



Our investment experts share their perspectives on market events, economic data and developing themes in our monthly review of the global capital markets.

EQUITY HIGHLIGHTS

- Outside of U.S. growth stocks, equity markets delivered muted returns in July as investors weighed the potential and magnitude of monetary easing from both the Fed and ECB. The Fed lowered U.S. interest rates for the first time in 11 years on 07.31.2019 while the ECB continued to indicate that an easing package is on the way. U.S. large- and mid-cap growth stocks led the selected opportunity set returning 2.24% and 2.33% in July, with global ex U.S. value and emerging market value equities lagging U.S. growth stocks posting returns of -2.12% and -2.63%. The MSCI ACWI IMI, a broad measure of global equity performance, returned 0.30% in July.
- After a challenging 2018, the performance of actively-managed equity strategies has improved in 2019 with all market segments, save for U.S. large blend, showing higher year-to-date returns than passive strategies.
- U.S. growth equities have outperformed value by a wide margin since the global financial crisis, driven partially by a prolonged low economic growth environment and significant outperformance from large-cap information technology, communication services and consumer discretionary companies. Stretched growth valuations could lead to improvement in value relative performance.

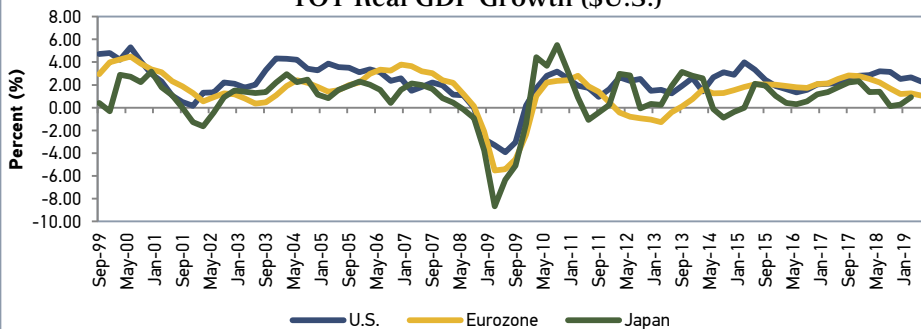
FIXED INCOME HIGHLIGHTS

- The bond market produced mostly positive returns in July with U.S. Government bonds producing the only negative return in our opportunity set returning -0.11%. The top bond market performers in our opportunity set during July were global ex U.S. Treasury bonds and emerging market bonds returning 1.23% and 1.00%. The Bloomberg Barclays U.S. Aggregate index, a proxy for the overall bond market, returned 0.22% during the month.
- Over the month, both domestic and international developed 10-year bond yields moved higher across our opportunity set, led by Italian and French yields, which increased by 56 basis points and 23 basis points. U.S. yields increased by 14 basis points to 2.14% during the month.
- In a reversal from the previous month, municipal/Treasury yield ratios decreased across the curve in July and remain below historical averages.

Stock Indexes	YTD	Bond Indexes	YTD	Other Indexes	YTD	U.S. Treasury Yields		Rates/Commodities	
MSCI ACWI IMI	16.43%	Barclays US Aggregate	6.35%	US Fund Multialternative	5.70%	6-month	2.10%	Prime Rate	5.25%
Russell 3000	20.48%	Barclays Gbl Treas xUS Hdq	6.95%	DJ Equity All REIT	21.22%	1-year	2.00%	LIBOR (3 Mo)	2.27%
S&P 500	20.24%	Barclays US TIPS	6.53%	Bloomberg Commodity	4.35%	3-year	1.84%	Oil Price (\$/barrel)	\$58.58
MSCI EAFE	12.58%	Barclays US High Yield	10.56%			5-year	1.84%	Gold (\$/t oz)	\$1,437.80
MSCI EM	9.23%	Barclays EM Aggregate	10.48%			10-year	2.02%		
						30-year	2.53%		

