



Last Week:

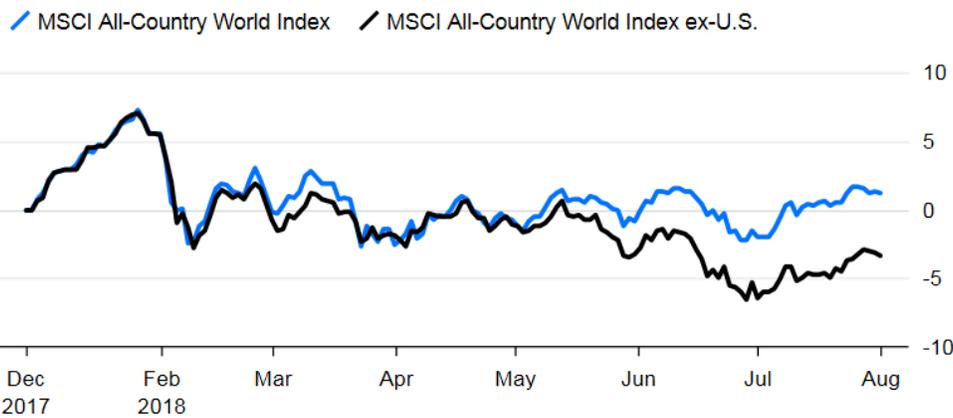
- The Dow Jones Industrial Average rose for a fifth week in a row, albeit a modest +0.1%
 - Advancers and decliners were roughly even, with Apple +8.9% topping the list, joined by **Pfizer** +5.6%, Intel +4.1%, and **Merck** +3.8%
 - Boeing was largest decliner (-3.4%), joined by American Express (-2.9%), Caterpillar (-2.8%) and DuPont (-2.3%)
- Dow Transports returned +1.3% while Dow Utilities rose +1.0%
- The S&P 500 rose for a fifth straight week +0.5%
 - Real Estate +1.3%, Consumer Staples +1.2% and Utilities +1.1% lead the way
 - Energy was the only sector in the red for the week (-0.5%) while Industrials barely stayed above break even
- Small caps outperformed, with the S&P Smallcap (S&P 600) rising +1.2% for the week
- The NASDAQ also performed well, up +1.0%
 - For the month of July, various NASDAQ indices had the following results:
 - Large Cap +3.7%
 - Mid Cap +2.1%
 - Small Cap +1.5%
 - Europe +3.1%
 - Asia ex Japan +1.2%
- The US Dollar Index strengthened +0.5% during the week to \$95.14
- The CBOE Volatility Index (VIX) fell (-10.7%) to 11.64
- Crude oil increased +0.7% to finish at \$69.17
- Gold slipped a few more dollars to \$1,216/ounce
- The 10-year Treasury yield ticked down 1bp to 2.95%
 - The flattening trend of the yield curve paused last week, with the 10-year to 2-year spread narrowing 1 basis point



Source: Strategas



- Global stocks were mixed last week in the face of continued trade rhetoric, and over the past few months have started to lag noticeably



Source: Bloomberg

- The Stoxx Europe 50 declined (-0.8%)
 - The German Dax had a particularly rough week, retreating (-1.9%)
 - Paris and FTSE also fell (-0.6%)
- AsiaPac stock markets were volatile
 - Shenzhen fell (-4.6%), with Hang Seng not too far behind at (-3.9%)
 - Tokyo held up better, falling (-0.8%)
- The Federal Reserve left rates unchanged as expected. Some pundits were looking for the announcement to echo the “for now” used by the Chairman at recent testimony on the Hill when discussing the likelihood of future rate increases, but no change to the statement was made
 - The Bank of England raised its core interest rate for only the second time in the last decade
 - Earlier in the week, the Bank of Japan left rates unchanged and stated it expects to keep rates “extremely low” for some time
- Tariffs kicked backed into the headlines, as President Trump indicated he planned to raise tariffs on \$200 billion of Chinese goods from 10% to 25% ... China immediately responded with plans for additional tariffs should the US move forward
 - Closer to home, Mexico decided to try negotiating directly with the US over trade, leaving Canada out in the cold for the time being
- Treasury Secretary Steve Mnuchin raised the possibility of tying the capital gains tax to inflation, an idea that was loved in some circles and loathed in others
- Britain’s Prime Minister Theresa May continues to struggle with buy-in on her Brexit proposals, and has started lobbying European country leaders one by one to woo support
- Pending Home Sales fell for the sixth consecutive month, dropping 2.5% year over year
- Chicago PMI printed 65.5 in July, well above the 62.0 consensus forecast
- Consumer Confidence reached 127.4 in July, a shade better than the 126.5 consensus estimate



