

## MONTHLY MARKET REPORT

### AUGUST 2019

#### U.S. MARKETS

Stock prices choked in August as concerns about an economic slowdown and global trade tensions proved more powerful than upbeat news about the American consumer.

The Dow Jones Industrial Average dropped 1.72 percent, while the Standard & Poor's 500 Index fell 1.81 percent. The NASDAQ Composite lost 2.60 percent.<sup>1</sup>

Stocks opened the month lower on concerns that the Federal Reserve might not pursue interest rate cuts at a pace that's in line with investor expectations.



If you set your goals ridiculously high and it's a failure, you will fail above everyone else's success.

James Cameron, Oscar-winning film director

#### CHINA'S CURRENCY CHANGES

In case you need a refresher: the yuan is not freely traded; the Chinese government monitors its movements against the U.S. dollar. A weaker yuan makes Chinese exports less expensive to buy with foreign currencies.

Last month, China's currency fell below 7 yuan to the U.S. dollar for the first time since 2008.<sup>2</sup> The stock market stumbled, but found some footing as China took steps to support the yuan, easing the trade issues that were raised by the change.

#### YIELD CURVE

Stock prices turned lower again in mid-August when the bond market sounded a loud warning about economic growth with an inverted yield curve. Remember, a normal yield curve has an upward slope. An inverted yield curve slopes downward and shows that interest rates on long-term bonds are lower than short-term rates. Going forward,

investors will continue to closely watch the Fed's actions in light of the inverted yield curve.

## TRADE DISPUTE ESCALATES

Later in August, China imposed new tariffs, prompting the White House to encourage U.S. businesses to look for alternatives to China. After markets closed on August 23, additional U.S. tariffs were announced for some Chinese imports, leaving investors the weekend to consider what this meant for stock prices.

As the month wrapped up, stocks moved higher during the final week of trading, bringing an end to a choppy market month.

## SECTOR SCORECARD

Only three industry sectors, Consumer Staples (+0.53 percent), Real Estate (+5.40 percent), and Utilities (+3.77 percent) saw gains in August. The remaining sectors suffered declines, including Communication Services (-3.58 percent), Consumer Discretionary (-2.16 percent), Energy (-7.59 percent), Financials (-5.76 percent), Health Care (-2.12 percent), Industrials (-3.71 percent), Materials (-4.33 percent), and Technology (-3.62 percent).<sup>3</sup>

### U.S. Market Recap for August 2019



<b>S&amp;P 500</b>	<b>NASDAQ</b>	<b>Russell 1000</b>	<b>10-Year Treasury</b>
↓ <b>-1.81%</b>	↓ <b>-2.60%</b>	↓ <b>-2.04%</b>	↓ <b>-1.51%</b>
<b>Month</b>	<b>Month</b>	<b>Month</b>	<b>Month</b>
↑ <b>16.74%</b>	↑ <b>20.01%</b>	↑ <b>16.93%</b>	↓ <b>-1.18%</b>
<b>Year-to-Date</b>	<b>Year-to-Date</b>	<b>Year-to-Date</b>	<b>Year-to-Date</b>

Yahoo Finance, August 31, 2019. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

## WHAT INVESTORS MAY BE TALKING ABOUT IN SEPTEMBER

In the coming weeks, tensions may heat up between the U.S. and its European trading partners.

The World Trade Organization has determined that the European Union illegally subsidized Airbus SE and harmed U.S. aircraft sales. The WTO is expected to decide on penalties against the European Union, possibly impacting Airbus SE operations spread throughout Europe, including France, Germany, and Spain.<sup>4</sup>

## WTO PENALTY PHASE

The penalties may be announced in the next few weeks. The WTO is expected to give the U.S. the “green light” to set up new trade rules with European importers. If the U.S. takes that step, European trading partners may respond by seeking an updated trade agreement.

In light of ongoing U.S.-China trade talks, tariff issues may continue to weigh on investors for the remainder of the year, feeding further market bumps.

## WORLD MARKETS

International stocks fell amid weak economic data and rising trade tensions, with the MSCI-EAFE Index falling 3.47 percent.<sup>5</sup>

European stocks were weighed down by the dissolution of Italy’s government and Britain’s looming hard exit from the European Union. Great Britain fell 5.26 percent; Germany, 2.05 percent; France, 0.70 percent.<sup>6</sup>

Pacific Rim stocks didn’t escape the selling pressure either, with Australia dropping 3.06 percent and Japan falling 3.8 percent. Hong Kong declined more than 7 percent, due in large part to ongoing domestic tensions.<sup>7</sup>

South America’s second-largest country, Argentina, plummeted a stunning 41.49 percent on fears of another pending credit default.<sup>7</sup>

