



The Month in Review

July Takeaways

- July posted the best stock market performance since January, 2018. The Nasdaq rose 2.2%; the S&P 500 gained 3.6% and the Dow Jones Industrials advanced 4.5%.
- It appears the concerns over ongoing trade disputes are taking a back seat to second quarter earnings which, after a mixed start, finished the month with solid gains. Trailing EPS on the DJIA continue to post new all-time highs. Also, for those not paying attention, second quarter GDP came in at 4.1%.
- The debate will continue as to whether or not trade disputes escalate to an actual war (one where there are no winners) or just another bargaining technique of the current administration. Either way, exports account for less than 12% of domestic GDP versus over 25% of German GDP. Do the math as to where the danger lies.
- The bottom line in the current debate is that Wall Street is cautious but not panicked by the trade issue and is primarily focused on continued strong fundamentals.
- Our current play in iCore (large cap allocation) has finally started to outperform style-neutral. We are normally early to the dance. We expect to see continued improvement on this trade as the year advances.
- One interesting note from recent earnings reports is the profit taking in the tech sector after many new records were set. The old saying is "Buy the canons, sell the trumpets." Are investors selling the news and rotating out of the market leaders into other sectors?
- Finally, we take a look the increasing discussions over the shape of the yield curve, specifically, whether or not an inversion is in the offing. There are many factors that influence rates. We observe them and factor them into how we interpret our current view of a potential inversion and recession. Currently, we see the odds of an inversion and recession rising out over the horizon, but not yet. Stay tuned.

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