



Index	Return		
	Close	Week	YTD
Dow Jones Industrial Average	26,600	-0.4%	14.0%
S&P 500 Index	2,942	-0.3%	17.3%
NASDAQ	8,006	-0.3%	20.7%
Russell 2000 Index	1,568	1.1%	16.3%
MSCI EAFE Index	1,914	0.1%	11.3%
10-yr Treasury Yield	2.01%	-0.05%	-0.68%
Oil (\$/bbl)	\$57.94	0.9%	27.6%
Bonds*	\$111.35	0.2%	5.8%

Source: Bloomberg, 06/28/19

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

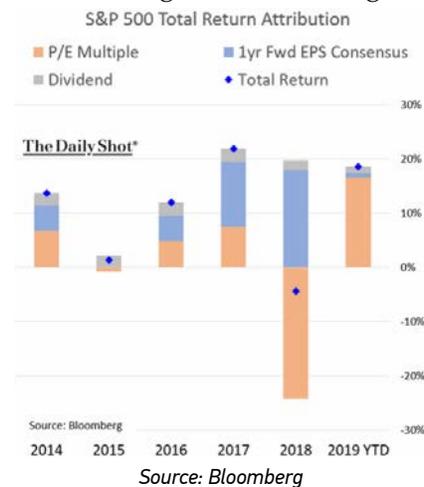
Last Week:

U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) fell -0.3% as Federal Reserve commentary suggested that market expectations for easing may be too aggressive. Market optimism for President Trump discussing trade with Chinese President Xi at the G20 leaders' meeting in Japan this weekend proved accurate as both agreed to restart trade negotiations, Trump agreed to indefinitely postpone tariffs on an additional \$300B of Chinese goods, Trump agreed to lift some restrictions on Huawei's buying of high-tech equipment from U.S. firms, and Trump said China also would begin buying "large" amounts of U.S. agricultural products
 - Financials (+1.5%) outperformed as banks rose on the Federal Reserve's review of bank capital allowing for an increase in announcements of capital returns
 - Materials (+1.5%) outperformed with broad-based strength, including steel stocks
 - Industrials (+0.3%) outperformed as strength in machinery, transports, and building materials was partially offset by aerospace and defense (Boeing -2.1%)
 - Energy (+0.2%) outperformed as the price of oil rose 0.9%
 - Information technology (-0.2%) performed in-line as software and networking underperformed, while semiconductor and hard disk drive stocks rallied
 - Consumer discretionary (-0.3%) matched the market with weakness from **Amazon (-0.9%)** and department stores, while autos were mostly higher
 - Communication services (-0.8%) underperformed as **Alphabet (-3.8%)** dropped
 - Healthcare (-1.2%) underperformed on weakness from pharmaceutical and managed care stocks. **AbbVie (-7.7%)** announced the acquisition of Allergan (+28.2%) for \$63B
 - REITs (-2.8%), utilities (-2.1%), and consumer staples (-1.0%) underperformed as investors favored less defensive stocks

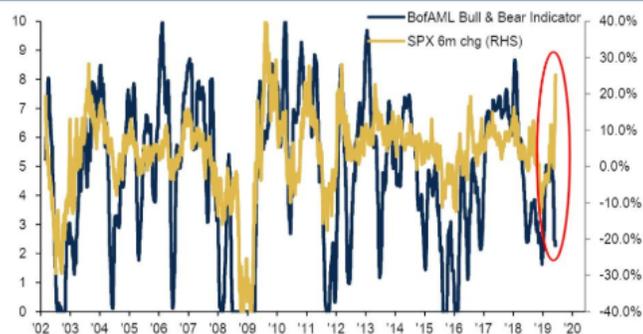


- The S&P 500 turned in its best first half of a year since 1997, while the Dow Industrials saw their best first half since 1999
- The S&P saw its best June since 1955
- Volatility, as measured by the VIX index, fell 41% in the first half of the year
- The 2019 S&P 500 Index total return drivers appear to be a reversal of 2018 in that the P/E multiple has expanded in 2019 driving most of the positive return this year, while the opposite occurred in 2018 with significant multiple contraction driving most of the negative return last year



