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ANOTHER UP WEEK ON TRADE OPTIMISM

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EQUITIES

Data as of: 09/06/19

Index	Price	¹ Wk%	QTD%	YTD%
DJIA	26797.46	1.49	0.74	14.88
S&P 500	2978.71	1.79	1.26	18.82
Nasdaq	8103.07	1.76	1.21	22.12
Russell 2000	1505.17	0.71	-3.71	12.64
S&P 500 Growth	1835.15	1.62	2.04	22.65
S&P 500 Value	1159.51	2.07	1.15	18.05
Cons. Disc.	965.06	2.70	2.35	24.70
Cons. Staples	628.52	1.26	5.66	22.76
Energy	433.24	2.72	-7.25	4.93
Financial Svcs.	454.01	1.95	-0.61	16.53
Health Care	1053.74	0.67	-1.42	6.53
Industrials	647.68	1.84	-0.17	21.18
Info. Tech.	1426.76	2.41	4.25	32.53
Materials	357.38	0.93	-2.28	14.59
Real Estate	245.89	1.42	8.32	30.27
Comm. Services	169.82	1.95	3.78	23.59
Utilities	317.09	0.47	5.36	20.84
MSCI EAFE	1882.43	2.23	-1.68	12.11
MSCI EM	1007.96	2.43	-3.75	6.43

- Equities** rose during the holiday-shortened week as investors digested several geopolitical and trade headlines alongside a mixed batch of key economic data. The week started off on a down note, as stocks sold off Tuesday after the Institute for Supply Management's (ISM) manufacturing Purchasing Managers' Index (PMI) revealed the manufacturing sector contracted slightly during August. Manufacturing plays a smaller role in the economy than it once did, but it remains a bellwether for corporate profits. Reports of difficulty arranging a U.S.-China trade meeting after tariffs went into effect on September 1 also weighed on investor sentiment to start the week.
- Stocks bounced back strongly on Wednesday and Thursday on several positive geopolitical and trade headlines. On Wednesday, U.K. lawmakers voted to take control of Parliament's agenda, allowing them to introduce a bill that would delay the October 31 Brexit deadline, reducing risk of a "hard Brexit." In addition, tensions calmed in Hong Kong after a controversial China extradition bill was withdrawn, which helped temper high geopolitical uncertainty.
- On Thursday, the S&P 500 Index rallied more than 1% after the United States and China agreed to high-level talks in early October in Washington, D.C. Despite widespread skepticism regarding a major breakthrough, putting a meeting on the calendar suggested trade tensions had eased some. Meanwhile, strong data on services activity highlighted a key strength of the U.S. economy. A modest shortfall in new jobs created in August raised some concern about slowing job growth but also cemented the market's expectations for a rate cut from the Federal Reserve (Fed) later this month.

FIXED INCOME

Data as of: 09/06/19

	Yield	Total Return		
		1Wk%	QTD%	YTD%
90 Day UST	1.96	-	-	-
2 Yr UST	1.53	-	-	-
10 Yr UST	1.55	-	-	-
30 Yr UST	2.02	-	-	-
US Agg	2.16	-0.15	2.66	8.93
US Agg Govt.	1.60	-0.21	3.06	8.40
US TIPS	1.73	-0.36	2.38	8.67
Munis	1.69	-0.16	2.23	7.44
HY Munis	3.99	-0.13	2.91	9.77
Inv. Grade	2.87	-0.24	3.47	13.66
High Yield	6.28	0.27	1.24	11.30
MBS	2.29	0.01	1.31	5.54
Global Agg	1.23	-0.15	1.60	7.26
Intl. Treasuries	0.16	-0.39	3.55	10.12
JPM EMBI	5.84	1.45	-0.44	10.30

	Price	WTD%	QTD%	YTD%
US Dollar	98.39	-0.53	2.36	2.31
EUR/USD	0.91	-0.32	3.08	3.48
USD/JPY	106.78	0.59	-0.90	-2.68
WTI Oil	56.52	2.58	-3.44	21.26
Gold	1516	-0.91	6.30	15.81
Copper	2.63	3.23	-3.33	-0.81

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.

- Large cap stocks paced the weekly gain for the Russell 3000, while small caps trailed. Value stocks slightly outpaced their growth brethren amid solid performance from leading value sectors (energy and financials) and growth sectors (consumer discretionary and technology).
- Trade optimism helped fuel a late-week comeback in the cyclical sectors after the defensive, interest rate sensitive sectors performed well early in the week.
- Global equities got a boost from positive trade news, ebbing tensions in Hong Kong, and increasing odds of a negotiated (“soft”) Brexit. International developed and emerging market (EM) equities slightly outpaced U.S. stocks, with particular strength in China and the U.K., based on MSCI country indexes. A weaker U.S. dollar provided a modest currency translation benefit for U.S. investors in international equities. In other news, a government coalition in Italy is reportedly coming together, while weak manufacturing data suggested the German economy may be on the cusp of recession.
- The yield curve remained a focus for bond investors. The 10-year Treasury yield recently dipped below the 2-year yield, potentially signaling economic weakness, but ended the week above it. Considering the current health of the U.S. economy and expected Fed rate cuts, we’re not concerned about imminent recession. We believe the shape of the yield curve mostly reflects a strong bid for U.S. Treasuries from yield-starved global investors, as well as an indication that monetary policy remains too tight given trade uncertainties.
- Additional U.S. sanctions on Iran and bullish inventory data gave oil prices a boost for the week, though gains came with elevated volatility. The gold rally faded despite a weaker U.S. dollar. We believe recent copper strength relative to gold is potentially a positive economic signal. A strong euro and British pound drove the U.S. Dollar Index modestly lower.

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