



WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: July 28 - August 3

Give 'Em What They Ask For

After a month of will they or wont they? [the Federal Reserve cut its benchmark rate last week](#). The rate cut of one-quarter of 1% (25 basis points) to 2.25% comes even though the economy is fine, unemployment is low, inflation is nominal and the stock market has performed well this year. (Until last week, that is. More on that in a minute.)

There are generally two camps on this issue: One camp says the Fed made the move to get ahead of a softening economy, and the other camp says the Fed gave in to President Donald Trumps demands. No matter why the Federal Open Market Committee made the decision, its still the first rate cut since 2008 and reverses the last rate increase to 2.5%, which took place only seven months ago.

The Fed committee explained that the decision [to cut the federal funds rate](#) was mainly based on the implications of global developments for the economic outlook. Meaning? The Fed is skittish about trade with China.

Speaking of China.

A Feeling of Déjà Vu

Even though he got what hes been asking for -- a rate cut -- Trump wasnt completely satisfied with the quarter-point cut. He immediately responded with the threat of [more tariffs on \\$300 billion of Chinese goods](#) on Thursday, through a tweet sent midafternoon.

The tweet sent markets into a spiral; the Dow Jones Industrial Average, which had seen a 311-point gain earlier in the day, plunged 304 points following the tweet. By Friday, stocks had suffered the worst week of 2019. The S&P 500 finished Friday down for the fifth straight day in a row and suffered its worst weekly loss since December.

If the Fed was just giving investors -- and the president -- what they asked for, why the negative response? In his press conference about the rate cut on Wednesday, Fed Chairman Jerome Powell indicated that he didn't expect this to be the first in a series of cuts. Instead, he implied that this was more of a one-off, a [midcycle adjustment to policy](#). It had been expected that this would be just the first of multiple cuts over the next several months.

But the Fed needs a reason to make cuts, so Trump gave them a reason. Shaking the trade tree puts a deal with China -- and our near-future economy -- back on uncertain footing. It may have worked; after the president's tweet, the markets estimate of another rate cut in September rose from 64% to 92%.

So far, China has promised a response but hasn't made one yet. The markets, on the other hand, responded loudly, and the decline for the week seems to be telling President Trump he's going about trade negotiations the wrong way.

Now Hiring

Unemployment numbers came in for July, and they're almost boring. [Unemployment rates held steady at 3.7%](#). Nonfarm payrolls rose by 164,000. Wages were up 3.2% from this time last year. It's still a job-seekers market.

A (Begrudging) Budget Agreement

The [Senate passed the budget deal](#) this week, lifting the debt ceiling and preventing automatic spending cuts. The budget doesn't address our national debt, which continues to grow. The Treasury says [it will issue \\$1.23 trillion in debt this year](#), more than twice as much as the debt issued in 2017.

Coming This Week

- Overall, it's a pretty quiet week for data. Q2 earnings will continue to be reported throughout the week. Familiar companies expected to check in include HSBC Holdings, Disney and CVS Health. Uber will be reporting its first quarterly earnings since its IPO in May.

Have a great week!

Tom Siomades, CFA®
 Chief Investment Officer
 AE Wealth Management

Index Performance Returns %					
	1 WK	YTD	1YR	3 YRS	5YRS
S&P 500	-3.07%	18.32%	5.83%	13.03%	11.04%
S&P MidCap 400	-3.43%	16.22%	-2.40%	9.34%	8.70%
Russell 2000	-2.85%	14.61%	-7.53%	9.93%	8.07%
NASDAQ	-3.92%	20.63%	2.58%	15.93%	12.96%
MSCI ACWI	-3.12%	12.90%	-0.60%	7.60%	4.09%
MSCI EAFE	-2.65%	10.61%	-2.89%	6.62%	2.18%

Source: Morningstar

Interest Rates:		
	8/2/2019	7/26/2019
UST 10-YR Government Bond Yield	1.86%	2.08%
German 10 YR	-0.49%	-0.37%
Japan 10 YR	-0.16%	-0.15%
30 YR Mortgage	3.88%	3.86%
Oil	\$55.24/ppb	\$56.16/ppb
Regular Gas	\$2.80/ppg	\$2.86/ppg

Source: Bloomberg

All data as of August 2, 2019

Investment advisory services offered only by duly registered individuals through AE Wealth Management, LLC. The advisory firm providing you this report is an independent financial services firm and is not an affiliate company of AE Wealth Management, LLC. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. The information and opinions contained herein, provided by third parties, have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by AE Wealth Management. This information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. None of the information contained herein shall constitute an offer to sell or solicit any offer to buy a security or insurance product.

888676-4