## World Market Recap for August 2019



EMERGING MARKETS	JUNE	YEAR-TO-DATE
Hang Seng (China)	↓ -7.39%	↓ -0.47%
Kospi (Korea)	↓ -2.80%	↓ -3.59%
Nikkei (Japan)	↓ -3.80%	↑ 3.45%
Sensex (India)	↓ -0.40%	↑ 3.51%
Jakarta Composite (Indonesia)	↓ -0.97%	↑ 2.16%
Bovespa (Brazil)	↓ -0.66%	↑ 15.07%
IPC All-Share (Mexico)	↑ 4.40%	↑ 2.45%
Merval (Argentina)	↓ -41.49%	↓ -18.76%
ASX 200 (Australia)	↓ -3.06%	↓ 16.96%
<b>EUROPE</b>		
DAX (Germany)	↓ -2.05%	↑ 13.07%
CAC 40 (France)	↓ -0.70%	↑ 15.85%
Dow Jones Russia Index (Russia)	↓ -4.85%	↑ 20.23%
FSTE 100 (Great Britain)	↓ -5.26%	↑ 6.95%

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# INDICATORS

## GROSS DOMESTIC PRODUCT

U.S. economic growth was revised lower, ticking down to 2.0 percent from its initial estimate of 2.1 percent. Higher corporate profits and an upward revision in consumer spending were outweighed by weakness in the housing sector, exports, and inventory investment.<sup>8</sup>

## EMPLOYMENT

New jobs grew steadily in July, with nonfarm payrolls rising by 164,000. The unemployment rate remained unchanged at 3.7 percent, while wages picked up a bit, increasing by 3.2 percent from 12 months ago.<sup>9</sup>

## RETAIL SALES

The consumer evidenced real strength as retail sales jumped 0.7 percent from the prior month. Excluding autos, retail sales were higher by an impressive 1.0 percent.<sup>10</sup>

## INDUSTRIAL PRODUCTION

Hurt by a slowdown in global economic growth and persistent trade frictions, industrial output fell by 0.2 percent. Manufacturing output was particularly hard hit, declining 0.4 percent.<sup>11</sup>

## HOUSING

Housing starts fell 4.0 percent from the prior month, the third consecutive month of decline.<sup>12</sup> Existing home sales rose 2.5 percent and were higher by 0.6 percent year-over-year, the first such increase in 16 months.<sup>13</sup> New home sales plunged 12.8 percent, the indicator's biggest monthly decline since July 2013. However, new home sales were up 4.3 percent compared to July 2018.<sup>14</sup>

## CONSUMER PRICE INDEX

Consumer prices rose by 0.3 percent in July, a sign that inflation may be gathering a bit of steam. The year-over-year increase was a tamer 1.8 percent.<sup>15</sup>

## DURABLE GOODS ORDERS

Durable goods orders rose 2.1 percent, an upside surprise from consensus expectations and the second straight month of month-over-month increases. The gain was attributed to demand for aircraft and parts; excluding those, durable goods orders declined 0.4 percent.<sup>16</sup>

# THE FED

July's Federal Open Market Committee meeting minutes revealed some insight into the change in interest rates.

The minutes show that Fed officials considered the 0.25 percent federal funds rate and adjustment to its monetary policy rather than the onset sustained easing cycle, which would lead to a series of interest rate cuts.

While the Fed explained that trade uncertainty is an economic headwind, it stopped short of making any commitment to continue reducing rates. Fed officials said that they were open to further interest rate cuts should economic circumstances warrant them.<sup>17</sup>

# BY THE NUMBERS

## BASEBALL, AMERICA'S PASTIME

**\$38.3 MILLION**<sub>18</sub>

Largest salary in 2019:  
Stephen Strasburg

**WRIGLEY FIELD**

**\$370.12**<sub>20</sub>

Most-expensive ballpark  
admission for a family of four

**\$550,000**<sub>19</sub>

Major League Baseball  
minimum salary in 2019

**CHASE  
STADIUM**

**\$145.58**<sub>21</sub>

Least-expensive ballpark  
admission for a family of  
four

**\$10.3 BILLION**<sup>34</sup>

Total revenue for Major  
League Baseball in 2018

**19 YEARS OF  
AGE**<sup>22</sup>

Youngest player in MLB

**JORDAN  
HICK'S 104.3  
MPH**<sup>26</sup>

Fastest pitch in 2019

**42 YEARS  
OF AGE**<sup>23</sup>

Oldest player in MLB

**AROLDIS  
CHAPMAN'S  
105.1 MPH**<sup>25</sup>

Fastest recorded  
pitch in the history of  
MLB

BABE RUTH'S 575  
FEET<sup>24</sup>

Longest homerun in the history  
of MLB

120<sup>27</sup>

Average amount of baseballs  
used in a single 9-inning game

\$10 MILLION<sup>28</sup>

Average baseball cost to  
MLB in a single year

\$3.2 MILLION<sup>29</sup>

Highest price ever paid for a  
single baseball

1939<sup>30</sup>

Year of the first televised game

## THE NY YANKEES<sup>31</sup>

First team with a local  
television contract

\$75,000<sup>32</sup>

The price for the Yankee's  
first local television  
contract in 1946

\$609,788.83<sup>33</sup>

Current value of \$75,000  
in 1946 dollars, adjusted  
for inflation

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Please consult your financial advisor for additional information.

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