



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), increased 7.05% in June as investors anticipated softening monetary policy from the Federal Reserve (Fed).
- Sector performance within the S&P during the month of June was positive in all 11 sectors. Materials (11.71%) and Energy (9.27%) performed best, as demand for materials stabilized and tensions in the Middle East put upward pressure on oil prices. Utilities and Real Estate were the worst performers during the month, returning 3.32% and 1.76%, respectively.
- By market capitalization, small-caps (Russell 2000 Index) performed best, returning 7.07%, followed by large-caps (Russell 1000 Index) returning 7.02%, and mid-caps (Russell Mid Cap Index) returning 6.87%. Value stocks outperformed growth stocks within large-caps, mostly due to value-heavy energy names, and growth stocks outperformed value stocks within small and mid-caps.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 6.02% with central banks worldwide putting monetary policy normalization on hold and providing dovish guidance. Developed markets, represented by the MSCI EAFE Index, finished up 5.93%, while emerging markets, represented by the MSCI Emerging Markets Index, returned 6.24% in June.
- Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Materials performed best, returning 9.02%, followed by Consumer Discretionary returning 8.30%. The defensive Real Estate and Consumer Staples sectors lagged during the month, returning 3.50% and 3.41%, respectively.
- Europe ex UK was the top performer in the region (7.36%), due to dovish statements from European Central Bank's President suggesting a further loosening of monetary policy. EM Asia followed returning 6.35%.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned 1.26% in June, as the prospect of more accommodative monetary policy led to a rally in rates and spreads.
- Investment grade (IG) credit within the Aggregate returned 2.26%. Within the IG credit spectrum, returns were positive across all qualities. AAA-rated bonds returned 1.09%, AA-rated bonds returned 1.59%, A-rated bonds returned 2.17%, and BBB-rated bonds returned 2.68%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 2.28% in June at the prospect of softening monetary policy.
- Yields declined across the U.S. Treasury yield curve in June highlighted by a 28 basis point (bps) drop in the 12-month yield.

Alternatives and Other Asset Classes

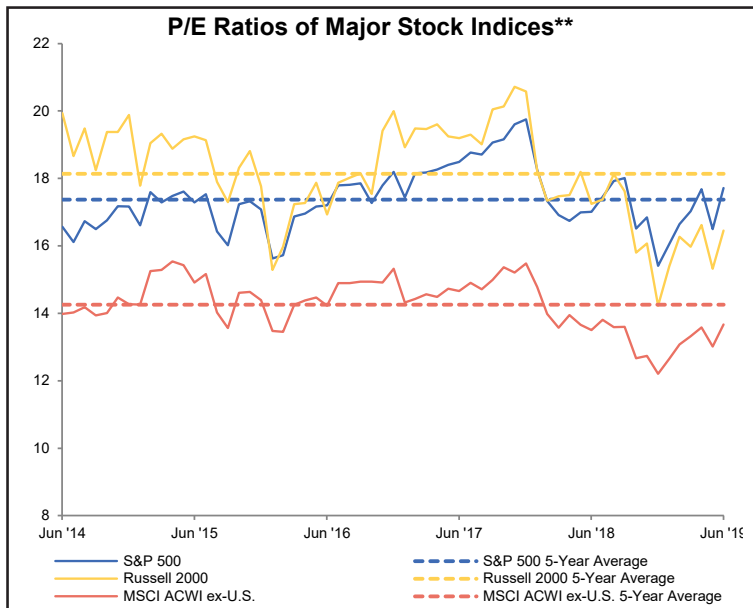
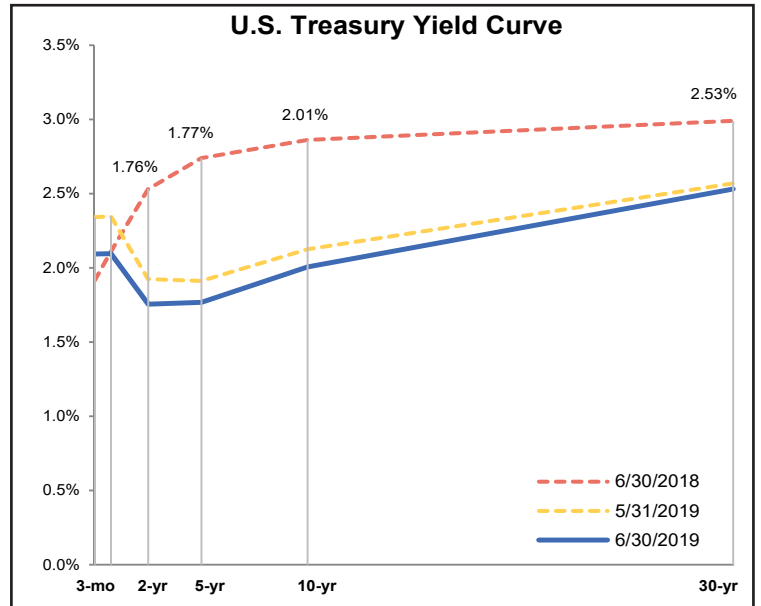
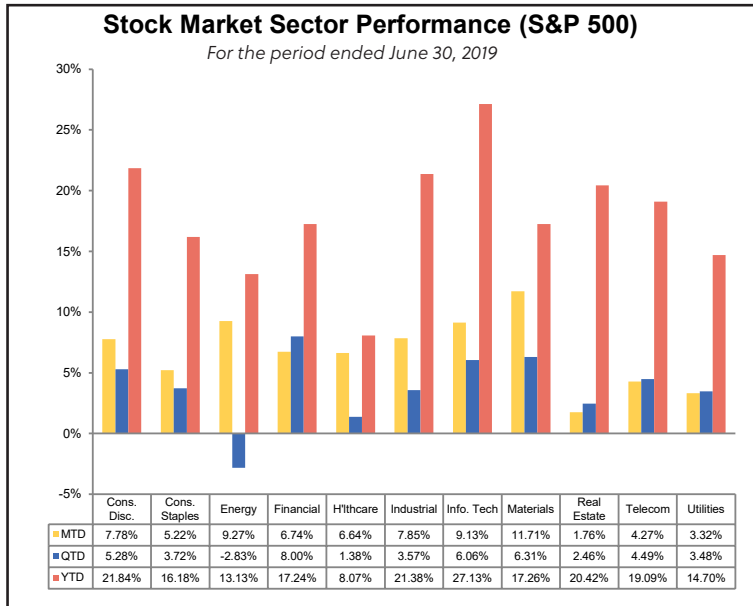
- Real estate investment trusts (REITs) represented by FTSE NAREIT index returned 1.26% in June. Returns were positive in seven of nine real estate sectors. Industrials was the strongest performer, returning 7.46%. The worst performing REIT of the month was Office, which had a return of -1.65%, followed by Retail REITs, which returned -0.58% in the month.
- The active contract for West Texas Intermediate (WTI) crude increased to \$58.47/barrel, up from \$53.50/barrel in May, after tensions in the Middle East sparked concerns over global oil supply.