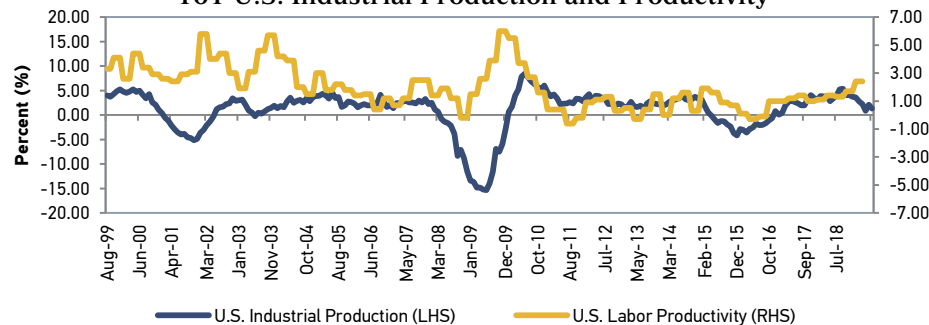


YOY Real GDP Growth (\$U.S.)



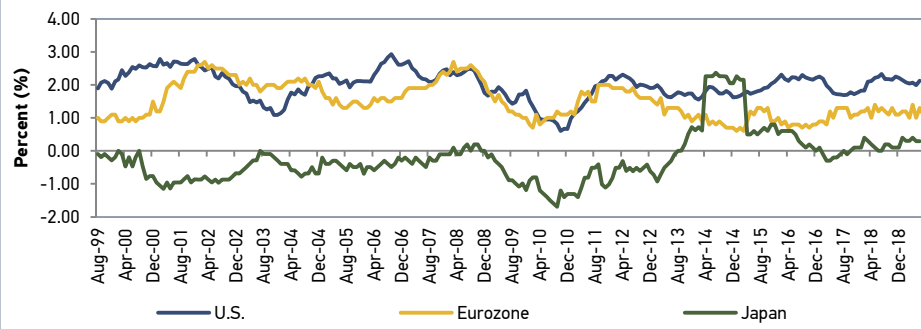
U.S. and Eurozone data as of 06.30.2019. Japan data as of 03.31.2019; Source: FactSet

YoY U.S. Industrial Production and Productivity



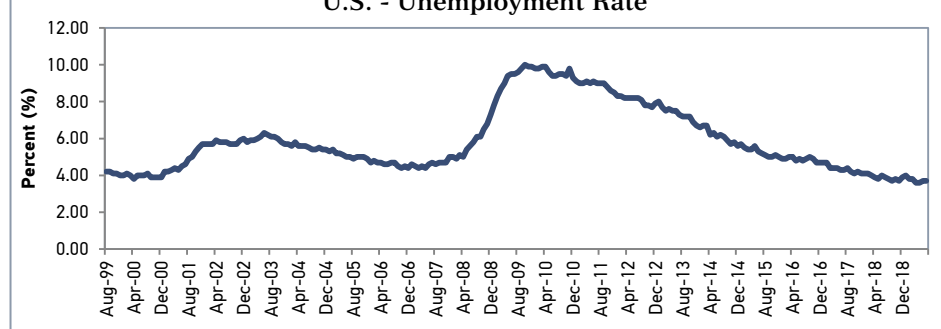
Industrial Production as of 06.30.2019, Labor Productivity as of 03.31.2019; Source: FactSet

Core Consumer Price Index (YoY Growth)



Eurozone data as of 07.31.2019. U.S. and Japan data as of 06.30.2019; Source: FactSet; The sudden increase in Japan CPI growth in 2014 coincided with an increase in national sales tax that impacted final price levels.

