



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), increased 1.44% in July, grinding higher amid mixed market data, and crosscurrents in the market outlook.
- Sector performance within the S&P during the month of July was positive in seven of 11 sectors. Communication Services (3.37%) and Information Technology (3.33%) performed best, led by strong second quarter corporate earnings reports. Energy and Healthcare were the worst performers during the month, returning -1.78% and -1.59% respectively, and suffering from volatility created by political events in the U.S. and abroad.
- By market capitalization, large-caps (Russell 1000 Index) performed best, returning 1.55%, followed by mid-caps (Russell Mid Cap Index), returning 1.43%, and small-caps (Russell 2000 Index), returning 0.57%. Growth stocks outperformed value stocks across all market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month down -1.21%, partly due to a strengthening U.S. dollar, and slowing global growth. Developed markets, represented by the MSCI EAFE Index, fell -1.27%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, fell -1.22% in July.
- Within the ACWI ex-U.S. Index, three of 11 sectors posted positive returns. Information Technology performed best, returning 0.84%, followed by Consumer Staples returning 0.59%. The Materials and Energy sectors lagged during the month, returning -3.65% and -3.35%, respectively.
- Japan was the most resilient region, returning 0.14%, followed closely by EM Latin America returning 0.12%. Europe ex UK and the UK were hit hardest, returning -1.99% and -1.80% respectively, following fresh uncertainty in Brexit negotiations after recent elections in the UK.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned 0.22% in July as investors' demand for riskier assets was offset by a rise in longer-term bond yields.
- Investment grade (IG) credit within the Aggregate returned 0.52%. Within the IG credit spectrum, returns were positive across all qualities except AAA-rated bonds, which returned 0.00%. AA-rated bonds returned 0.35%, A-rated bonds returned 0.47%, and BBB-rated bonds returned 0.68%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 0.56% in July.
- Intermediate yields across the U.S. Treasury yield curve rose in July highlighted by a 12 basis points (bps) increase in the 2-year yield. Yields declined slightly on either end of the curve, with the 3-month and 30-year yields declining 3 bps and 1 bp, respectively.

Alternatives and Other Asset Classes

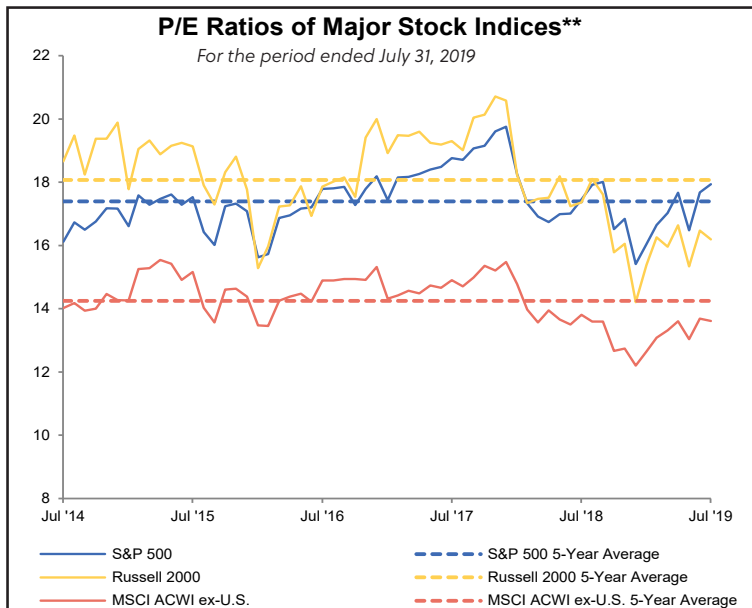
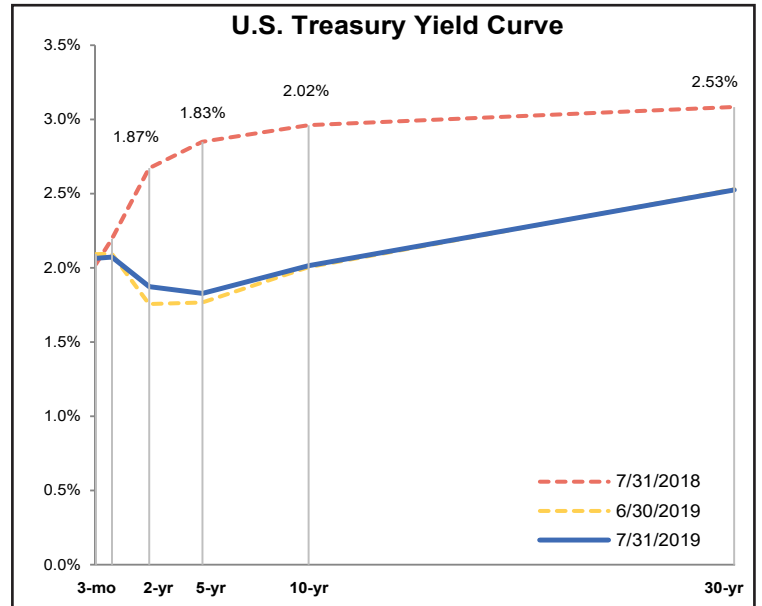
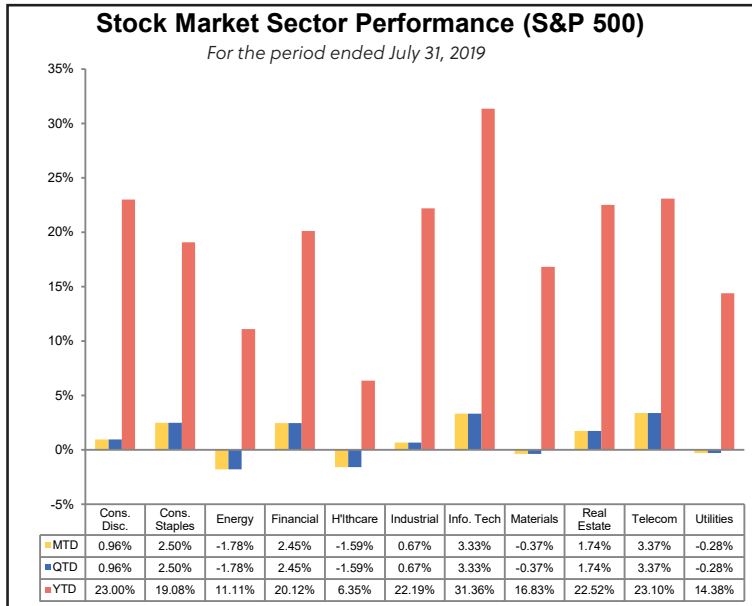
- Real estate investment trusts (REITs) represented by the FTSE NAREIT index returned 1.28% in July. Returns were positive in seven of nine real estate sectors. Office was the strongest performer, returning 3.61%. The worst performing REIT of the month was Lodging/Resorts, which had a return of -3.09%.
- The active contract for West Texas Intermediate (WTI) crude edged up to \$58.58/barrel in July, up slightly from \$58.47/barrel the previous month, as investors remain cautious about global supply and demand and geopolitical influences.

