



August 2019 Monthly Market Update

July's biggest news item came on the last day of the month. On July 31, Fed Chair Jerome Powell announced the first cut in the federal funds rate since 2008. The Fed cut rates by 25 basis points, bringing down the target rate level to 2.0%-2.25%. While the rate cut was expected, market participants were disappointed the Fed Chair didn't strike a more dovish tone. Powell called the cut a "mid-cycle adjustment to policy," which was largely interpreted by the markets that more aggressive cuts were unlikely to follow. However, fast-forward to the days immediately following Powell's comments (which included tweets from President Trump announcing new tariffs on the remainder of Chinese imports), and markets are seemingly

overlooking his remarks. At the time of this writing, the market is putting an 84% probability of another rate cut at the next Fed meeting in September (data from CME Group as of August 1). Concerns over a trade war between the U.S. and China, as well as continued uncertainty surrounding the Fed's next move seem poised to grab headlines in the months ahead.

Domestic stock markets were relatively calm throughout July. The last day of the month was the only trading day during which the S&P 500 index moved more than 1% in either direction. U.S. large-cap stocks finished the month up 1.4%, while small-cap stocks gained 0.7%. Year-to-date returns (through the end of July) remain impressive: the Vanguard 500 Index is up 20.2% and the iShares Russell 2000 ETF is up 16.9%.

International equity markets did not fare as well as their U.S. counterparts. Emerging-market stocks fell 1.8% in July (Vanguard FTSE Emerging Markets ETF). Developed international stocks (Vanguard FTSE Developed Markets ETF) dropped 2.0% last month, while European stocks fell 2.6% (Vanguard FTSE Europe ETF). After failing to deliver on her Brexit plans, Theresa May resigned as UK prime minister and made way for another Conservative leader to lead Brexit negotiations. After taking office in July, the new prime minister Boris Johnson has until the October 31 deadline to negotiate the terms of the country's withdrawal from the European Union.

July Benchmark Returns			
	MTD	QTD	YTD
EQUITY BENCHMARKS			
Vanguard 500 Index	1.4%	1.4%	20.2%
iShares Russell 1000 ETF	1.6%	1.6%	20.4%
iShares Russell 1000 Value ETF	1.0%	1.0%	16.9%
iShares Russell 1000 Growth ETF	2.5%	2.5%	23.9%
iShares Russell 2000 ETF	0.7%	0.7%	17.6%
Vanguard REIT	1.6%	1.6%	21.1%
FIXED-INCOME BENCHMARKS			
Vanguard Total Bond Market Index	0.2%	0.2%	6.3%
Vanguard Intermediate-Term Tax-Exempt	0.8%	0.8%	5.5%
iShares TIPS Bond ETF	0.3%	0.3%	6.4%
ICE BofA Merrill Lynch U.S. High Yield Cash Pay Index	0.5%	0.5%	10.7%
S&P/LSTA Leveraged Loan Index	0.8%	0.8%	6.6%
ALTERNATIVE BENCHMARKS			
HFRX Global Hedge Fund Index	0.8%	0.8%	5.0%
Bloomberg Commodity Index	-0.7%	-0.7%	4.4%
SG Trend Index	4.8%	4.8%	12.6%
3-Month LIBOR	0.2%	0.2%	1.6%



The Treasury curve remained inverted throughout the month (10-year yield minus 3-month yield), as it has been since May. As global interest rates continued to fall, bond markets inched up 0.2% during July. This brings the U.S. core bond index (Vanguard Total Bond Market Index) year-to-date return to an impressive 6.3%. U.S. high-yield performed well last month (ICE BofAMerrill Lynch U.S. High Yield Cash Pay Index was up 0.5%) and are up double-digits so far in 2019. Floating-rate loans gained 0.8% in July and are up 6.6% year-to-date (S&P/LSTA Leveraged Loan Index).