Intrinsic Investors

The Month in Review

July Takeaways

- Just when investors thought it was safe to go back in the water, *Shark Week arrived early* on Wall Street. After idly splashing about in the summer waves for most of July, someone on the beach thought they saw a dorsal fin in the surf and shouted "Shark!" You know how this played out in the movie…

- And so, an *otherwise healthy July* ended on a sour note as the *Fed* opted, as expected, to *cut interest rates* on July 31st. Also expected was the *negative reaction* on Wall Street as stocks fell over 300 points on the final trading day. This was widely interpreted as disappointment that the Fed did not signal additional cuts in the offing.

- Fed Chairman Jay Powell must be feeling a bit shark-bit right now. He raised rates a quarter point in December, only to have the market throw up on itself. Now he lowers rates a quarter point and gets more of the same. Sometimes you just cannot win for trying!

- We are getting to an *interesting juncture* in the road back to normal. *On the one hand*, some analysts have interpreted the Fed's move as an *insurance policy* designed to offset the drag created by the last rate hike. *On the other hand*, it may be signaling concerns over *slowing global and domestic growth.*

- As of this writing, there have been two additional shark sightings. One is on the *Trade War front*, where the President appears to be applying his Mexican Standoff policy to our trading partners in China, threatening additional tariffs on September 1st unless progress is made in current negotiations. China responded by *lowering the value* of their currency to levels not seen since 2008, risking a global *Currency War*. There is supposed to be an old curse that goes something like "May you live in interesting times." We may not be cursed, but these are interesting times…

- Back on Wall Street, earnings season continues with lowered expectations looking ahead and some signs of slowing on a trailing basis. Despite this, the *economy is still motoring along* at a healthy clip. We are having a *terrific year in stocks*, but we continue to bump up against Relative Value. In this week's chart, the market slightly under fair value. On the recession front, we see continued upward pressure in our Recession Predictor. While this *is to be expected* late in the business cycle, we see nothing actionable at this point. The August-October period is traditionally volatile for equities. This year promises to be no different. Stay tuned!