

July delivered a healthy start to the third quarter before markets became 'tarrified' in early August. After a robust first half 2019, the S&P 500 managed to post a 1% return in July despite most smaller stocks posting declines during the month—a byproduct of cap-weighted index construction. A convincing rotation toward global monetary policy support and a brief respite from trade wars (until August) outweighed other prevalent macro concerns including global economic growth, Brexit uncertainty, and percolating Middle East tensions.

Market Anecdotes

- The July FOMC meeting delivered a 25bps rate cut, a decisive end to QT, and clear acknowledgement of risk around global growth and trade disputes.
- The FOMC decision to end QT two months early leaves Fed balance sheet assets at approximately \$3.782T, down \$680b since QT began in October 2017.
- The ECB also met in July signaling a bleak outlook. They maintained the benchmark rate at 0%, the deposit rate at -0.40%, the marginal lending facility rate at 0.25%, modified forward guidance to include the possibility of a lower (<0%) refi rate, and maintained APP parameters.
- Despite a \$291b stimulus package in March, China's GDP fell 0.2% to 6.2% in Q2 (slowest pace since 1992), fixed investment slowed from 6.3% to 5.8%, and manufacturing investment slowed from 4.6% to 3.0%.
- As of this writing, 90% of S&P 500 companies have reported earnings with beat rates (E/R) at 75% and 57%—both above average. Blended earnings and revenue growth rates are -0.7% and 4.1% respectively.
- The streak of negative 3m/10yr yield curve slope ended briefly in July at 39 days only to move to a shallow inversion toward month end (then deeper in early August).
- Credit spreads hovered around 400bps for the majority of the month, not signaling any meaningful concern, before moving higher in early August on renewed U.S.-Sino trade disputes.
- After firming in the spring, the U.S. housing sector seems to be flattening out or working its way through a soft patch.
- A deal was reached in DC to increase discretionary spending and raise the debt ceiling through July 2021.
- Pro-Brexit Boris Johnson became Prime Minister (England) in July with a clear objective of accomplishing an EU exit by October 31st. Parliament remains skeptical of the hard Brexit path.

Economic Release Highlights

- 2Q U.S. GDP of 2.1% beat calls for 1.9%. Robust PCE (4.3%) contributed 2.85% and government spending (5.0%) contributed 0.85% to the final tally. Inventory, non-residential fixed investment, residential investment, and net exports all detracted.
- July jobs report came in at expectations (164,000) with an unemployment rate of 3.7% and the June JOLTS report continued a theme of moderation in labor demand with both hires and openings moving slightly lower while quits were relatively flat.
- July's ISM manufacturing (51.2) and non-manufacturing (53.7) both missed estimates and sit at or near 3-month lows. The manufacturing index registered a fourth consecutive monthly decline but both remain in expansionary territory.
- Global flash PMIs for July (Composite, Manufacturing, Services) reinforced a sluggish view of manufacturing but stable service sectors with US (51.6, 50.0, 52.2), EZ (51.5, 46.4, 53.3) and Japan (51.2, 49.6, 52.3) trending just above expansionary territory on the composite level.
- June retail sales came in much stronger than expected (0.4% vs 0.1%). Less autos & gas and

control group readings both surpassed the top end of consensus range as well.

- July's consumer confidence report from The Conference Board jumped sharply to 135.7 largely on a favorable view of the job market. UofM consumer sentiment remained stable in July at 98.2, up 0.2 from June levels and still signaling a relatively constructive consumer.
- June existing home sales of 5.270mm came in softer than expected but in line with the 3m

average. Prices were up a firm 2.7 percent to a median \$285,700. YoY sales of -2.2% are uninspiring versus a weak 2018 comp. June new home sales (646k) is trending downward.

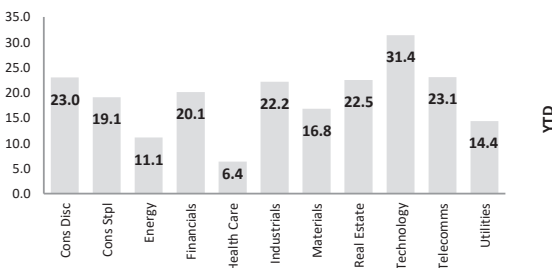
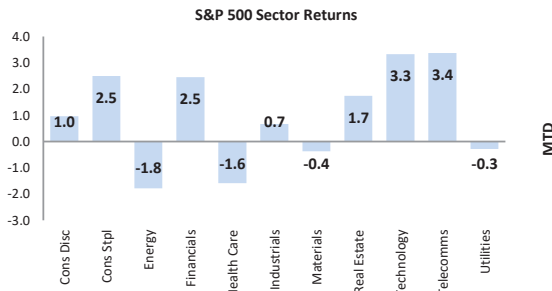
- A 65 reading for June housing market index, next to May's 66, is the best showing since October last year. Robust homebuilder confidence across current sales (72) and future sales (71) are offsetting a low traffic (48) reading.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr	Commodities	7/31/19	5/31/19	2/28/19	11/30/18
Dow Jones	26864	1.12	1.65	16.69	8.22	16.11	Oil (WTI)	58.53	53.49	57.21	50.78
NASDAQ	8175	2.15	1.27	23.94	7.74	17.86	Gold	1427.55	1295.55	1319.15	1217.55
S&P 500	2980	1.44	1.69	20.24	7.99	13.36					
Russell 1000 Growth		2.26	2.38	24.23	10.82	17.13	Currencies	7/31/19	5/31/19	2/28/19	11/30/18
Russell 1000 Value		0.83	1.12	17.20	5.20	9.44	USD/Euro (\$/€)	1.12	1.12	1.14	1.14
Russell 2000		0.58	(0.69)	17.66	(4.42)	10.36	USD/GBP (\$/£)	1.22	1.26	1.33	1.28
Russell 3000		1.49	1.59	20.48	7.05	13.11	Yen/USD (¥/\$)	108.58	108.66	111.38	113.54
MSCI EAFE		(1.26)	(0.24)	13.05	(2.09)	7.40					
MSCI Emg Mkts		(1.14)	(2.48)	9.51	(1.80)	8.83	Treasury Rates	7/31/19	5/31/19	2/28/19	11/30/18
Fixed Income	Δ Yield	1 Mo	3 Mo	YTD	1 Yr	3 Yr	3 Month	2.08	2.35	2.45	2.37
US Aggregate	2.72	0.02	(0.02)	0.00	0.24	0.42	2 Year	1.89	1.95	2.52	2.80
High Yield	5.60	0.02	0.04	(0.30)	0.17	(0.55)	5 Year	1.84	1.93	2.52	2.84
Municipal	2.17	(0.02)	(0.05)	(0.09)	(0.04)	0.01	10 Year	2.02	2.14	2.73	3.01
							30 Year	2.53	2.58	3.09	3.30

Style Returns

	V	B	G
L	0.83	1.55	2.26
M	0.83	1.43	2.33
S	0.16	0.58	0.98

	V	B	G
L	17.20	20.69	24.23
M	19.00	23.08	29.03
S	13.65	17.66	21.54



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