



Index	Close	Return	
		Week	YTD
Dow Jones Industrial Average	25,090	0.4%	11.8%
S&P 500 Index	2,887	0.5%	15.2%
NASDAQ	7,797	0.7%	17.5%
Russell 2000 Index	1,523	0.5%	12.9%
MSCI EAFE Index	1,879	0.2%	9.3%
10-yr Treasury Yield	2.08%	0.00%	-0.60%
Oil (\$/bbl)	\$52.52	-2.7%	15.7%
Bonds*	\$110.57	0.0%	5.1%

Source: Bloomberg, 06/14/19

*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) rose +0.5% as the U.S. and Mexico reached a deal to avoid tariffs for now, and U.S. retail sales showed a rebound in May consumer spending, partially offset by the ongoing U.S.-China trade concerns, semiconductor weakness from U.S.-China trade tensions, and elevated oil inventories
 - Consumer discretionary (+2.4%) outperformed with strength in gaming, retail, and toys industries
 - Communication services (+1.4%) outperformed, led by **Facebook** (+4.6%) and **Alphabet** (+1.7%) after both had underperformed in previous weeks on regulatory concerns
 - Utilities (+1.2%) and Consumer Staples outperformed as investors favored defensive stocks
 - Materials (+0.5%) outperformed with help from industrials metals and select chemical stocks
 - Financials (+0.4%) performed in-line as banks held up despite interest rate concerns
 - Healthcare (+0.2%) underperformed with weakness in specialty and generic pharmaceutical companies
 - Information technology (-0.2%) underperformed as semiconductor stocks dropped on U.S.-China trade tensions and related Huawei ban. A soft quarterly report and forecast from Broadcom also weighed on semiconductor stocks
 - Industrials (-0.4%) underperformed with weakness in aerospace and defense and railroad stocks
 - Energy (-0.9%) underperformed as the price of oil fell 2.7% on higher inventories
- The technology-heavy Nasdaq Composite Index (+0.7%) outperformed the S&P 500
- The *New York Times* reported that the U.S.-Mexico trade deal to remove the implementation of a 5% tariff on all Mexican imports largely revolved around measures that Mexico had already committed to in past negotiations. President Trump tweeted that Mexico agreed to immediately start buying large



quantities of agricultural products from U.S. farmers, while Mexican officials repeatedly said that agricultural trade had not been discussed with the White House. Reuters reported that the White House will review the effectiveness of Mexico's actions after 90 days

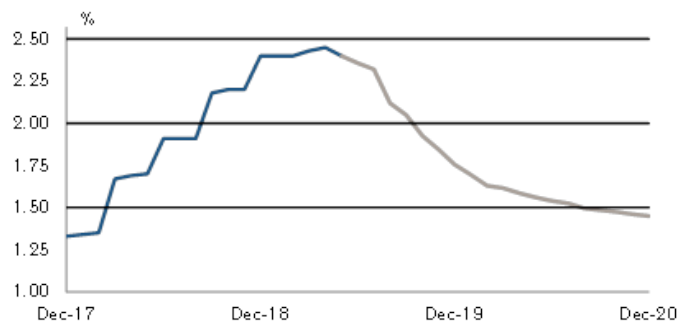
- CrowdStrike came public Wednesday, pricing its deal at \$34/share, above the high end of the range. The stock surged 97% in the first moments of trading, closing with a 70% first-day gain that valued the company at more than \$11 billion. In its fiscal year ended January, the company reported \$250 million of revenue and \$140 million of losses
- Fiverr, which "makes software that connects freelancers with companies looking for temporary workers," according to Marketwatch, came public Thursday at \$21/share, above the high end of the proposed range. Shares jumped 90% the day of their debut, giving the company a market value of nearly \$1.2 billion, or more than 16 times revenue; we'd gladly cite the stock's valuation based on earnings, but take one guess as to whether it's ever generated profitability. The company's CEO said that the company's end markets are "really like e-commerce 20 years ago." He does realize that with the exceptions of Amazon and eBay, nearly every e-commerce company that came public 20 years ago destroyed shareholder value, doesn't he?
- Pet food maker Chewy increased the number of shares it issued as part of its IPO, and priced them above the high end of the range. The high-growth company has consistently lost money selling pet supplies online. How is this different than Pets.com? According to CNBC Friday morning, when Pets.com launched two decades ago, e-commerce was in its infancy, whereas today, e-commerce is more well-established. We've seen this movie before, haven't we?
- Dassault is buying Medidata for \$5.7 billion
- Apollo is acquiring Shutterfly for \$51/share, or \$2.7 billion
- Mattel rejected an unsolicited takeover offer from MGA Entertainment
- Red Robin's largest shareholder offered to buy the entire company – would you like fries with that?
- President Donald Trump on Monday said he's "a little concerned" about a merger between United Technologies and Raytheon, which would create the world's second-largest aerospace-and-defense company by sales. "Does that make it less competitive?" Trump asked in a phone interview on CNBC, in which he also complained that the Federal Reserve hasn't "listened to me."
- The futures market is expecting the Federal Reserve to cut short-term interest rates in July 2019 (86% probability according to CME Group's FedWatch tool) and multiple cuts through 2020, partially due to concerns regarding slowing global economic growth.