- The IPO market continues to impress
 - Adaptive Biotech (+94%) and BridgeBio (+74%) surged in their first day of trading
 - TheRealReal, a money-losing luxury consignment retailer came public Friday. As CNBC observed, the retail industry is losing share to online, this particular company is already losing money, yet launched with a \$1.7 billion valuation. Rather ironically, the company's CEO is Julie Wainwright, former CEO of Pets.com, poster child of the dot.com implosion
 - The average return for a stock on the day of its IPO is the highest since the year 2000, according to University of Florida Finance Professor Jay Ritter
 - The quarterly IPO market saw a combined \$25 billion raised by 62 companies, the most in five years, according to Renaissance Capital
- According to Merrill Lynch, sentiment has never been so dour relative to robust market returns

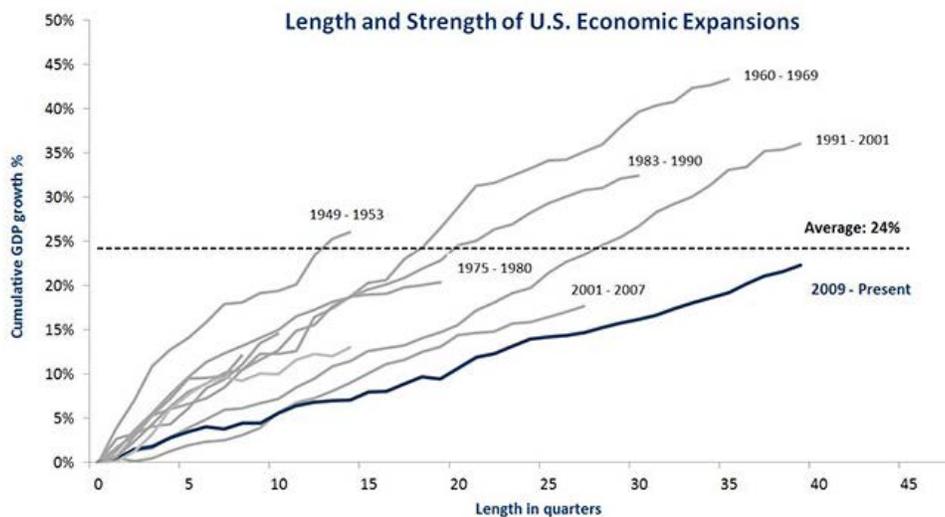
Chart 1: Positioning has never been this negative given equity returns



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg



- President Trump referred to the FOMC's decision to keep interest rates unchanged as acting "like a stubborn child, when we need rate cuts and easing. Blew it!" Trump went on to say the Fed "doesn't know what it is doing," and that "if the Fed had gotten it right...thousands of points higher on the Dow, and GDP in the 4's or even 5's"
 - He may be right, though remember Trump hand-picked Fed Chair Jerome Powell, rather than keeping former Fed Chair Janet Yellen in the position
- Meanwhile, various Federal Reserve tracking tools suggest second quarter GDP is likely to reflect sub-2% growth, with the Atlanta Fed's GDPNow calling for 1.9%, while the New York Fed's Nowcast pegs quarterly growth at 1.4%
- The second revision to first quarter GDP saw no revision at all, with the figure remaining at 3.1%, which also matched the consensus estimate
- The current U.S. economic expansion is now the longest-running on record, but the average GDP growth of 2.3% and cumulative GDP growth is well below previous robust expansions like the 1960s, and 1990s, suggesting *this* expansion may have more to go



