



**WEEKLY MARKET COMMENTARY**

**THE WEEK IN REVIEW: June 16 - 22, 2019**

Index Performance Returns (%)					
	1 WK	YTD	1 YR	3 YRS	5 YRS
<b>S&amp;P 500:</b>	2.22%	18.87%	9.48%	14.49%	10.75%
<b>S&amp;P MidCap 400:</b>	1.50%	16.85%	-1.35%	10.62%	7.94%
<b>Russell 2000:</b>	1.80%	15.64%	-6.96%	11.84%	6.91%
<b>NASDAQ:</b>	3.01%	21.05%	4.13%	18.36%	12.95%
<b>MSCI ACWI:</b>	2.39%	14.85%	2.74%	9.17%	4.04%
<b>MSCI EAFE:</b>	2.22%	13.28%	0.21%	7.78%	2.01%

Source: Morningstar

Interest Rates		
	6/21/2019	6/14/2019
<b>UST 10-YR Government Bond Yield</b>	2.07%	2.09%
<b>German 10 YR:</b>	-0.28%	-0.25%
<b>Japan 10 YR:</b>	-0.17%	-0.13%
<b>30 YR Mortgage</b>	3.92%	3.92%
<b>Oil</b>	\$57.43/ppb	\$52.51/ppb
<b>Regular Gas</b>	\$2.76/ppg	\$2.72/ppg

Source: Bloomberg  
 All data as of June 21, 2019

**A STRONG WEEK (MAKE THAT THREE STRONG WEEKS!) FOR THE MARKETS**

We are on pace for the [best June since 1955](#), with U.S. equity markets up over 7% for the month. The markets had a strong Q1 2019 and flowed into a solid April, only to be slapped back down in May as Chinese trade talks derailed. June has been a very pleasant surprise so far, with the Fed shifting toward potentially lowering rates next month (more below), President Donald Trump stating that he will have an extended meeting with Chinese President Xi Jinping at the G20 summit in Japan this week, and [Mexico ratifying the United States-](#)

[Mexico-Canada Agreement](#) (USMCA) to replace NAFTA. With all this, its no surprise that we hit new highs in all the major U.S. equity indices.

As I predicted, the S&P 500 and NASDAQ hit new highs in Q2, but Boeing and its problems with the 737 Max temporarily kept the Dow from reaching another new high. Markets did take a slight dip mid-week as reports surfaced that President Trump had looked into demoting or firing Fed Chairman Jerome Powell in January. [Chairman Powell tamped down any concerns](#) that the president could fire him, and markets shrugged off the incident amid all the other great news.

Although they pulled back by the end of day, all three major [U.S. indices entered new record territory](#) on June 21. I cannot stress enough that what we are seeing now in the markets doesnt happen often and it also does not persist.

### **THE FED GIVES MARKETS WHAT THEY WERE ASKING FOR**

As expected, we didnt see a rate cut at Wednesdays Fed meeting. What we did see was a change in the Feds language opening the door for a rate cut as early as next month. In fact, Fed Funds Futures are pointing to more than a [90% chance that the Fed will cut rates at its next meeting](#). Now the Fed has to deliver, or else markets will react negatively to any Fed developments that dont result in lower rates.

### **OOPS, HE DID IT AGAIN!**

Lets remember back to 2012, when the euro was in crisis. Mario Draghi, president of the European Central Bank (ECB), [stepped up to the mic and said](#), Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough. Since then, Super Mario has spoken numerous times and markets reacted. However, all the verbal bluster and ECB policy gyrations havent been enough to pull Europe out of its economic doldrums.

At last weeks [ECB annual conference in Portugal](#), Draghi said, In the absence of improvement, such that the sustained return of inflation to our aim is threatened, additional stimulus will be required. Given that the ECBs ability to impact the Eurozones economy is currently severely limited, it was no surprise that Draghi piggybacked his latest announcement to coincide with the Feds move toward a more accommodative stance. We shall see if words alone will help Europe this time.

## NO CONCERNS ON THE HORIZON GEOPOLITICALLY - EXCEPT FOR IRAN

Tensions escalated last week as [Iran shot down a U.S. Navy reconnaissance drone](#) with a taxpayer price tag of \$180 million. Iran claimed the drone was in Iranian airspace, while our military said it was over international waters. The U.S. response was in place, but [President Trump called off a retaliatory strike](#) at the last minute and avoided an escalation while publicly calling the incident the act of someone stupid. The individual may have been misguided but the missile wasn't. The latest incident comes on top of the two tankers attacked last week in the Strait of Hormuz.

### COMING UP THIS WEEK

- All eyes will be focused on the G20 summit in Osaka at the end of the week. [President Trump has announced an extended meeting with Chinese President Xi](#), and officials on both sides are expected to jumpstart talks beforehand. Right now, hopes are high that a breakthrough is nigh.
- Several Fed governors are scheduled to speak this week, including Chairman Powell, who is on the schedule to discuss the U.S. economy at a Council of Foreign Relations event on Tuesday. It will be interesting to hear their comments about rate cuts, especially when we might expect them to happen.
- As we head into the last week of the month (and Q2), we'll get a big batch of economic data reports, including new home sales, home prices and pending home sales. Reports will also be released this week on durable goods orders and international trade, and we'll also get final numbers on first quarter gross domestic product (GDP).
- Elon Musk's rocket company, SpaceX, is scheduled to [launch two dozen satellites into space](#) on Monday. The satellites will be propelled into orbit by the Falcon Heavy rocket, billed as the world's most powerful operational launch system. The launch is part of the U.S. Department of Defense's Space Test Program 2 and is the first of its kind for our military, as well as the first night-time launch for the rocket.

Have a great week!

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