Odds of a Fed Funds July interest rate cut



Source: Credit Suisse

Implied future Fed Funds rate



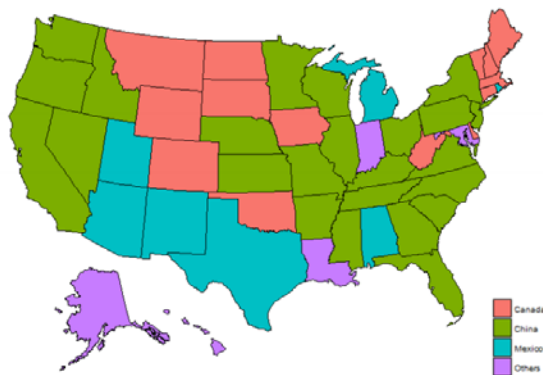
Source: Credit Suisse

- With respect to a trade deal with China, the following chart shows that China represents the largest trading partner of electoral swing states – feel free to draw your own conclusion about the likelihood of a deal being inked

China is the biggest import trading partner in most swing states



Biggest import trading partners, 2018



Source: Census, DB Global Research



U.S. Economic and Political News

- Industrial Production rose 0.4% in May, twice the 0.2% consensus estimate, while Capacity Utilization of 78.1% was a shade better than the 78.0% expectation
- U.S. Retail Sales climbed 0.5% in May, just shy of the 0.6% consensus forecast, while ex-Auto sales rose 0.5%, better than the 0.4% expectation
- The Producer Price Index precisely matched prevailing forecasts, printing +0.1% sequentially on a headline basis and +0.2% on a core basis (which excludes volatile food and energy components)
- The Consumer Price Index reflected a similar 0.1% headline gain (in line with consensus), while also showing a 0.1% core increase (a tick below the 0.2% consensus)
- The University of Michigan's Consumer Confidence index printed 97.9, nearly matching the 98.0 consensus forecast
- Weekly Jobless Claims came in at 222,000

International Markets and News

- European equities (STOXX Europe 600) rose +0.4% as market-based measures of long-term Eurozone inflation expectations hit the lowest since records began in 2003 and Bund yields continued to trend lower despite the ECB hinting it is considering further stimulus. Political leadership discussion in the UK and Italy continued
 - Rates on 10-year German bunds fell to a record low -0.25%
 - The widely followed five-year, five-year inflation swap, which the European Central Bank (ECB) also tracks, fell below 1.15% amid growing doubts over the ECB's ability to meet its price stability target
 - Boris Johnson (former UK foreign secretary) leads in the first round of votes to decide who succeeds Theresa May to become the leader of the party and the next Prime Minister
 - Italy continued to head for a debt standoff with Brussels after an inconclusive meeting between Italian Finance Minister Tria and his EU partners Friday
- Chinese markets (Shanghai Composite Index) rose 1.9% as investors grew more confident that Beijing would step up stimulus measures to cushion the economy from the impact of U.S. tariffs, partially offset by ongoing U.S. trade tensions and weak economic data
 - On Friday, China's statistics bureau released economic data that confirmed the country's slowing economic growth as industrial output rose 5% in May from a year ago, its weakest pace since 2002, while fixed-asset investment increased 5.6% in the first five months of 2019, both figures below expectations
 - On Monday, China's finance ministry said that special bonds sold by local governments would be allowed to finance construction of key projects, a move that is expected to boost infrastructure investment in 2019
 - President Trump has repeatedly threatened to hike tariffs on Chinese imports if China's President Xi Jinping does not meet with him at the Group of 20 (G20) meeting on June 28-29 in



Japan. China's state-run *People's Daily* made no mention of a meeting at the G20 summit and said the U.S. picked the "wrong rival at the wrong time"

- Japanese equities fell -1.1% (Nikkei 225 Index) during the week as exports continued to fall, partially offset by stronger than expected first quarter GDP
 - Japanese exports fell for a fifth consecutive month in April, in part because of a decline in shipments of semiconductor chip manufacturing equipment to China
 - First quarter 2019 GDP was revised higher to 2.2% from the 2.1% estimate a month ago due to upwardly revised capital spending data
 - Bank of Japan (BoJ) Governor Haruhiko Kuroda affirmed that the central bank can and will provide more stimulus as necessary if the momentum to achieve its 2% inflation goal weakens

Commodities

- The price of gold dipped 0.1% for the week
- The price of crude oil fell 2.7% as inventory data unexpectedly increased to the highest level since July 2017. Despite this week's decline, oil remains up 15.7% in 2019 after collapsing in the 2nd half of 2018



This Week:

- **Pfizer** announced it is acquiring Array BioPharma for \$11.4 billion
- It will be a relatively quiet week for earnings reports. Notable releases include, but are not limited to: Adobe, Jabil, Oracle, Darden Restaurants, Kroger, Red Hat, **CarMax**
- The economic calendar is highlighted by the Federal Reserve's interest rate decision Wednesday. According to *Barron's*, futures markets are pricing in a 26% chance of a rate cut at this week's meeting. Cutting rates with the stock market near an all-time high and unemployment near a 50-year low would represent uncharted territory for the central bank
- The Fed's interest rate decision will be followed by the Bank of England and Bank of Japan on Thursday
- Slack Technologies is slated to come public Thursday
- U.S. economic data:
 - Monday: NY Empire State Manufacturing (June actual -8.6, the first negative reading in more than two years, a record single-month drop, and well below the +10 consensus estimate), NAHB Housing Market (Jun)
 - Tuesday: Housing Starts (May), Building Permits (May)
 - Wednesday: Fed Interest Rate Decision, FOMC Economic Projections
 - Thursday: Philly Fed Index (Jun), Current Account (Q1), CB Leading Index (May)
 - Friday: Markit Manufacturing PMI Flash (Jun), Markit Services PMI Flash (Jun), Existing Home Sales (May)

As always, thank you very much for your interest in our thoughts and support of our services.

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