Source: Federal Reserve Economic Data, Edward Jones

U.S. Economic and Political News

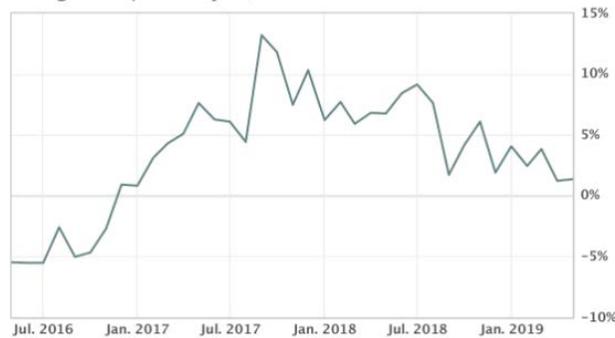
- Industrial Production rose 0.4% in May, twice the 0.2% consensus estimate, while Capacity Utilization of 78.1% was a shade better than the 78.0% expectation
- Consumer spending rose 0.4% in May, and April's originally reported figure of 0.3% got revised up to 0.6%. Personal Income gained 0.5%
- The University of Michigan's Consumer Sentiment index registered 98.2 in its final June reading, a tick above the 97.9 consensus forecast
- Chicago PMI plunged to 49.7 in June from 54.2 in May; readings below 50 indicate economic contraction
- Pending Home Sales rose 1.1% in May, topping the 0.6% consensus forecast



- Weekly Jobless Claims printed 227,000
- Durable Goods Orders fell -1.3% in May, widely missing the flat consensus estimate, though Core Orders (which exclude aircraft) were +0.4%, similar to recent periods of anemic growth

Core capital-goods orders

Change from previous year, orders minus defense and aircraft

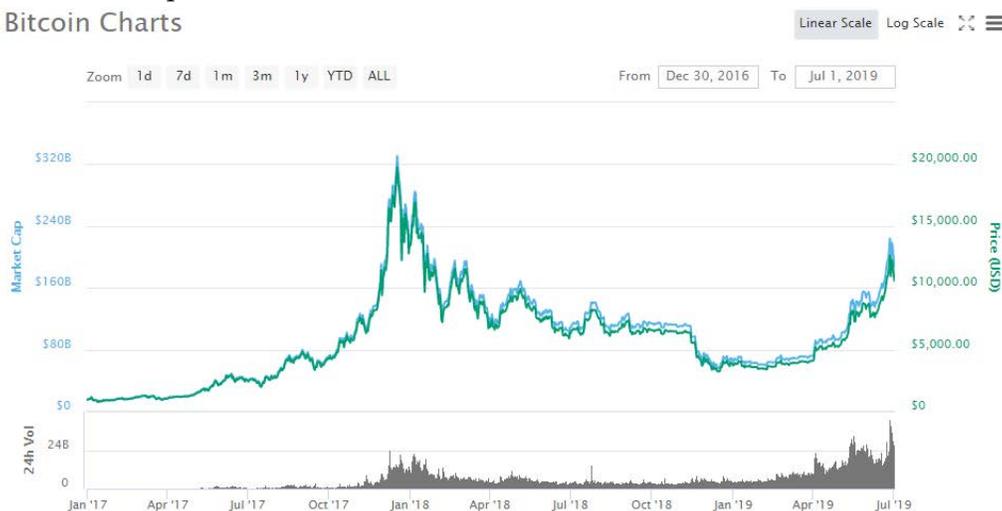


Source: Commerce Department via FRED

Commodities

- The price of gold rose more than 1% for the week, closing near a six-year high
- The price of crude oil rose 0.9%, and oil remains up over 27% in 2019 after collapsing in the 2nd half of 2018
- Bitcoin has gone on another wild ride, more than tripling year-to-date, before slumping 15% on Thursday, followed by a 10% gain Friday morning. Who wants the value of their “currency” sloshing around by a double-digit percentage on a daily basis?
- According to Google, searches for the word “bitcoin” are most prevalent in...Nigeria. Meanwhile, according to Coinmarketcap, there are now 2,300 different cryptocurrencies with a total market value of \$309 billion, roughly equal to Coca-Cola. Approximately one-third of the entire crypto market changed hands in the past 24 hours.

