobless Claims, Pending Home Sales;

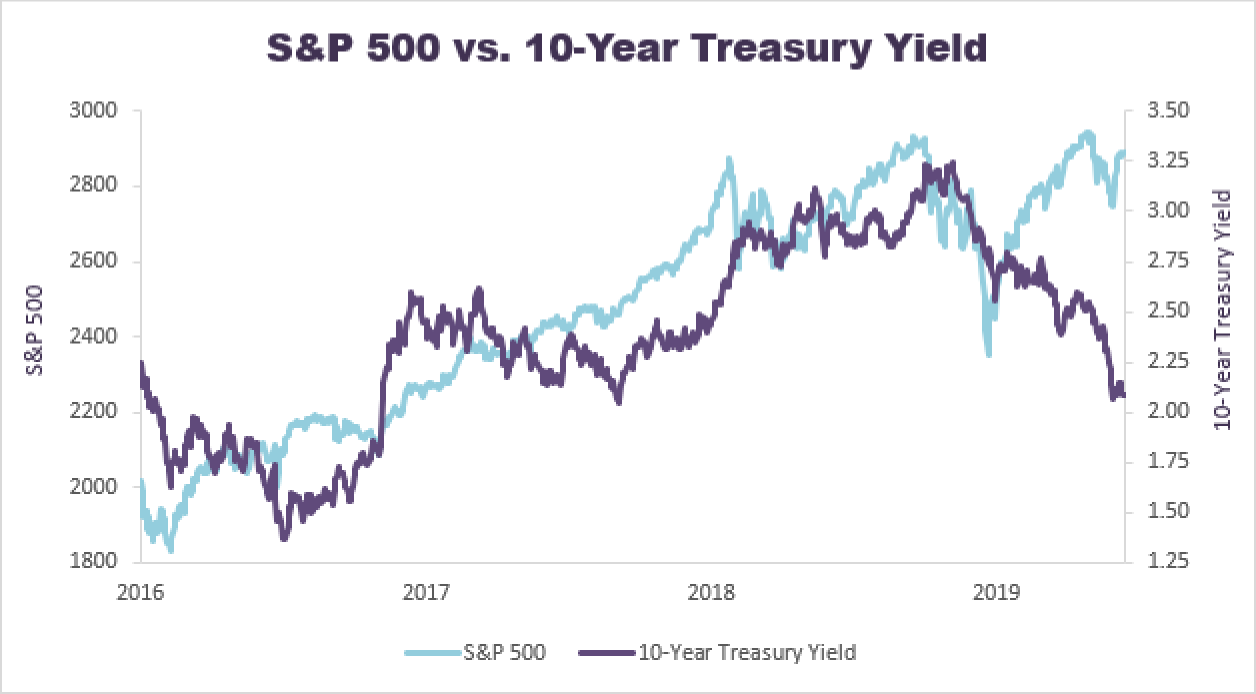
Friday, June 28: Personal Income & Spending, PCE Deflator/Core Inflation, Chicago-area PMI, Consumer Sentiment.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	2.41	7.67	2.91	14.54	9.24	14.45
S&P 500	2.22	7.34	3.88	18.87	9.49	14.50
NASDAQ Composite	3.03	7.84	2.75	21.70	5.29	19.70
Russell 3000	2.16	7.15	3.43	18.85	7.69	14.23
MSCI EAFE	2.22	5.24	1.99	13.28	0.21	7.78
MSCI Emerging Markets	3.83	5.83	-0.79	10.16	0.06	11.07
Bonds	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Barclays Agg Bond	0.44	0.82	3.44	5.66	7.76	2.50
Barclays Municipal	0.21	0.29	2.71	5.01	6.75	2.74
Barclays US Corp High Yield	1.01	2.30	2.78	9.97	6.95	7.55
Commodities	**1-Week**	**MTD**	**3-Month**	**YTD**	**1-Year**	**3-Year**
Bloomberg Commodity	1.34	1.59	-3.68	3.94	-6.65	-2.44
S&P GSCI Crude Oil	8.83	7.35	-4.25	26.47	-12.38	4.83
S&P GSCI Gold	4.14	6.79	6.58	9.27	10.21	3.24

Source: Morningstar

Chart of the Week: Rate Cut Outlook Spurs Diversion



This week's chart of the week shows the S&P 500 Index compared to the 10-Year Treasury yield. Typically, bond yields move with stock prices. Falling bond yields result in rising bond prices – and rising bond yields result in falling bond prices. This year, bond yields are moving lower while stock prices are moving higher, sending a mixed signal on the outlook for growth. The reason for this, in our view, is because the bond market and stock market are anticipating a more dovish Fed in the months ahead.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

*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 **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*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 index*

*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 **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.*

*The **Bloomberg Barclays US 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 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 **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 subindicies of the Municipal Index have historical data to January 1980. In addition, several subindicies 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 **MSCI All-Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The SMCI ACWI consists of 46 country indexes comprising 23 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, the United Kingdom and the United States. 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 **MSCI EAFE Index** 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 Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

*The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.*

*The **MSCI Pacific Index** captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

*The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.*

*The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.*

*The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.*

***West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts*

*The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.*

*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.*