

July 2019 Market Watch

U.S. domestic equity markets finished slightly higher in July, continuing June gains. Attention shifted to the Fed rate cut decision at the end of the month since China trade talks didn't have any major breakthroughs mid-July. Leading up to this event, the unemployment rate ticked up to 3.7% from 3.6% in May, but lower than 3.9% a year ago, further signaling that a cut was imminent. U.S. GDP rose +2.1% for the quarter, but at a slower pace than the +3.1% in Q1. Manufacturing growth remains weak at 50.4, the lowest in a decade. On the other hand, inflation numbers stayed consistently below the Fed's 2% target at 1.6%. Even so, the muted inflation numbers and continued global economic outlook concerns led the Fed to cut rates by 0.25% for the first time since 2008.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	7/31/19	7/24/19	% chg	6/30/19	% chg	7/31/18	% chg	Return*
DJIA	26,864.3	27,270.0	-1.5%	26,600.0	1.0%	25,415.2	5.7%	15.2%
S&P 500	2,980.4	3,019.6	-1.3%	2,941.8	1.3%	2,816.3	5.8%	18.9%
NYSE Comp Index	13,066.6	13,234.9	-1.3%	13,049.7	0.1%	12,963.3	0.8%	14.9%
NASDAQ Composite	8,175.4	8,321.5	-1.8%	8,006.2	2.1%	7,671.8	6.6%	23.2%
Russell 2000	1,574.6	1,580.4	-0.4%	1,566.6	0.5%	1,670.8	-5.8%	16.8%
MSCI EM (Emerging Markets)	1,037.0	1,055.3	-1.7%	1,054.9	-1.7%	1,087.5	-4.6%	7.4%
MSCI EAFE	1,897.1	1,925.5	-1.5%	1,922.3	-1.3%	2,006.1	-5.4%	10.3%
Japan Nikkei 225	21,521.5	21,709.6	-0.9%	21,275.9	1.2%	22,553.7	-4.6%	7.5%
FTSE 100	7,586.8	7,501.5	1.1%	7,425.6	2.2%	7,748.8	-2.1%	15.7%
SSE Comp Index	2,932.5	2,923.3	0.3%	2,978.9	-1.6%	2,876.4	2.0%	17.6%

The U.S. cut followed that of global central banks in Australia, New Zealand, India, and Korea. Current European Central Bank (ECB) leader, Mario Draghi, also signaled for rate cuts and monetary stimulus package to help the European economy in September. The ECB also nominated Christine Lagarde to be the new ECB leader in November. In the UK, Boris Johnson was appointed as the new prime minister as Brexit is still without a plan. Manufacturing data from Germany, Europe's leading exporter, continued to slide. While the focus in July had been on economic policy globally, trade tensions remain a concern for the month ahead.

US Equity Sector Performance

	July	YTD	1 Yr Ret.
Consumer Discretionary	1.0%	23.0%	9.2%
Consumer Staples	2.5%	19.1%	14.6%
Energy	-1.8%	11.1%	-16.0%
Financials	2.4%	20.1%	3.5%
Health Care	-1.6%	6.3%	4.3%
Industrials	0.7%	22.2%	3.6%
Information Tech	3.3%	31.4%	15.7%
Materials	-0.4%	16.8%	-0.1%
Communication Services	3.4%	23.1%	14.8%
Utilities	-0.3%	14.4%	16.5%
Real Estate	1.7%	22.3%	17.8%

US Equity Style Performance

	July	YTD	1 Yr Ret.
Dow Jones Utilities	-0.2%	13.5%	11.7%
DJ TRANS Avg.	2.3%	17.7%	-1.9%
Russell 1000 Value	0.8%	17.2%	5.2%
Russell 1000 Growth	2.3%	24.2%	10.8%
Russell 2000 Value	0.2%	13.6%	-7.7%
Russell 2000 Growth	1.0%	21.5%	-1.2%

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Major U.S. domestic equity indices ended in positive territory for the month. From a sector standpoint, results were mixed. Energy (-1.8%) and Health Care (-1.6%) led losses this month, while Info Tech continues to be the leader (+3.3%). Despite some losses in the month, all sectors are positive year-to-date (YTD).

Emerging Market (MSCI EM -1.7%) and Developed International Equities (MSCI EAFE -1.3%) gave back its prior month gains, underperforming its U.S. peers in July. China's economic growth slowed to 6.2% in the second quarter to 27-year lows, as demand at home and abroad fell on the back of U.S. trade pressure.

On the Fixed Income side, a smaller than expected Fed rate cut caused short term market yields to rise. Rates bounced back in July with the 2 Yr Treasury rate rising 14bps to 1.87%, while the 10 Yr rose a mere 2bps to 2.02%. Corporate spreads tightened 7bps in July to 108bps as the Fed eased. Municipal bonds delivered some of the highest returns as light new issue issuance has been met by very strong demand. Fixed income fund inflows continued at record pace, exceeding \$250B YTD, according to ICI data.

The Bloomberg Commodity Index was down -0.9% MTD, but remains positive +2.9% YTD. Although crude oil closed flat at \$58.58/barrel (+0.2%) this month, it is still lower versus last year (-14.8%). Gold settled higher again at \$1,437.80/ounce (+1.7%) in July.

Bond Markets (%)

	7/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.05	2.12	2.03
US Benchmark Bond – 6 Mth	2.06	2.10	2.19
US Benchmark Bond – 2 Yr	1.87	1.73	2.67
US Benchmark Bond – 5 Yr	1.84	1.75	2.85
US Benchmark Bond – 10 Yr	2.02	2.00	2.97
US Benchmark Bond – 30 Yr	2.53	2.53	3.08

Commodities (In US dollars)

	7/31/19	1 Mth Ago	1 Yr Ago
Gold	1,437.80	1,413.70	1,233.60
Crude Oil	58.58	58.47	68.76
US Dollar Index	98.26	95.67	94.28
Bloomberg Commodity Index	78.96	79.65	85.40

US Bond Sector Performance

	July	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.17%	3.78%	6.17%

Interest Rates (%)

	7/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	5.50	5.50	5.00
Federal Funds Rate	2.41	2.41	1.92
Libor Rate 30 Day	2.22	2.40	2.08
Libor Rate 3 Months	2.27	2.32	2.35
30yr Fixed Mortgage	3.75	3.73	4.60

Exchange Rates (per US dollar)

	7/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.313	1.307	1.302
Mexican Peso	18.982	19.212	18.659
Euro	0.898	0.878	0.855
British Pound	0.817	0.786	0.762
Swiss Franc	0.990	0.975	0.990
Chinese Yuan	6.886	6.868	6.827
Indian Rupee	68.785	69.028	68.586
Japanese Yen	108.575	107.740	111.940

Economic Sentiment

	7/31/19	1 Yr Ago
Unemployment Rate	3.70%	3.90%
Average Single Family Home	323,600	309,200
Capacity Utilization	77.90%	78.78%

*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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