

**Global Economy**

Markets maintained risk-on momentum in July, even as the Federal Reserve's rate cut left investors questioning the degree of certainty around future policy easing. Economic data releases, consumer confidence, and better-than-feared quarterly earnings reports portrayed a relatively stable environment in the US. Manufacturing data in the Eurozone warranted attention, even as the European Central Bank indicated intent to employ monetary policy tools in September to address the economic slowdown. Inflation is a global concern, with the world's major economies generally below 2%. Trade talks between the US and China showed little progress, and a new UK Prime Minister may stoke Brexit-driven volatility.

The Federal Open Market Committee (FOMC) met on July 30<sup>th</sup>/31<sup>st</sup>, lowering the Fed Funds rate for the first time since October 2008. Deemed a "mid-cycle adjustment," this 25 bps cut reduced the targeted range to 2.00% - 2.25% and was accompanied by the immediate end of quantitative tightening. The official statement retained an easing bias, with Chairman Powell using the press conference to cite weaker global growth, the impact of trade tensions on business investment, and the potential harm these could have on overall confidence levels as key "uncertainties." Post-meeting, the Fed Funds futures priced in a nearly 80% chance of at least two additional cuts over the next 12-months.

The initial estimate of 2Q-19 real GDP reported growth at an annualized rate of 2.1%, exceeding most expectations. Consumer expenditures were up an impressive 4.3%, and the contribution from government expenditures was the highest in a decade amid fiscal stimulus. Conversely, a decline in business fixed investment, slower inventory growth, and weaker trade detracted from growth. Consensus growth estimates were 1.9% for 3Q-19 and 2.5% for the full year.

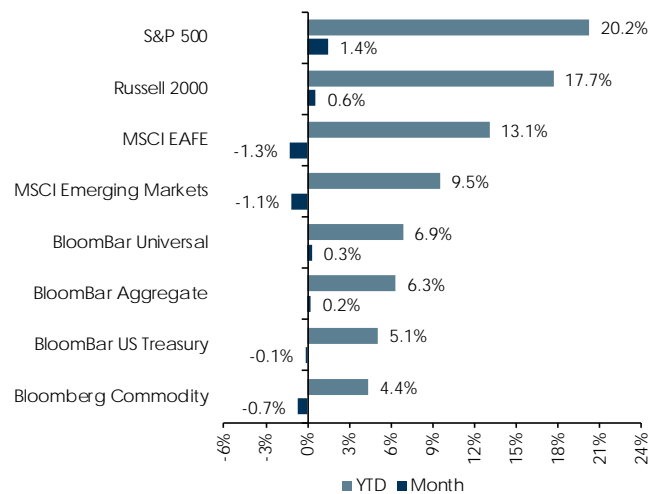
In line with expectations, 164,000 new jobs were added in July. The unemployment rate held steady at 3.7% as the labor participation rate increased slightly to 63.0%. Average hourly wages advanced at a year-over-year pace of 3.2%, a modest uptick from the previous reading. The Core CPI index was up 2.1% year-over-year, up slightly from last month, while the FOMC's preferred measure, the Core PCE index, was up 1.6% year-over-year through June.

	Current	Dec-18
US GDP (%)	2.10	3.40
US Unemployment (%)	3.70	3.90
CPI (Core) (%)	2.10	2.20
Fed Funds (%)	2.00 – 2.25	2.25 – 2.50
10 Year UST Yld (%)	2.02	2.69
S&P 500 Div Yld (%)	1.89	2.15
S&P 500 P/E (Trailing)	19.40	17.12
Gold/oz.	\$1,426.10	\$1,281.30
Oil (Crude)	\$58.58	\$45.41
Gasoline (Natl Avg)	\$2.80	\$2.36
USD/Euro	\$1.11	\$1.15
USD/GBP	\$1.22	\$1.28
Yen/USD	¥108.78	¥109.69

Source: Bloomberg

**Global Markets**

**Key Market Indices**



Source: Bloomberg

Solid demand for risk persisted into July, driven almost entirely by a dovish shift in global monetary policy messaging. The S&P 500, which represents large US-based entities, achieved several all-time highs throughout the month, and despite a post-FOMC plunge advanced +1.4% for July and is now up +20.2% year-to-date. Performance within the domestic benchmark varied materially by sector. IT led the way at +3.3%, with Communication Services (+3.0%) and Consumer Staples (+2.3%) also solid. Energy (-1.9%), Healthcare (-1.7%), Materials (-0.4%), and Utilities (-0.4%) were the relative laggards. Small cap stocks, as represented by the Russell 2000, continued to trail on a relative basis, but returned +0.6% for the month and are up +17.7% thus far in 2019.