Items to Watch

- The U.S. and China resumed trade talks in July, with no significant progress being made. Following negotiations, President Trump announced that the U.S. would move forward with 10% tariffs on an additional \$300 billion of Chinese goods starting September 1, 2019. U.S. officials fear China would rather wait to make a deal in an effort to produce more favorable terms.
- The Federal Reserve (Fed) elected to cut its benchmark interest rate by 0.25% during its July meeting, lowering its target range to 2.00%-2.25%. However, the Fed disappointed investors by offering little to ratify expectations of additional rate cuts during the remainder of the year. Officials also announced the Fed would end its balance sheet runoff two months early, ending a program meant to gradually withdraw stimulus added through quantitative easing.
- In the UK, Boris Johnson was elected leader of the Tory party and Prime Minister in late July. Johnson has vowed to deliver Brexit by October 31 of this year with or without a deal. The UK has increased its preparations for a no-deal Brexit, and the Bank of England cut its growth forecasts to 1.3% from 1.5% for 2019.
- Strong corporate earnings have eased some trade and growth concerns. According to FactSet Earnings Insight, of the 220 companies reporting, 77% of S&P 500 companies have reported a positive earnings surprise for the second quarter as of the end of July. Analysts are projecting earnings growth of about 3% over the second half of 2019.
- The Labor Department's jobs report showed another solid month for the labor market, with key figures coming in right around expectations. Non-farm payrolls increased by 164,000 in July, and the unemployment rate held steady at 3.7%. The labor force participation rate edged up to 63% in the month. Average hourly wages for private-sector workers grew 3.2% year-over-year.

Total Return of Major Indices as of 7/31/19				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	1.44%	1.44%	20.24%	7.98%
Russell 3000	1.49%	1.49%	20.48%	7.04%
Russell 2000	0.57%	0.57%	17.64%	-4.45%
Russell 1000	1.55%	1.55%	20.69%	8.00%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-1.21%	-1.21%	12.23%	-2.27%
MSCI EAFE	-1.27%	-1.27%	12.58%	-2.60%
MSCI Emerging Markets	-1.22%	-1.22%	9.23%	-2.18%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.22%	0.22%	6.35%	8.08%
Bloomberg Barclays Global Agg	-0.28%	-0.28%	5.28%	5.73%
Bloomberg Barclays U.S. HY	0.56%	0.56%	10.56%	6.92%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	1.28%	1.28%	19.29%	11.73%
Bloomberg Commodity	-0.87%	-0.87%	2.93%	-7.53%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.7%	3.7%
Initial Jobless Claims (4 week average)	211.5 K	213.3 K
CB Leading Economic Indicators	-0.3	0.0
Capacity Utilization	77.9%	78.1%
GDP (annual growth rate)	2.1%	3.1%
University of Michigan Consumer Confidence	98.4	98.2
New Home Starts	646 K	604 K
Existing Home Sales	5.3 MM	5.4 MM
Retail Sales (YoY)	3.3%	2.8%
U.S. Durable Goods (MoM)	2.0%	-2.3%
Consumer Price Index (YoY)	1.6%	1.8%
Producer Price Index (MoM)	-0.4%	-0.1%
Developed International*	3/31/2019	12/31/2018
Market GDP (annual rate)	1.3%	1.1%
Market Unemployment	4.6%	4.6%



Source: Bloomberg. Data as of July 31, 2019, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of March 31, 2019 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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