U.S. - Unemployment Rate



Data as of 07.31.2019; Source: FactSet

- As expected, year-over-year GDP growth in the U.S. and Europe declined in the second quarter. U.S. growth continues to exceed growth in Europe and Japan.
- Year-over-year U.S. productivity growth continued to improve in the first quarter and is at a multi-year high. Industrial production growth has slowed this year.
- Core U.S. inflation picked up in June following several months of moderate growth. European inflation has stabilized near 1%, while Japan's inflation rate remains very low, but positive.
- Employment growth in July was solid, and the unemployment rate held steady at 3.7%, just above a 45 year low.



Leading	Initial Jobless Claims	<ul style="list-style-type: none">In the week ending July 26th the four-week moving average of Initial Jobless Claims was 211,500 a decrease of 1,750 from the previous week's revised average of 213,250.
	Manufacturing	<ul style="list-style-type: none">ISM Manufacturing registered 51.2% in July a 0.5 percentage point decrease over the previous reading. A reading below 50.0% indicates contraction.ISM Manufacturing New Orders registered 50.8% in July a 0.8 percentage point increase over the previous reading.ISM Non-Manufacturing registered 53.7% in July a 1.4 percentage point decrease over the previous reading.
	Housing/Construction	<ul style="list-style-type: none">Building permits fell 5.2% in June and have fallen 5.7% over the past year.
Coincident	Consumer Confidence	<ul style="list-style-type: none">The Consumer Confidence Index fell in July to 135.70 compared to 124.30 in June.
	Nonfarm Payrolls	<ul style="list-style-type: none">Total nonfarm payroll employment gained 164,000 in July while the unemployment rate remained at 3.7%.
	Industrial Production	<ul style="list-style-type: none">Industrial Production fell 0.04% in June and is up 1.32% over the past year.
	Personal Income	<ul style="list-style-type: none">Real Disposable Personal Income rose 0.30% in June and is up 3.26% over the past year.
Lagging	Ratio of Consumer Installment Credit to Personal Income	<ul style="list-style-type: none">This ratio was 0.04% in June and 1.2% year-over-year. Consumer borrowing tends to lag improvements in personal income by many months because people remain hesitant to take on new debt until they are sure that their improved income level is sustainable.
	Inflation	<ul style="list-style-type: none">CPI (All Items) rose 0.1% in June and is up 1.7% over the trailing one year period.CPI (Core) rose 0.3% in June and is up 2.1% over the trailing one year period.



Nominal Trade-Weighted U.S. Dollar
Major Currencies



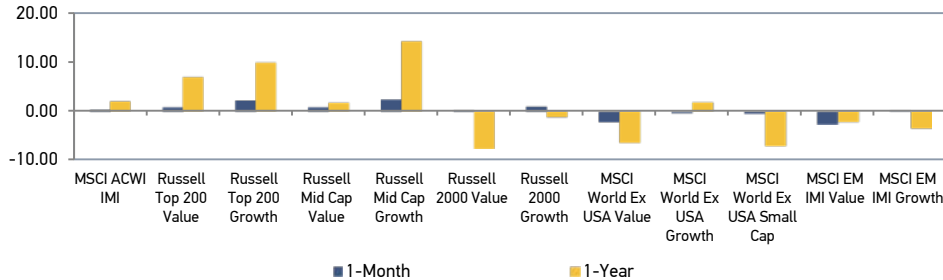
Euro per U.S. Dollar



- The Trade-Weighted U.S. Dollar Index (Major Currencies) rose 1.6% through July and the index is up 0.6% year-to-date. The dollar rose 2.3% versus the Euro in July.

