LPL RESEARCH
WEEKLY MARKET PERFORMANCE

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CURRENCY FEARS EMERGE

John Lynch, *Chief Investment Strategist, LPL Financial*
Barry Gilbert, PhD, CFA, *Asset Allocation Strategist, LPL Financial*

EQUITIES

Data as of: 08/08/19

Index	Price	1Wk%	QTD%	YTD%
DJIA	26378.19	-0.77	-0.83	13.08
S&P 500	2938.09	-0.52	-0.12	17.20
Nasdaq	8039.16	-0.89	0.41	21.16
Russell 2000	1532.13	-1.17	-2.10	14.52
S&P 500 Growth	1810.70	-0.14	0.55	20.85
S&P 500 Value	1143.27	-0.86	-0.51	16.10
Cons. Disc.	942.18	0.07	-0.28	21.49
Cons. Staples	612.59	0.75	2.77	19.40
Energy	441.49	-2.24	-6.17	6.15
Financial Svcs.	451.27	-1.45	-1.38	15.62
Health Care	1055.21	0.01	-1.43	6.53
Industrials	639.80	-0.37	-1.68	19.34
Info. Tech.	1392.17	-1.19	1.55	29.10
Materials	364.21	0.22	-0.71	16.42
Real Estate	238.02	2.63	4.55	25.73
Comm. Services	167.28	-0.64	2.21	21.72
Utilities	308.18	1.16	1.91	16.88
MSCI EAFE	1846.36	-2.43	-3.80	9.69
MSCI EM	984.30	-3.90	-6.20	3.72

- The **equity markets** struggled in the week ending Thursday, August 8, weighed down by currency-related trade uncertainty after China retaliated against new tariffs by devaluing the yuan. Several central banks cut interest rates, adding pressure on the Federal Reserve (Fed) to ease policy further. Despite these intentions, the U.S. dollar continued to strengthen, resulting in increased demand for U.S. Treasuries and other safe haven assets.
- For the week ending Thursday, the major domestic equity indexes declined 3–4%, with the S&P 500 Index down almost 7% from its all-time high at Monday’s lows. It should be noted that at 2,850, the S&P 500 is about at the level where we reduced our recommendation from overweight to market weight on U.S. equities late last March. We continue to believe the index is fairly valued in the 3,000 range, and would prefer to see cyclical strength lead us there again.
- The expectation for further central bank accommodation was a tailwind for growth stocks, which narrowly widened its lead on value for 2019.
- Cyclical sectors led declines for the week ending Thursday, led lower by Energy (-7.1%), Financials (-5.4%), and Technology (-4.0%). Falling market interest rates boosted demand for “bond proxies,” like Real Estate and Utilities, as investors sought improved yields.
- The picture was similarly distressing around the world, with both developed markets (-3.6%) and emerging markets (-6.2%) pulling back. Looser monetary policy from New Zealand, Thailand, and India limited capital inflows, resulting in increased demand for the U.S. currency.

FIXED INCOME

Data as of: 08/08/19

		Total Return		
	Yield	1Wk%	QTD%	YTD%
90 Day UST	2.02	-	-	-
2 Yr UST	1.62	-	-	-
10 Yr UST	1.72	-	-	-
30 Yr UST	2.25	-	-	-
US Agg	2.29	0.75	1.62	7.83
US Agg Govt.	1.72	1.17	1.88	7.16
US TIPS	1.84	1.02	1.76	8.02
Munis	1.71	0.78	1.84	7.02
HY Munis	4.14	1.01	1.86	8.65
Inv. Grade	2.99	0.74	2.03	12.09
High Yield	6.50	-0.55	-0.07	9.86
MBS	2.46	0.07	0.82	5.02
Global Agg	1.30	1.26	1.10	6.73
Intl. Treasuries	0.37	0.90	2.33	8.82
JPM EMBI	5.78	0.85	1.56	12.51

	Price	WTD%	QTD%	YTD%
US Dollar	97.62	-0.76	1.55	1.50
EUR/USD	0.89	-1.27	1.67	2.06
USD/JPY	106.22	-1.82	-1.42	-3.19
WTI Oil	52.54	-2.61	-10.34	12.60
Gold	1510	5.38	5.88	15.35
Copper	2.61	-2.18	-3.91	-1.41

- Market interest rates plunged last week, roiling **fixed income markets** driven by anxieties over the U.S.-China trade war and its potential impact to the outlook for global economic growth. Declining yields in the U.S. resulted in a further flattening/inversion of the Treasury yield curve, increasing concerns about the potential for an imminent recession.
- Despite the historical significance of prior flattening/inverted periods, we do not believe a recession is imminent. Economic fundamentals in the U.S. remain sound, especially when considering full employment, mild wage growth, and low inflation. Trade has weighed on manufacturing and business spending, but gross domestic product (GDP) still expanded by approximately 2.5% in the first half of the year.
- Perhaps this explains the absence of stress in the credit markets, when viewed in the context of the TED spread, investment grade spreads, as well as high yield spreads. While safe haven strategies may be pushing down yields for global government bonds, credit-sensitive sectors have not approached areas indicating a lack of confidence.
- The most curious aspect of recent market volatility has been the bid for the **U.S. dollar**, despite the Fed's stated intentions. We view this as a reflection of just how accommodative other global central banks are, and intend to be, in the months and quarters ahead. Though not an official mandate, we believe the Fed needs to be mindful of currency dynamics and market signals, suggesting the need for lower rates.
- Concerns about slower global growth were also evident in **commodities** last week, as safe haven seekers pushed gold above $1500 while simultaneously pressuring oil and copper prices.
- In the **week ahead**, investors will digest reports on U.S. inflation, retail sales, and productivity. Global economic news includes China retail sales and industrial production, Eurozone GDP, and trade balance. Trade and tweets may also proliferate.

IMPORTANT DISCLOSURES

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance the products or strategies discussed are suitable for all investors or will yield positive outcomes. All performance referenced is historical and is no guarantee of future results. The economic forecasts set may not develop as predicted.

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U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

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