



June 2019: Market Review

Global equity prices rebounded from May's decline during the month as the Federal Reserve and the European Central Bank indicated further monetary stimulus. The S&P 500 rose 7.1% in June bringing the year-to-date return to +18.6%. The Dow Jones Industrial Average rose 7.3% (up +15.4% year-to-date) while the tech-heavy NASDAQ Composite rose 7.5% (up +21.3% so far this year).

In U.S. economic news, the final reading of first quarter real GDP showed an expansion of 3.1% annualized. The most recent unemployment data showed slower job growth but the unemployment rate remained at multi-decade lows of 3.6%. Inflation rose modestly but at 1.8% year-over-year growth it remains stubbornly below the Federal Reserve's stated target of 2%. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up +0.9% in April, while on a year-over-year basis, prices were +3.6% higher than a year ago. Among commodities, WTI crude oil ended June at \$59 a barrel, up from \$54 a barrel at the end of last month. Gold closed the month at \$1,410 per troy ounce, up from \$1,306 at the end of May. Gold has rallied 10.3% thus far in 2019.

Within domestic equities, value outpaced growth among large-cap equities, but growth beat value in mid- and small-cap stocks. Among large cap stocks, the Russell 1000 Growth Index rose 6.9% versus a 7.1% gain for the Russell 1000 Value Index. In mid cap equities, the Russell Midcap Growth Index appreciated 7.0% for the month while the Russell Midcap Value Index rose 6.8%. In small cap stocks, the Russell 2000 Growth Index gained 7.7% during the month while the Russell 2000 Value Index increased 6.4%.

All major international indexes also posted gains during the month as investors are pricing in further monetary stimulus amidst sluggish economic data. MSCI EAFE Index increased 5.9% for the month and has gained +14.0% year-to-date while the MSCI Europe Index rose 6.7% during the month (up +15.8% so far this year). The MSCI Pacific Index appreciated 4.6% during the month bringing 2019 year-to-date performance to 11.2%. The MSCI Emerging Markets Index returned 6.2% during the month, ending June with a +10.6% year-to-date gain. Emerging market returns were positively impacted by strength in China (+7.3%) and Korea (+8.5%) during the month.

U.S. fixed income markets were positive in June as bond yields continued their descent from highs reached last fall. The yield on the 10-Year Treasury closed the month at 2.00%, down from last month's close of 2.14%. The Treasury yield curve steepened in June, with the spread between the 10-Year and 2-Year yields ending the month at 25 basis points, up from 19 basis points at May 31. The Bloomberg Barclays Corporate High Yield Index was the strongest performer, rising 2.3% for the month and has gained +9.9% so far this year. The Bloomberg Barclays U.S. Aggregate Bond Index added +1.3% for the month (up +6.1% year-to-date) and the Bloomberg Barclays U.S. Treasury Index appreciated +0.92% (up +5.2 so far in 2019). The Bloomberg Barclays Treasury Gov't/Credit Index was the weakest performer, gaining 1.1% during the month and ending June up +5.0% year-to-date.

Reversing course from May declines, equity markets in June continued to climb as the Federal Reserve affirmed its commitment towards economic expansion. This June rally in domestic and international equity markets came despite weakening manufacturing surveys around the world and U.S. consumer confidence declining. However, trade tensions have modestly decelerated, as the Trump administration backed off its previous threats of tariffs on Mexico thereby easing concerns of a potential trade disputes on two fronts. Additionally, President Trump and Chinese president Xi Jinping agreed to a temporary truce on July 1st where there will be no new tariffs through the rest of 2019. U.S. equity markets continued to rally in response to the truce.