In the broad international developed markets, the MSCI EAFE index declined modestly for the month (-1.3%) but remained up +13.1% year-to-date. Sector returns were quite varied, with Materials (-3.6%), Energy (-3.5%), and Financials (-2.6%) detracting the most, while Consumer Staples (+0.5%), Communications Services (+0.4%), and Health Care (+0.1%) held onto gains. Notable US dollar strength, particularly versus the Euro (given dovish ECB rhetoric) and the British pound (increased potential for "hard" Brexit) created a stiff headwind for US-based investors.

Emerging markets stocks, as represented by the MSCI Emerging Markets index, declined -1.1% in July. The category continued to trail developed market peers on a year-to-date basis, despite a respectable total return of +9.5%. The Latin America region produced a small gain for the month. A relative underperformer for much of 2019 given China-related concern, the Asia region surrendered -1.5% for the month and was at +8.2% for the year.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, was up slightly at +0.4% during the month, and was up +15.6% for the year. The Alerian MLP index gave back -0.2% in July but remained up +16.7% year-to-date. The near-month NYMEX oil contract was essentially flat for the month, while gold continued to advance (+0.9%). The broadly diversified Bloomberg Commodity index declined -0.7% for the month and is now up +4.4% for the year.

**Global Markets (continued)**

US Treasury (UST) yields traded in a range-bound fashion throughout July, fully expecting the FOMC to deliver a series of “insurance cuts” to sustain the economic expansion. Despite the announced 25 bps reduction in the Fed Funds rate, the slope of the yield curve bear flattened as short-end rates notched a bit higher (discounting future easing) while longer-term rates declined (seeing less catalyst for inflation). In this environment, the high-quality government bond complex returned -0.1% overall. The commonly referenced 10-year UST yield spent a few days below the psychologically relevant 2% level, but ended the month virtually unchanged at 2.02%.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on a duration-matched basis, providing another +0.2% in July and pushed year-to-date returns to an impressive +6.3%. Spreads for IG corporates were 7 bps tighter and have now fully retraced May’s sell-off. The mortgage-related securitized sub-sectors also contributed to outperformance. With rates opposing spreads, the benchmark’s yield-to-worst settled just above 2.5%.

The Bloombar 1-15 Year Municipal index returned +0.8% in July. Positive technical demand continued to benefit the category, which has now provided year-to-date returns of +5.2% despite modest initial yields. As front-end yields fell sharply, the tax-exempt curve re-steepened somewhat. Still, 10-year municipal/UST ratios of ~76% reflect rich valuations.

With ongoing investor risk appetite, the Bloombar US Corporate High Yield index advanced +0.6% for the month and delivered +10.6% year-to-date. Overall benchmark spreads tightened 6 bps, pushing all-in yields down to just below 5.9%. Global yields (many of which are negative) sank relative to US government bonds, but a stronger US dollar caused unhedged international bonds to underperform. Emerging markets bonds remained strong across categories, as local rates in key countries declined and spreads for both US dollar-based sovereign and corporate issues tightened.

**Selected Bond Yields**

10 Year Sovereign Bond Yields (%)		
	Current	Dec-18
Japan	-0.16	-0.01
Germany	-0.44	0.24
France	-0.19	0.71
United Kingdom	0.61	1.28
Spain	0.28	1.41
United States	2.02	2.69
Italy	1.54	2.74
Mexico	7.50	8.64
Brazil	7.23	9.24

