



## July 2018: Market Review

Global equity indexes were positive in July, as robust corporate earnings overshadowed ongoing trade conflicts. The S&P 500 Index added +3.72% and is up +6.47% year-to-date. The Dow Jones Industrial Average was up +4.83% in July, ending with a +4.07% return so far in 2018. The NASDAQ Composite rose +2.19% during the month and has added +11.77% year-to-date, hitting a new record high during the month as investors shrugged off global tariffs.

In U.S. economic news, investors shifted their focus to strong corporate earnings reports rather than trade tensions as nearly 90% of companies that have reported earnings surpassed expectations. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up +1.06% in May, while on a year-over-year basis, prices were +6.39% higher than a year ago. Among commodities, WTI crude oil ended July at \$69 a barrel, down from June's closing price of \$74. Gold closed the month at \$1,224 per troy ounce, down from \$1,251 at the end of June.

Value-style equities outpaced growth-style equities in July across all capitalizations. This was especially pronounced in large-caps due to recent tumbles in some of the FAANG stocks, particularly Facebook. However, growth stocks are still outperforming on a year-to-date basis by a wide margin. Among large cap stocks, the Russell 1000 Growth Index gained +2.94% in July, returning +10.40% year-to-date. The Russell 1000 Value Index added +3.96% for the month, which brought its year-to-date return to +2.20%. For small cap stocks, the Russell 2000 Growth Index posted gains of +1.72% for the month and is up +11.58% so far this year. The Russell 2000 Value Index gained +1.77% and is up +7.31% so far in 2018. The Russell Midcap Index was up +2.49% in July and has added +4.90% year-to-date.

International equities rebounded in July despite escalating trade tensions between the U.S. and China. The MSCI EAFE Index rose +2.46%, curbing its year-to-date loss to -0.36%. European markets rallied after trade conflicts between the U.S. and E.U. cooled. The MSCI Europe Index rose +3.33% in July and has posted a -0.01% return so far this year. The MSCI Pacific Index gained +0.91% and has fallen -1.13% in 2018. The MSCI Emerging Markets Index returned +2.20%, propelled by strength in Brazil (+11.82%) and India (+6.51%), with continuing headwinds from China (-2.49%). However, the index is down -4.61% so far this year.

U.S. fixed income markets were mixed in July, with high yield bonds continuing to lead the way. The yield on the 10-Year Treasury closed July at 2.96%, up from June's close of 2.85%. The Bloomberg Barclays U.S. Aggregate Bond Index rose +0.02% for the month yet is down -1.59% this year. The Bloomberg Barclays U.S. Treasury Index lost -0.42% in July and is down -1.49% year-to-date. The Bloomberg Barclays Treasury 20+ Year Index fell -1.52% during the month, leaving it with a return of -4.49% so far in 2018. The Bloomberg Barclays Corporate High Yield Index rose +1.09% in July and is up +1.25% year-to-date.

The strong corporate earnings reports during the month led major indexes higher as companies continue to benefit from the economic stimulus derived from the 2017 tax cuts. However, uncertainty surrounding trade disputes as well as historically high valuations continue to be a cause for concern in equity markets.