Items to Watch

- The U.S. and China agreed to resume trade talks after President Trump and Chinese President Xi Jinping met at the G-20 summit in Japan. The U.S. will not move forward with 25% tariffs on the remaining \$300 billion worth of Chinese imports during the truce, but is still imposing a 25% tariff on \$250 billion worth of goods. President Trump also agreed to allow U.S. tech companies to sell to China's Huawei. The two sides did not mark a clear path forward in the negotiations.
- Oil prices jumped nearly 10% over the month after mounting tensions in the Middle East. Attacks on two tankers in the Gulf of Oman and a U.S. drone has led to uncertainty about global oil supply. During the month, OPEC also agreed to extend production cuts until March 2020, providing further boost to oil prices.
- At June's Federal Open Market Committee meeting, the Fed elected to hold rates steady, but left the door open for rate cuts this year. Markets are pricing in three rate cuts in 2019, and at least one 25 bps cut at the July 31 meeting. The Fed conceded that inflation has been running below its 2% objective and slashed its inflation estimate to 1.5% from 1.8%. However, the Fed is divided about whether to cut rates before the end of the year.
- Hiring in June exceeded expectations, as the U.S. added 224,000 jobs. Unemployment increased slightly to 3.7% and wages grew 3.1% year-over-year. Investors are divided on implications for the Fed's interest rate decisions. A strong hiring rebound could ease fears of a coming recession, but contained wage growth may keep the Fed on track for a rate cut.
- International Monetary Fund Chief, Christine Lagarde, was nominated to lead the European Central Bank (ECB). She would be taking the reins from outgoing ECB President Mario Draghi. Markets are betting that they will see an easing of monetary policy under her leadership over the next eight years, as evidenced by a drop in benchmark yields across the Eurozone.

Total Return of Major Indices as of 6/30/19				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	7.05%	4.30%	18.54%	10.41%
Russell 3000	7.02%	4.09%	18.71%	8.98%
Russell 2000	7.07%	2.09%	16.97%	-3.35%
Russell 1000	7.02%	4.25%	18.84%	10.02%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	6.02%	2.98%	13.60%	1.29%
MSCI EAFE	5.93%	3.68%	14.03%	1.08%
MSCI Emerging Markets	6.24%	0.61%	10.58%	1.21%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	1.26%	3.08%	6.11%	7.87%
Bloomberg Barclays Global Agg	2.22%	3.29%	5.57%	5.85%
Bloomberg Barclays U.S. HY	2.28%	2.50%	9.94%	7.48%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	1.26%	1.24%	17.78%	11.21%
Bloomberg Commodity	2.51%	-1.77%	3.83%	-8.87%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.7%	3.6%
Initial Jobless Claims (4 week average)	222.3 K	221.8 K
CB Leading Economic Indicators	0.0	0.1
Capacity Utilization	78.1%	77.9%
GDP (annual growth rate)	3.1%	2.2%
University of Michigan Consumer Confidence	98.2	100.0
New Home Starts	626 K	679 K
Existing Home Sales	5.3 MM	5.2 MM
Retail Sales (YoY)	2.9%	3.9%
U.S. Durable Goods (MoM)	-1.3%	-2.8%
Consumer Price Index (YoY)	1.8%	2.0%
Producer Price Index (MoM)	-0.1%	0.4%
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 June 30, 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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