Source: Bloomberg

**Indices Report (Periods Ending July 31, 2019)**

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
<b>Equity</b>							
S&P 500	1.44	20.24	7.99	13.36	11.34	14.03	9.10
Russell 1000	1.55	20.69	8.00	13.31	11.15	14.10	9.31
Russell 1000 Growth	2.26	24.23	10.82	17.13	14.25	15.74	10.49
Russell 1000 Value	0.83	17.20	5.20	9.44	8.01	12.40	8.00
Russell 2500	1.04	20.49	0.87	10.83	8.98	13.57	9.58
Russell 2000	0.58	17.66	-4.42	10.36	8.53	12.47	8.70
Russell 2000 Growth	0.98	21.54	-1.22	12.66	10.21	13.67	9.66
Russell 2000 Value	0.16	13.65	-7.71	7.96	6.74	11.19	7.63
Wilshire 5000 Cap Wtd	1.49	20.43	7.01	13.14	11.07	13.98	9.34
MSCI ACWI	0.33	16.98	3.52	10.77	7.06	9.83	7.85
MSCI ACWI ex US	-1.18	12.65	-1.78	7.72	2.60	5.90	6.46
MSCI EAFE	-1.26	13.05	-2.09	7.40	2.88	6.33	5.98
MSCI EAFE Local Currency	0.72	14.96	0.77	8.91	6.55	8.13	6.42
MSCI EAFE Growth	-0.36	18.44	2.18	8.25	5.20	7.69	6.83
MSCI EAFE Value	-2.23	7.66	-6.38	6.45	0.50	4.89	5.05
MSCI Emerging Markets	-1.14	9.50	-1.80	8.83	2.22	4.92	9.11
<b>Fixed Income</b>							
ICE BofA ML 1-3 Yr Treasury	-0.11	2.32	3.84	1.28	1.20	1.17	2.11
BloomBar US Aggregate	0.22	6.35	8.08	2.17	3.05	3.75	4.21
BloomBar Govt Bond	-0.11	5.03	7.53	1.21	2.49	2.91	3.70
BloomBar US Credit	0.52	9.92	10.12	3.47	4.03	5.43	5.15
BloomBar 10 Yr Municipal	0.87	6.28	8.15	2.90	3.93	4.81	4.77
BloomBar US Corp High Yield	0.56	10.56	6.92	6.77	5.10	8.66	7.52
FTSE World Govt Bond	-0.47	4.88	5.42	0.67	0.94	1.98	3.48
BloomBar Global Aggregate	-0.28	5.28	5.73	1.28	1.33	2.63	3.74
BloomBar Multiverse	-0.23	5.54	5.83	1.58	1.49	2.87	3.91
<b>Real Assets</b>							
FTSE NAREIT US Real Estate	1.28	19.29	11.73	3.23	8.19	14.46	9.11
FTSE EPRA/NAREIT Dev RE	0.40	15.55	8.13	3.87	5.81	10.44	7.97
Bloomberg Commodity	-0.67	4.35	-5.36	-0.68	-8.34	-4.11	-2.74
<b>Cash and Equivalents</b>							
US T-Bills 90 Day	0.19	1.43	2.34	1.44	0.91	0.51	1.39

## Definitions

---

### **Bloomberg Barclays Capital Aggregate**

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

### **Bloomberg Barclays Capital Global Aggregate Index**

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

### **Bloomberg Barclays Capital Muni 5 Yr**

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

### **Bloomberg Barclays Capital U.S. Credit Index**

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

### **The Bloomberg Barclays U.S. Treasury Index**

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

### **The Bloomberg Barclays Capital U.S. Universal Index**

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

### **BofA ML High-Yield Index Master II**

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

### **Bloomberg Commodity Index**

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

### **CITI World Government Bond Index**

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

### **FTSE EPRA/NAREIT Developed Index**

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

### **HFRI Fund of Funds (FOF) Conservative Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

### **HFRI Fund of Funds (FOF) Strategic Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

### **MSCI ACWI Index (exU.S.)**

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **MSCI EAFE® Index**

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

### **MSCI EAFE Growth Index**

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI EAFE Value Index**

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI Emerging Markets Index**

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **Ncreif® Property Index**

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

### **Russell 1000® Growth Index**

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

### **Russell 1000® Value Index**

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

### **Russell 2000® Index**

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

### **Russell 2000® Growth Index**

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

### **Russell 2000® Value Index**

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

### **Russell Midcap® Index**

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

### **S&P 500**

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

## Disclosures and Legal Notice

---

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

This report was prepared by ACG for you at your request. Although the information presented herein has been obtained from and is based upon sources ACG believes to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of that information. Accordingly, ACG does not itself endorse or guarantee, and does not itself assume liability whatsoever for, the accuracy or reliability of any third party data or the financial information contained herein.

Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “expect”, “anticipate”, “project”, “estimate”, or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making investment decisions. ACG has no duty to update or amend such forward-looking statements.

The information presented herein is for informational purposes only and is not intended as an offer to sell or the solicitation of an offer to purchase a security.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG’s capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) any reliance on or uses to which the probability distributions are put.

The projections or other information generated by ACG regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Judgments and approximations are a necessary and integral part of constructing projected returns. Any estimate of what could have been an investment strategy’s performance is likely to differ from what the strategy would actually have yielded had it been in existence during the relevant period. The source and use of data and the arithmetic operations used for calculating projected returns may be incorrect, inappropriate, flawed or otherwise deficient.

Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.

© 2019 Asset Consulting Group. All Rights Reserved. Asset Consulting Group is the sole owner of all rights, title, and interest to the materials, methodologies, techniques, and processes set forth herein, including any and all intellectual property rights. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Asset Consulting Group.