Bitcoin Charts

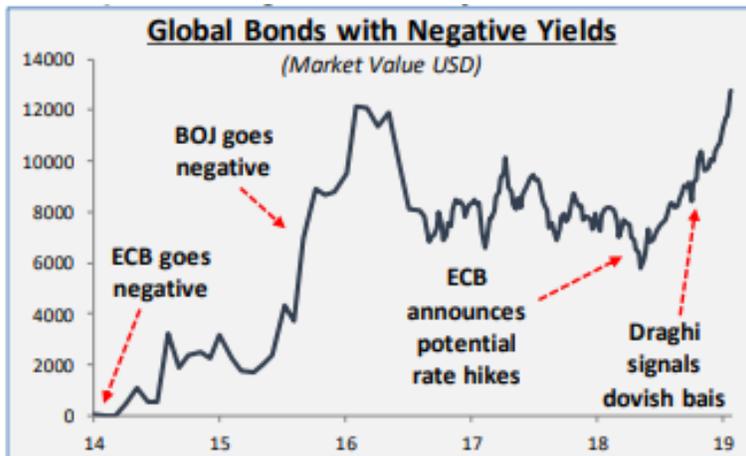


Source: CoinMarketCap

Sterling Capital Management in no way recommends Bitcoin or other cryptocurrencies.

International Markets and News

- European equities (STOXX Europe 600) rose slightly as European economic indicators continued to disappoint, German 10-year bond fell to -0.34%, the European Commission’s economic sentiment indicator dropped to its lowest point in nearly three years in June, and Italy delayed its decision to lower the budget target
 - In terms of negative yielding sovereign debt, is more better?



Source: Wolfe Research

- The European Commission’s economic sentiment indicator decline was driven by weakness in Germany and Italy, as well as a drop in confidence in the export-driven industrial sector (likely driven by trade concerns), the services sector, and the consumer sector
- Italy’s anti-establishment coalition decided to delay setting a lower deficit target for 2020, and the European Union’s College of Commissioners has until next week to decide what to do with Italy and is required to report to the Eurozone finance ministers in early July
- Chinese markets (Shanghai Composite Index) softened -0.8% as investors stayed cautious ahead of the meeting between U.S. President Trump and Chinese counterpart Xi Jinping at the G20 meeting in Japan
 - Chinese local media acknowledged the U.S. suspension of additional U.S. tariffs on Chinese goods, but did not acknowledge any concessions made by China
- Japanese equities were roughly flat for the week as investors focused on the G-20 meeting in Osaka at the end of the week, while the Bank of Japan (BoJ) may be forced into further easing given the low inflation and weak economic growth
 - The BoJ may be influenced to pursue further easing as Japan’s core consumer price index (CPI) rose only 0.8% in May and the core-core CPI rose only 0.5% in the same month, which highlights the BoJ’s challenge of achieving its 2% inflation target
 - A private poll showed that manufacturing activity in Japan’s export-reliant economy contracted again in June, and new orders are expected to fall at the fastest pace in three years
 - Japan “leads” the world in debt-to-GDP, higher even than Greece



This Week:

- This week will be very quiet week regarding earnings reports. Notable releases include, but are not limited to: Acuity Brands & Greenbrier Companies
- U.S. stock markets will close at 1pm Wednesday, and will be closed all day Thursday in observance of Independence Day
- OPEC meets today and tomorrow
- U.S. economic data:
 - Monday: Markit PMI Manufacturing (Jun), Construction Spending (May), ISM Manufacturing (Jun)
 - Tuesday: Domestic Auto Sales (Jun)
 - Wednesday: ADP Employment Survey (Jun) Trade Balance (May), PMI Composite (Jun), Markit PMI Services (Jun), Durable Orders (May), Factory Orders (May), ISM Non Manufacturing (Jun)
 - Thursday: U.S. Holiday. Happy 4th of July!
 - Friday: Manufacturing Payrolls (Jun), Unemployment Rate (Jun)

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

Whitney Stewart, CFA®
Executive Director

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