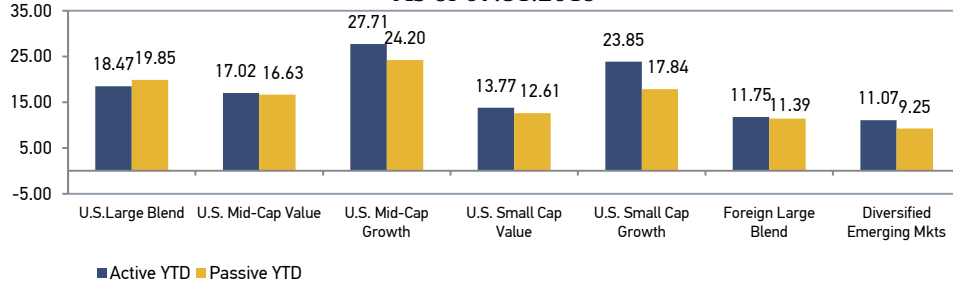


Equity Market Performance
As of 07.31.2019



Source: Morningstar, Russell Investments

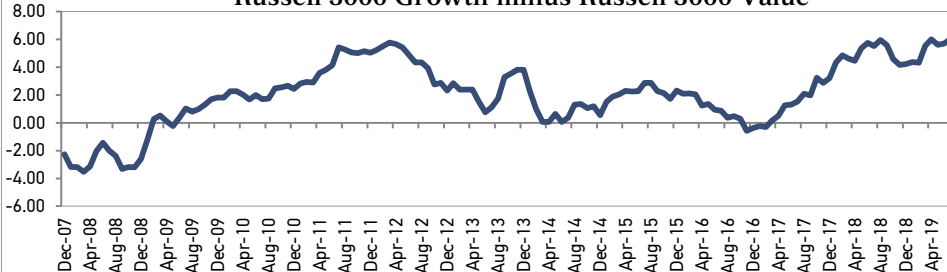
Active vs. Passive
As of 07.31.2019



Source: Morningstar, Russell Investments

Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.

Rolling 5-Year Return Differential
Russell 3000 Growth minus Russell 3000 Value



Data as of 07.31.2019; Source: Morningstar

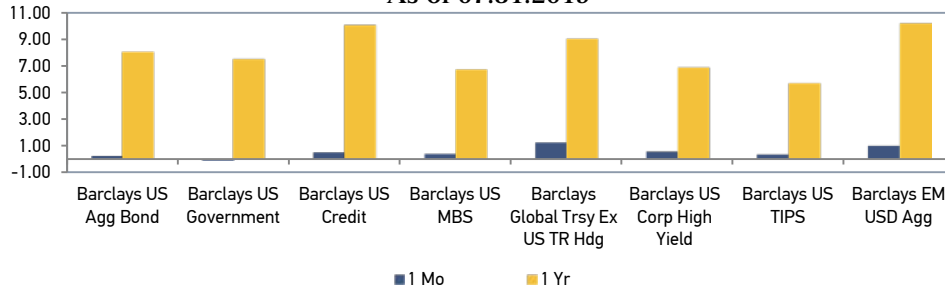
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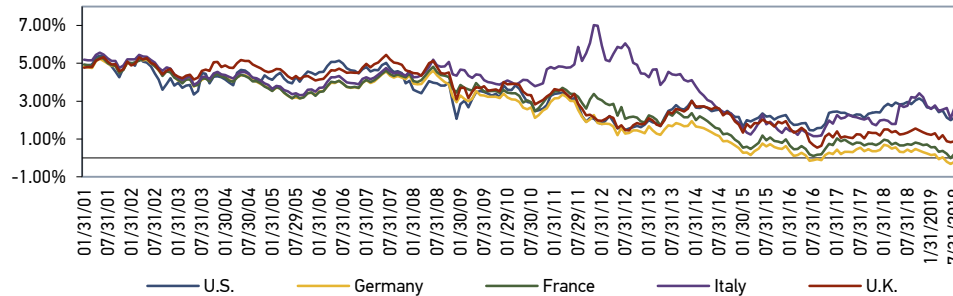


