

What Happened?

- Finally we had a slightly slower month in the markets with the exception of the incessant growth of tech stocks in the NASDAQ.
- Stocks opened the month lower but rallied on the hope that the Fed would cut interest rates and on positive news of trade discussions between the US and China. This led the S&P 500 to a new record high and put the Dow and NASDAQ very close to records as well.

| Index | July | YTD 2019 |
|------------------|-------|----------|
| S&P 500 | 1.3% | 18.9% |
| Dow Jones | 1.0% | 15.2% |
| NASDAQ | 2.1% | 23.2% |
| Russell 2000 | 0.5% | 16.8% |
| EAFE | -1.9% | 12.4% |
| Emerging Markets | -3.7% | 6.1% |
| Aggregate Bonds | 1.0% | 7.0% |

Data from Morningstar as of 7/31/2019

- However, at the end of the month the Fed announced that they would be cutting rates 0.25%, which was at odds with the market's hope that it would cut 0.50% and indicate that there would likely be more cuts.
- More disappointing news came on the last day of the month/first day of August when President Trump announced that he is going ahead with an additional 10% tariff on Chinese goods, reversing the progress that the market had hoped for earlier in the month.

What Did We Do?

- We continued with our slight overweight towards equities but have increased the domestic focus. Due to dollar headwinds and a slowing economy many of the international markets, while cheap relative to their historic valuations, still don't look quite ready to make a run yet.
- However, there are some areas in the US that are still somewhat fairly valued, so we are watching for the opportunity to rotate more into those sectors and asset classes.
- The small Fed rate cut, resumption of tariffs, and an average jobs number today does require us to keep a close eye on our overweight in US equities. Depending on the headline and economic news we will be adjusting our client accounts as needed.

What's Next?

- With the first Fed decision out of the way, the attention is going to turn to two main themes:
 1. The Fed – Attention will now turn to economic data that the Fed will focus on going forward such as inflation, unemployment, and GDP growth. The odd thing is that it appears that any bad economic data is going to be viewed as a positive for the market

because if the data shows the economy is slowing, the Fed will most likely cut rates again which is what the market ultimately wants.

2. Trade War – We had hoped that the trade war was dissipating, but at the end of July/beginning of August it was brought back to the forefront by the additional 10% tariff on Chinese goods along with the Chinese renewing a promise to retaliate. Tariffs have continued to be a headwind to company earnings and as a result we have reduced our exposure to areas of the market that are more reliant on China.

- The negative of a focus on these two items is that they change frequently based on headline news which will lead to a much more volatile market. The positive is that both of these issues could be easily solved with a couple of headlines, and if that happens, we could see markets reaching all-time highs again.
- August will most likely be a volatile month, but we still believe that overweighting equities compared to fixed income or cash feels like the best position to be in for the moment.

If you have any questions or would like to discuss how any of this could impact your portfolio, please contact Alex directly at Alex@AnfieldWealth.com.

As always if you have any questions or want to discuss in more detail feel free to reach out to me directly at alex@anfieldwealth.com or 330-592-3870. Hope you enjoy this month's edition!