MONTHLY MARKET UPDATE

June 2019

OPAL WEALTH ADVISORS

June delivered a strong recovery from May's selloff, capping the best first half for the S&P 500 since 1997. We saw record stock market highs in a growing but slowing economy with a very strong job market (consumer), healthy banks (Fed CCR), continuing de-regulation, accommodative global central banks, and continued U.S. fiscal stimulus. The more skeptical in the crowd would point to an inverted yield curve, a material slowdown in economic growth, trade war(s), an unclear Brexit outcome, Middle East tensions, and a strong bid for safe haven bonds/gold. In any case, stocks, bonds, foreign currencies, and commodities all moved sharply higher on the month as a trade deal with Mexico, a temporary trade truce with China, and an accommodative Fed narrative all factored into the recovery rally.

Market Anecdotes

- Global equity markets moved sharply higher with U.S. (7%), Europe (7.4%), Japan (3.7%), and emerging markets (6.2%) leading the way. India was the only negative performer for the month.
- The bull market was officially extended through June 2019. The S&P 500 is up 435% since it began on March 9th, 2009 while the NASDAQ soared 711%. At over 10.2 years in duration, we're still well short of the 12.3-year record from '87-'00.
- The highly anticipated G20 meetings produced the expected renewal of U.S.-China trade talks and no action/deferred action of additional U.S. tariffs on Chinese imports—at least temporarily tabling a primary market and policy maker concern.
- The June FOMC highlighted deteriorating economic conditions, trade concerns, and global growth slowdown as they held rates steady and made clear a willingness/intent to cut.
- The Fed is not the lone dove. China's reflationary efforts are likely to intensity and the ECB unveiled generous terms for TLTRO-III, hinted at rate cuts, and potential resumption of ECB QE. As recently as January 2019, 52% of global central banks were raising rates. Today, only Norway remains in that camp.
- The difference between market rate expectations and formal Fed policy needs to be reconciled. Rate markets are pricing in a 98% probability of two cuts this year and December futures imply a halving of the Fed Funds rate, a significantly higher hurdle than FOMC rate forecasts.
- Oil prices climbed 10% in June as tensions with Iran rose, U.S. inventories came in light, and OPEC/Russia agreed to extend production cuts.
- A bearish BoA Global Fund Manager survey, significant equity ETF outflows, the inverted yield curve, and low AAII bullish sentiment have the contrarian optics of a nice wall of worry for equity markets to climb.
- Historically low yields (U.S. 2%, JGB -0.155%, Bund -0.408%, Swiss -0.650%) are being corroborated by relative performance of cyclicals/ defensives signaling caution near term.
- Markets experienced late day strength from a trading perspective throughout June which is a sound sentiment indicator. Market breadth and other technicals generally look supportive.

Economic Release Highlights

- The June jobs report came in very strong at 224,000 (205,000 expected). Headline unemployment fell to 3.7% largely due to more people seeking jobs as the participation rate edged up to 62.9%. Wage growth remained relatively subdued at 3.1% annually.
- June U.S. ISM manufacturing (51.7) and non-manufacturing (55.1) confirmed the consensus view of sluggish manufacturing (3yr low) offset by a fundamentally sound services economy.
- June U.S. Flash PMI slowed from May's levels with composite, manufacturing, and services readings of 50.6, 50.1, 50.7. Global readings of 51.2, 49.4, 51.9, EZ readings of 52.2, 47.6, 53.6, and Japan readings of 50.8, 49.3, 51.9 echoed the lag in manufacturing with a more constructive tone across service oriented industries.
- PCE headline and core both rose 0.2% in May

with annualized core PCE at 1.6%—well below the 2% target but marginally higher than expected.

- PCE consumer spending of 0.4% and income of 0.5% came in at or better than expectations while April consumer spending was revised a notable 0.3% higher, now 0.6%.
- Q1 real consumer spending grew at a 2.8% pace and Atlanta GDPNow is modeling 3.9% pace in the second quarter.
- Tariff and trade concerns were cited as the primary cause for June's unexpected 10-point drop in Consumer Confidence report to 121.5 (132 consensus).
- June's Housing Market Index (homebuilder sentiment) edged lower to 64 (consensus 67), a decline but still pointing to continued improvement for the housing sector.
- New home sales of 626,000 fell far short of expectations, raising some concerns about the strength of the housing recovery. The 3-month average declined for the first time in 2019 but still sits 91,000 over December levels.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	26600	5.14	4.06	15.40	12.45	17.96
NASDAQ	8006	5.35	4.69	21.33	7.88	20.83
S&P 500	2942	5.16	5.01	18.54	10.51	15.35
Russell 1000 Growth		5.15	5.53	21.49	11.72	19.16
Russell 1000 Value		5.19	4.35	16.24	8.49	11.44
Russell 2000		4.36	2.41	16.98	(3.41)	13.80
Russell 3000		5.11	4.77	18.71	9.06	15.23
MSCI EAFE		3.97	4.56	14.49	2.64	11.10
MSCI Emg Mkts		7.43	1.98	10.78	3.83	12.44
Fixed Income	**Δ Yield**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
US Aggregate	2.69	(0.01)	(0.01)	(0.02)	0.23	0.39
High Yield	5.58	(0.14)	0.03	(0.32)	0.07	(0.63)
Municipal	2.19	0.00	(0.03)	(0.07)	(0.02)	0.02

Commodities	6/30/19	4/30/19	1/31/19	10/31/18
Oil (WTI)	58.20	63.83	53.84	65.31
Gold	2.42	2.59	2.82	3.31
Currencies	**6/30/19**	**4/30/19**	**1/31/19**	**10/31/18**
USD/Euro ($/€)	1.14	1.12	1.15	1.13
USD/GBP ($/£)	1.27	1.30	1.31	1.28
Yen/USD (¥/$)	107.84	111.40	108.84	112.86
Treasury Rates	**6/30/19**	**4/30/19**	**1/31/19**	**10/31/18**
2 Year	1.75	2.27	2.45	2.87
5 Year	1.76	2.28	2.43	2.98
10 Year	2.00	2.51	2.63	3.15
30 Year	2.52	2.93	2.99	3.39

Style Returns

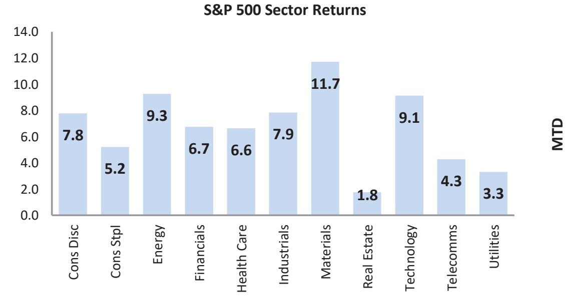
MTD

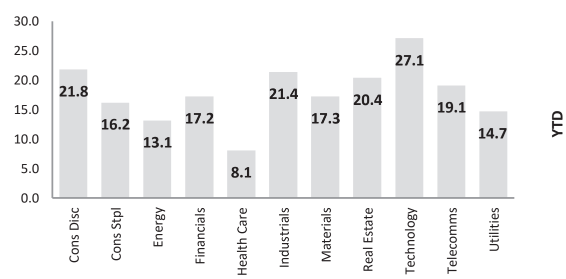
	V	B	G
L	7.18	7.02	6.87
M	6.75	6.87	7.02
S	6.37	7.07	7.70

YTD

	V	B	G
L	16.24	18.84	21.49
M	18.02	21.35	26.08
S	13.47	16.98	20.36

S&P 500 Sector Returns





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