Bond Market Performance
As of 07.31.2019



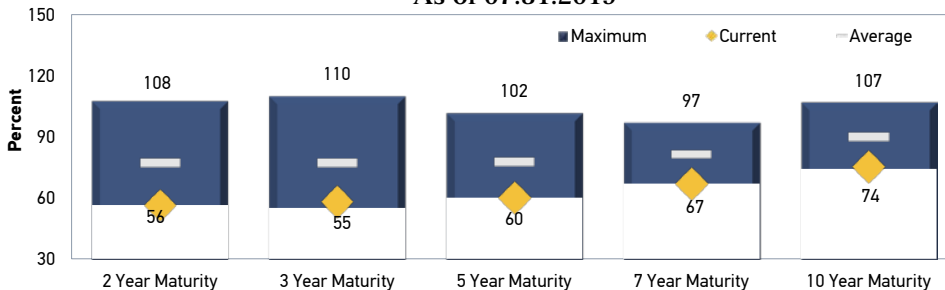
Source: Morningstar, Barclays

10-Year Government Bond Yields



Data as of 07.31.2019; Source: FactSet, U.S. Department of Treasury

Municipal/Treasury Yield Ratios Over The Last 5 Years
As of 07.31.2019



Source: Thompson Reuters; Sterling Capital Management Analytics.

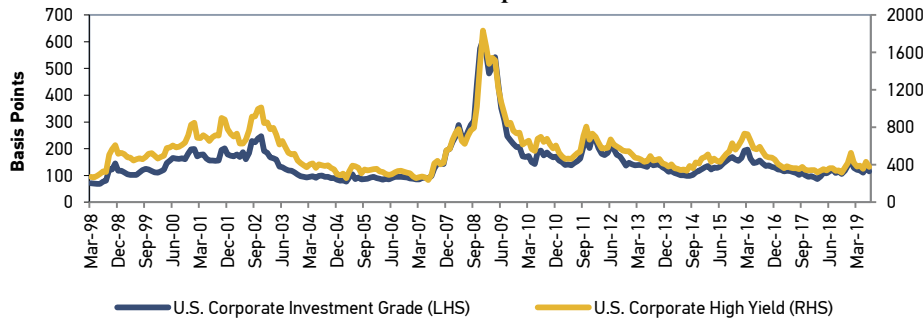
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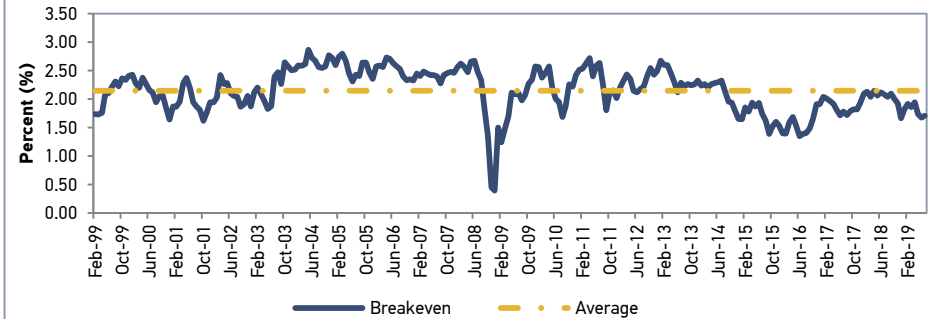