Source: Strategas

- Manufacturing ISM fell to 58.1 in July, from 60.2 in June and below the 59.5 consensus forecast
- Weekly Jobless Claims edged up 9,000 to 217,000, from the prior week's 48-year low
- Non-Farm Payroll gains came in slightly below expectations at 157,000, but positive revisions in prior months made the report more palatable, as did a reduction in the unemployment rate to 3.9%
- Non-manufacturing PMI ticked lower to 55.7, but remained in very strong territory
- In corporate news:
 - On Thursday, Apple became the first company in history with a market cap exceeding a trillion dollars ... that's a million dollars a million times over
 - **Brookfield Asset Management** is buying Forest City in an \$11.5 billion transaction
 - **Heineken** agreed to sell its Chinese brewing interests, retaining a minority position in hopes of ramping up sales and profits
- Finally, in totally unrelated news, it turns out Hawaii is the fast growing state in the US ... press reports note that the volcanic activity there is adding around 100 cubic meters of territory to the islands each second



This Week:

- US markets opened flattish relative to Friday's close
- Most major European markets are trading modestly lower
- Asian markets were mixed with Shenzhen down more than (-1.0%)
- A special election in Ohio happens on Tuesday, the final polling expected before the mid-term elections in November
- News is expected today on whether Europe has been able to salvage the nuclear deal with Iran following the US decision to withdraw from the deal some time back
- Speaking of Europe, the euro is down -0.2% this morning to \$1.154, its lowest in more than a year
- The US and Japan begin bilateral trade negotiations on Thursday
- The senior leadership of China is expected to hold a retreat sometime later this month in accordance with past practices ... the topic of trade and the weakness of the Chinese stock markets are no doubt near the top of the agenda
- **Pepsi** CEO Indra Nooyi is stepping down in October and will remain chairman until into 2019
- It's been a better than expected earnings season thus far, but it's not over yet



- Monday: Andeavor, ANSYS, Cardinal Health, Henry Schein, Marriott, Mosaic, Newell Brands, Sempra Energy, Tyson Foods, Vistra Energy and Zillow
- Tuesday: Albemarle, **Aramark**, Broadridge Financial, Continental Resources, Dentsply Sinora, **Discovery**, DXC Technology, Emerson Electric, Host Hotels, International Flavors & Fragrances, Jazz Pharmaceuticals, Pioneer Natural Resources, Plains All America Pipeline, PPL, **PRA Group**, **Ryman Hospitality**, SNAP, Transdigm and Walt Disney
- Wednesday: Atmos Energy, Autohome, Booking Holdings, CenturyLink, **CVS**, **Delphi**, Diamondback Energy, Energy Transfer, Equinix, Evergy, Franco-Nevada, IAC, Keurig Dr Pepper, Liberty Broadband, Liberty Global, Liberty Media, Magna International, Manulife, **Monster Beverage**, Mylan, NetEase, **Occidental Petroleum**, Southern Company, Sun Life, Thomson Reuters, Twenty-First Century Fox, Weibo and ZTO Express



- Thursday: Cheniere Energy, Coca-Cola European, Dropbox, Invitation Homes, Microchip Technologies, **Norwegian Cruise Lines**, Perrigo, Targa Resources, Viacom and Worldpay
- Economic reports:
 - Tuesday: Consumer Credit
 - Thursday: PPI
 - Friday: CPI

As always, thanks very much for your interest and support.

Farley Shiner, CFA®
Managing Director

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