LPL RESEARCH
WEEKLY MARKET PERFORMANCE

August 23 2019

TRADE, TWEETS, AND GRAND TETONS

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

EQUITIES

Data as of: 08/23/19

Index	Price	1Wk%	QTD%	YTD%
DJIA	25628.90	-0.99	-3.65	9.87
S&P 500	2847.11	-1.44	-3.22	13.57
Nasdaq	7751.77	-1.83	-3.18	16.83
Russell 2000	1459.49	-2.27	-6.68	9.17
S&P 500 Growth	1758.52	-1.32	-2.28	17.45
S&P 500 Value	1104.99	-1.54	-3.71	12.37
Cons. Disc.	916.38	0.15	-2.96	18.24
Cons. Staples	611.45	-1.11	2.65	19.26
Energy	410.68	-1.91	-12.15	-0.61
Financial Svcs.	431.84	-1.87	-5.58	10.70
Health Care	1025.47	-1.95	-4.15	3.58
Industrials	614.12	-1.59	-5.46	14.76
Info. Tech.	1351.11	-1.41	-1.29	25.48
Materials	343.54	-3.04	-6.27	9.90
Real Estate	238.16	-0.17	4.99	26.26
Comm. Services	161.06	-2.00	-1.59	17.19
Utilities	310.52	0.20	2.97	18.10
MSCI EAFE	1826.73	0.86	-4.69	8.68
MSCI EM	973.66	0.37	-7.11	2.72

- **Equities** investors endured another volatile week, book-ended by positive trade vibes Monday, August 19, only to be thrust into negative territory Friday, August 23. White House officials announced they were laying the groundwork for new trade talks with China before the markets opened the trading week, boosting the major equity indexes by more than 1% Monday. Markets weakened with no real news on Tuesday and jumped again Wednesday when the minutes of the most recent Federal Reserve (Fed) meeting indicated officials would remain “flexible” regarding policy accommodation. Trading Thursday was mixed, flat, and boring before Friday’s moves lower. While everyone expected Fed Chair Jerome Powell’s speech in Jackson Hole, WY, to drive the markets, news from Beijing and Washington, D.C., stole the headlines.
- Three big headlines grabbed investor attention Friday. First, China announced retaliatory **tariffs** on $75 billion more in U.S. goods, and President Trump responded with a series of tweets criticizing the Fed and castigating China’s approach, while calling for U.S. companies to seek production alternatives elsewhere. Finally, the much anticipated **Jackson Hole** speech was relegated in importance, but its contents were nonetheless supportive to the economy and financial markets. The Fed Chair admitted that uncertainty over trade policy was weighing on global growth, manufacturing, and business investment, while adding the Fed would act accordingly to “sustain the expansion.”
- The combination of these dynamics drove the major domestic **equity indexes** lower by approximately 1% this week. The August doldrums have weighed down prices by at least 4%, and the major large cap

FIXED INCOME

Data as of: 08/23/19

	Yield	Total Return 1Wk%	QTD%	YTD%
90 Day UST	1.97	-	-	-
2 Yr UST	1.51	-	-	-
10 Yr UST	1.52	-	-	-
30 Yr UST	2.02	-	-	-
US Agg	2.17	0.08	2.60	8.87
US Agg Govt.	1.59	-0.06	3.06	8.40
US TIPS	1.69	0.02	2.35	8.64
Munis	1.66	-0.12	2.27	7.48
HY Munis	4.02	0.02	2.80	9.64
Inv. Grade	2.85	0.43	3.58	13.78
High Yield	6.42	0.72	0.47	10.46
MBS	2.39	0.00	1.07	5.28
Global Agg	1.23	0.02	1.69	7.36
Intl. Treasuries	0.37	-0.28	3.13	9.67
JPM EMBI	6.18	-0.49	-1.28	9.37

	Price	WTD%	QTD%	YTD%
US Dollar	97.64	-0.51	1.57	1.53
EUR/USD	0.90	-0.04	2.52	2.91
USD/JPY	105.96	-0.40	-1.66	-3.43
WTI Oil	54.17	-1.17	-7.45	16.22
Gold	1538	0.92	7.85	17.50
Copper	2.53	-2.50	-6.76	-4.34

The yield presented refers to the corresponding index except for the U.S. Treasury (UST) data, which is of individual Treasury note securities and not an index. The Currency and Commodity data presented are quotes of the exchange rate. This data is from FactSet.

indexes are all down about 6% from their late-July highs. Value received a surprising bid relative to growth later in the week, despite the Fed's intentions.

- **Sector** weakness was broad-based, with materials, energy, and communication services taking the biggest hits. Relative strength was curious, with bond proxies including utilities and real estate leading, along with the more cyclical consumer discretionary sector. This dynamic was largely the result of strong earnings reports from several leading retailers during the week.

- **Global** markets found a bid from anticipated intervention. China announced earlier in the week that its central bank would make loans more easily available, while Europe was also counting on a few developments. German officials floated the idea of fiscal stimulus to boost growth, and the collapse of Italy's government boosted optimism for change. We'll be paying close attention!

- The **bond market** was also volatile this week, highlighted by yet another brief inversion between the 2-year and 10-year U.S. Treasuries. To be sure, concerns about inversion and the potential for looming recession are widespread. Yet, while we continue to appreciate the historical significance of inverted U.S. Treasury yield curves, we also attribute the current situation to being driven mostly by relative valuation among interest rates available in the United States and other sovereigns, where more than $15 trillion worth of global bonds sport negative yields. We'll watch for an inverted curve of at least 25 basis points (0.25%) over a period of three months before substantiating fears of looming recession.

- While the equity and fixed income markets paid attention to trade and tweets, **currency** investors must have had their eyes focused on the Grand Tetons, as Jerome Powell's speech apparently had the most impact on the trade-weighted dollar, which suffered the bulk of its weekly loss Friday. Volatility boosted the need for safe haven investing last week, which supported **gold** prices, yet concerns of global weakness continued to weigh on copper. Oil prices also pulled back, bringing the energy sector's losses to more than 10% this month.

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.

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Sector data is represented by S&P 500 GICS sub-indexes.

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

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.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

For a list of descriptions of the indexes referenced in this publication, please visit our website at lplresearch.com/definitions.