20-Year U.S. Corporate OAS



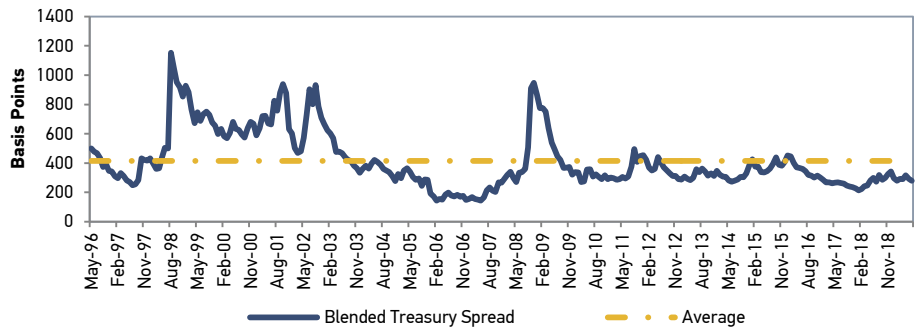
Data as of 07.31.2019; Source: FactSet

10-Year TIPS Breakeven



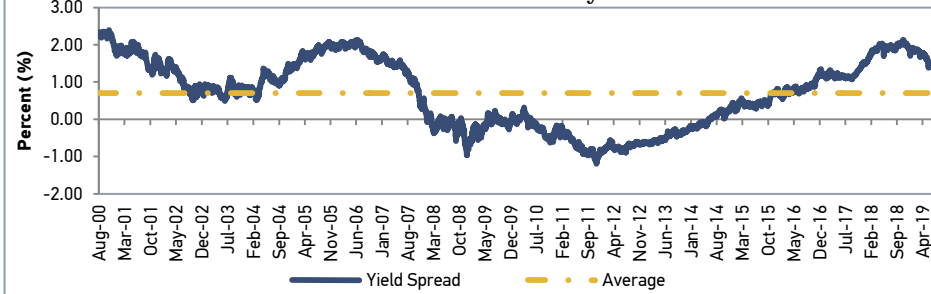
Data as of 07.31.2019; Source: Federal Reserve Board of Governors

