July 2018 Market Watch

Domestic indices shrugged off concerns around potential trade wars to finish the month sharply positive as the U.S. economy continued to show signs of strength. The U.S. gross domestic product (GDP) increased 4.1% during the second quarter, its fastest pace in nearly four years and up sharply from the 2.2% growth rate in the first quarter. A portion of the uptick in U.S. GDP, however, is attributed to a temporary boost in inventory orders prior to start of the Trump administration's trade tariffs. The labor market also continues to improve with the unemployment rate now at 3.9%. Despite the tight labor market, U.S. employers have added an average of 215,000 jobs per month through July, compared to 184,000 jobs per month on average this time last year. The number of Americans claiming new unemployment benefits also fell in July to the lowest level in nearly five decades. All of this, along with last year's tax cuts, has resulted in stronger corporate earnings. With 80% of S&P 500 companies reporting second quarter results so far, sales and earnings have grown on average 9% and 24%, respectively. Savings from a cut in the U.S. corporate tax rate to 21% from 35% are driving the biggest piece of the profit gains, however.

In July, the Dow Jones Industrial Average (DJIA) was the best performer (+4.7% MTD) followed by the S&P 500 (+3.6% MTD). The Nasdaq (+2.2% MTD)

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	7/31/18	7/24/18	%chg	6/30/18	% chg	7/31/17	% chg	Return*
DJIA	25,415.2	25,241.9	0.7%	24,271.4	4.7%	21,891.1	16.1%	2.8%
S&P 500	2,816.3	2,820.4	-0.1%	2,718.4	3.6%	2,470.3	14.0%	5.3%
NYSE Comp Index	12,963.3	12,847.5	0.9%	12,504.3	3.7%	11,967.7	8.3%	1.2%
NASDAQ Composite	7,671.8	7,840.77	-2.2%	7,510.3	2.2%	6,348.1	20.9%	11.1%
Russell 2000	1,670.8	1,680.2	-0.6%	1,643.1	1.7%	1,425.1	17.2%	8.8%
Japan Nikkei 225	22,553.7	22,510.5	0.2%	22,304.5	1.1%	19,925.2	13.2%	-0.9%
MSCI EM (Emerging Markets)	1,087.5	1,080.4	0.7%	1,069.5	1.7%	1,066.2	2.0%	-6.1%
MSCI EAFE	2,006.1	1,997.0	0.5%	1,958.6	2.4%	1,936.9	3.6%	-2.2%
FTSE 100	7,748.8	7,709.1	0.5%	7,636.9	1.5%	7,372.0	5.1%	3.2%
SSE Comp Index	2,876.4	2,905.6	-1.0%	2,847.4	1.0%	3,273.0	-12.1%	-13.0%

US Equity Sector Performance

	July	YTD	1 Yr Ret.
Consumer Discretionary	1.8%	13.6%	23.5%
Consumer Staples	4.1%	-4.8%	-0.6%
Energy	1.4%	8.3%	19.7%
Financials	5.3%	1.0%	13.5%
Health Care	6.6%	8.6%	13.3%
Industrials	7.3%	2.3%	13.0%
Information Tech	2.1%	13.2%	28.5%
Materials	3.0%	-0.2%	11.4%
Telecom	2.3%	-6.2%	-2.5%
Utilities	1.9%	2.2%	2.8%
Real Estate	1.0%	1.6%	4.4%

US Equity Style Performance

	July	YTD	1 Yr Ret.
Dow Jones Utilities	1.8%	0.1%	-0.3%
AMEX DJ TRANS Avg.	7.1%	5.1%	22.4%
Russell 1000 Value	4.0%	2.2%	9.5%
Russell 1000 Growth	2.9%	10.4%	22.8%
Russell 2000 Value	1.8%	7.3%	14.4%
Russell 2000 Growth	1.7%	11.6%	22.9%

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and Russell 2000 (+1.7% MTD) have been the best performing domestic indices year-to-date, but were laggards in July as a few weak earnings results weighed on the Nasdaq and talks of tariffs and trade wars hurt the small-cap, domestically-focused Russell 2000. The breadth of July's positive performance can be seen in the fact that all eleven sectors finished in positive territory. The Industrials (+7.3% MTD) and Health Care (+6.6% MTD) sectors were the best performers for the month, while the Utilities (+1.9% MTD), Consumer Discretionary (+1.8% MTD), Energy (+1.4% MTD), and Real Estate (+1.0% MTD) sectors were all weaker yet still generated positive returns in July.

International markets were also positive throughout the month. The MSCI EAFE index (+2.4% MTD) was the best performer in July, while China's SSE Composite Index (+1.0% MTD) was the laggard. Year-to-date, the U.K.'s FTSE 100 (+3.2% YTD) has been the best performer, while the other major international indices are lower for the year.

Treasury yields ticked up across the curve in July. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased twelve basis points (bps) to 2.03%, while the yield on the 30-Year U.S. Treasury bond increased nine bps to 3.08%.

The Bloomberg Commodity Index finished down -2.3% MTD in July, led by a share pullback in crude oil (-7.3% MTD). Crude oil closed July at $68.76/barrel, while gold settled at $1,233.60/ounce.

Bond Markets (%)

	7/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.03	1.91	1.08
US Benchmark Bond – 6 Mth	2.19	2.11	1.14
US Benchmark Bond – 2 Yr	2.67	2.52	1.36
US Benchmark Bond – 5 Yr	2.85	2.73	1.83
US Benchmark Bond – 10 Yr	2.97	2.85	2.29
US Benchmark Bond – 30 Yr	3.08	2.99	2.90

Commodities (In US dollars)

	7/31/18	1 Mth Ago	1 Yr Ago
Gold	1,233.60	1,254.50	1,273.40
Crude Oil	68.76	74.15	50.17
US Dollar Index	94.28	94.35	92.72
Bloomberg Commodity IDX	85.40	87.41	84.39

US Bond Sector Performance

	July	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	-0.20%	0.11%	-1.24%

Interest Rates (%)

	7/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	5.00	5.00	4.25
Federal Funds Rate	1.92	1.92	1.16
Libor Rate 30 Day	2.08	2.09	1.23
Libor Rate 3 Months	2.35	2.34	1.31
30yr Fixed Mortgage	4.60	4.55	3.93

Exchange Rates (per US dollar)

	7/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.302	1.315	1.251
Mexican New Peso	18.659	19.656	17.849
Euro	0.855	0.856	0.848
British Pound	0.762	0.757	0.759
Swiss Franc	0.990	0.993	0.965
Chinese Yuan	6.827	6.625	6.729
Indian Rupee	68.586	68.515	64.151
Japanese Yen	111.940	110.765	110.495

Economic Sentiment

	7/31/18	1 Yr Ago
Unemployment Rate	3.90%	4.30%
Average Single Family Home	316,500	300,100
Capacity Utilization	77.99%	76.09%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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