EM Debt OAS



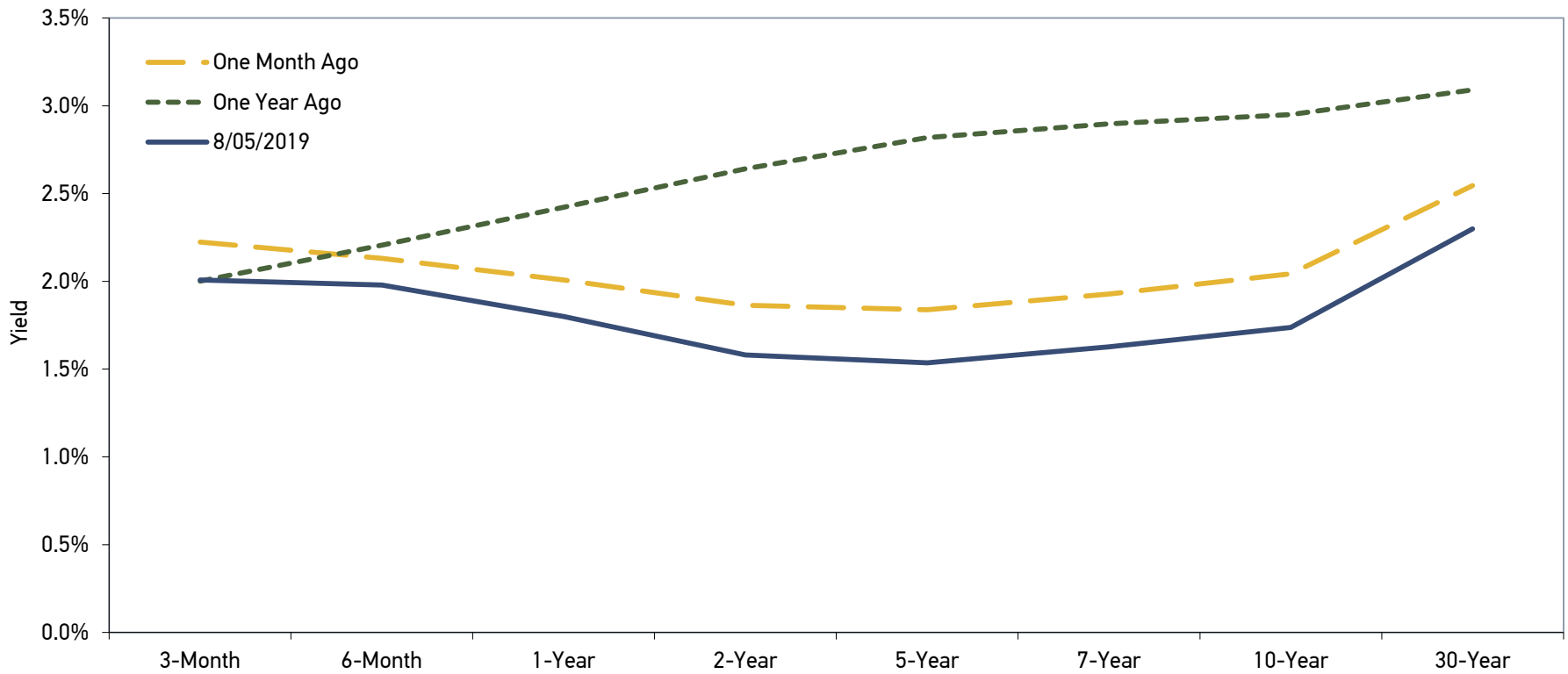
Data as of 07.31.2019; Source: Barclays

Yield Spread of Barclays U.S. Treasury Index to Global Ex-U.S. Treasury Index



Data as of 07.31.2019; Source: Barclays

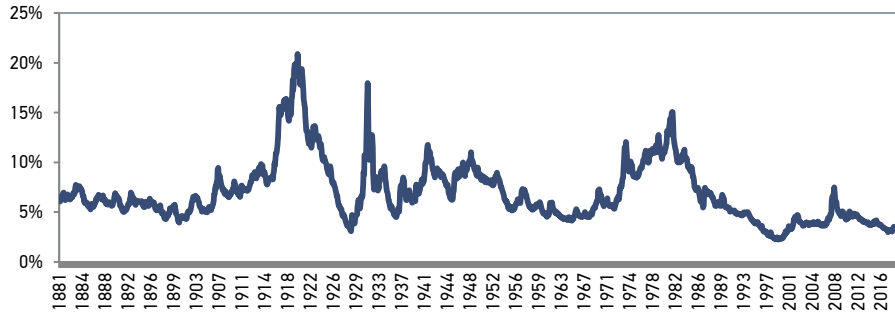
- Investment grade and high yield credit spreads moved lower in July and are below historical averages.
- Market inflation expectations as measured by TIPS breakeven rates moved slightly higher in July but are well below the historical average.
- Emerging Market credit spreads moved lower in July and are well below the long run average. The yield spread of U.S. to Global Treasuries moved higher in July and remains well above the historical average.



- As of 08.05.2019, Treasury yields moved lower across the curve compared to the previous month. The yield curve remains inverted as of 08.05.2019, with the 3-month bill yielding 27 basis points more than the 10-year bond.

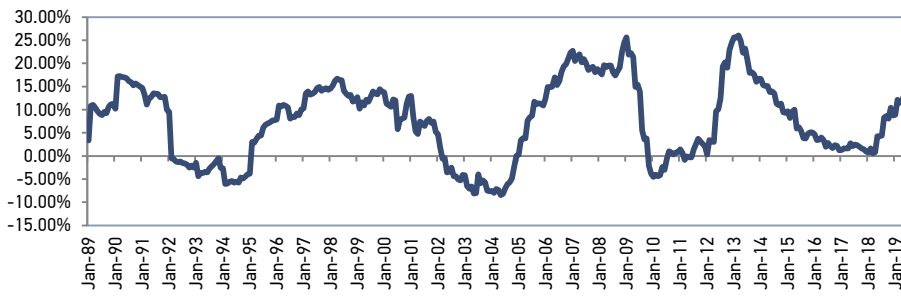


U.S. Cyclically Adjusted Earnings Yield



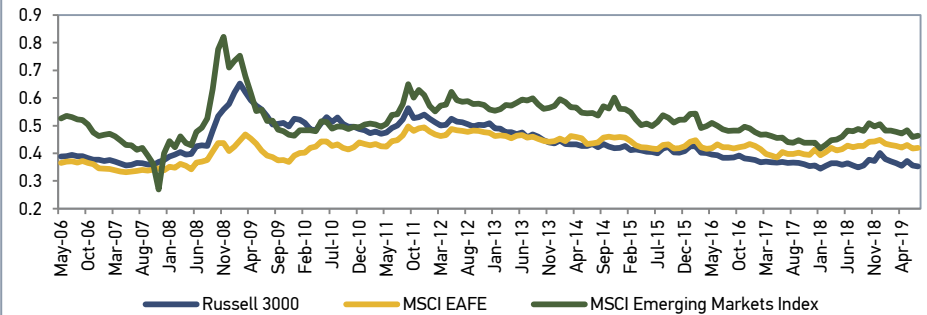
Data as of 07.31.2019; Source: Online Data Robert Shiller "US Stock Markets 1871-Present and CAPE Ratio"

**U.S. 3 Year Real Revenue Growth –
Russell 3000 Non-Financials**



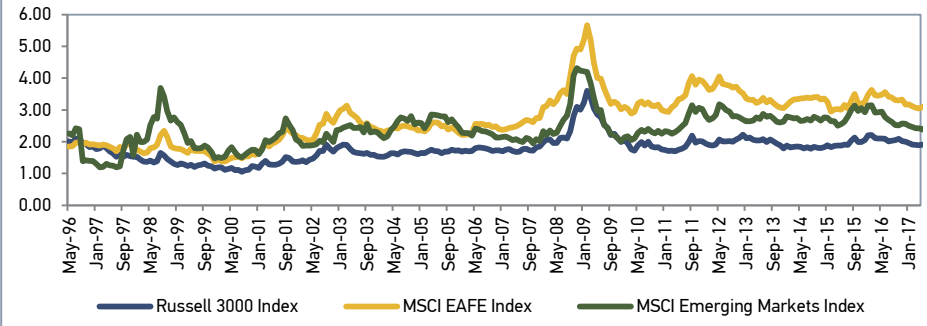
Data as of 07.31.2019; Source: FactSet, Russell, Bureau of Labor Statistics, Sterling Capital Analytics

Revenue to Firm Value



Data as of 07.31.2019; Source: Russell, MSCI

Dividend Yield



Data as of 07.31.2019; Source: Russell, MSCI

- The U.S. cyclically adjusted earnings yield was little changed in July and remains at a low level relative to history. Long-term real U.S. sales growth has strengthened this year.
- In July, the revenue to firm value ratio declined in the U.S. but increased in international markets.
- Dividend yields dropped in the U.S. last month following equity price increases, but yields increased in Emerging Markets. International Developed yields continue to provide a significant income advantage over the U.S.

Appendix



Core Consumer Price Index: Core inflation is a measure of inflation that excludes certain items, usually food and energy, that face volatile price movements.

Option Adjusted Spread (OAS): A bond's yield spread over comparable maturity government bonds, adjusted for any embedded options.

Real GDP: Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year prices.

Revenue to Firm Value: Total Index Revenues of the past 12 months divided by the sum of equity market value and the value of total debt. This is a measure of total sales generated on the total value (debt plus equity) of firms in the index.

TIPS Breakeven: The inflation rate implied by the spread in yield between U.S. TIPS (Treasury Inflation Protected Securities) and nominal U.S. Government Bonds of equal maturity.

U.S. 3 yr. Real Revenue Growth, Russell 3000 Non-Financials: For the Russell 3000 excluding financial firms, the percentage change in trailing 12-month inflation adjusted revenue over 12-month inflation adjusted revenue three years prior.

U.S. Cyclically Adjusted Earnings Yield: The 10-year average of annual, inflation adjusted earnings divided by the current inflation adjusted price of the S&P 500 index. This measure is the inverse of the Shiller CAPE Ratio.

YOY US Productivity Growth: The year-over-year growth in real U.S. output produced per hour worked for non-farm workers.



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