



WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: July 7 - 13

A week for the record books!

Not much happened early in the week, as markets resumed trading and waited for Federal Reserve Chairman Jerome Powells biannual testimony before both houses of Congress. When he spoke, he all but confirmed a cut in interest rates is imminent at the end of this month. His comments hinted at a slowdown in the economy and indicated that a cut would act as insurance to prevent a recession. The Fed once more showed that the market (tail) would be wagging the Fed (dog); with traders expectations running at a 100% chance that the Fed would cut rates by at least 25 basis points at its next meeting, what else could Powell do?

The bottom line for me is uncertainties around global growth and trade continue to weigh on the outlook, Powell told the House Financial Services Committee. Translation? I need a reason to cut rates because the market wants me to.

The Fed turned into the mouse that roared as markets processed Powells comments and records and significant milestones began to fall. Could the S&P hit 3,000 or the Dow 27,000? No problem! While the markets continued their strong surge from June into the first half of July, some of the euphoria should be tempered. For example, through the first half of the year, Microsoft and the FANG stocks (Facebook, Amazon, Apple, Netflix and Google) accounted for 20.5% of the S&P 500s total return, according to S&P Dow Jones indices.

In 2018, the markets were also led by FANG stocks for three quarters of the year before they were severely punished in the fourth quarter. This year the market has been broader

in scope and the Fed is not a problem yet, but the parallels seem uncanny. Like last year, tech stocks lead the way and we have little volatility: The S&P 500 has moved less than 1% in either direction in 23 consecutive sessions, the longest such streak in two months per Dow Jones market data. Its also relatively quiet, and although all signs point to solid results to close out 2019, they also pointed to a solid ending for 2018. Lets hope we dont have a repeat of last fall as markets tend to finish higher after a strong first half.

It was a great week to be an American. We recently celebrated our birthday and freedom, our economy is strong, markets are flying, trade talks have resumed with China and our womens soccer team won the World Cup for the second consecutive time and fourth time overall. Enjoy the moment, but dont forget to enjoy this because times will get testy again. Lets celebrate our wins and the good times and not just talk when times are uncertain and conversations are difficult.

COMING UP THIS WEEK

- Data released this week will focus on the consumer and manufacturing with retail sales, housing starts, mortgage applications, business sales and industrial production on Tuesday and Wednesday.
- Leading indicators on Thursday and consumer sentiment on Thursday and Friday will round out the significant data to be reported this week. Outside of a news event moving the market, things should continue on the same path theyve been on the past few weeks.
- John Williams (of the Fed, not the movie music composer) will be speaking on Monday and Thursday, but I dont expect anything he says to alter the mood of the market. Right now, at least, the market feels like it owns the Fed.

Happy summer, and have a great week!

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Index Performance Returns (%)					
	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	0.82%	21.54%	9.89%	14.16%	11.17%
S&P MidCap 400	-0.26%	18.92%	-0.16%	10.05%	8.51%
Russell 2000	-0.34%	17.28%	-5.80%	10.68%	7.71%
NASDAQ	1.01%	24.25%	5.37%	17.96%	13.30%
MSCI ACWI	0.18%	16.42%	3.18%	9.11%	4.41%
MSCI EAFE	-0.55%	13.99%	0.66%	8.45%	2.52%

Source: Morningstar

Interest Rates:		
	7/12/2019	7/5/2019
UST 10-YR Government Bond Yield	2.12%	2.04%
German 10 YR	-0.21%	-0.38%
Japan 10 YR	-0.12%	-0.15%
30 YR Mortgage	3.81%	3.81%
Oil	\$60.18/ppb	\$58.33/ppb
Regular Gas	\$2.83/ppg	\$2.80/ppg

Source: Bloomberg

All data as of July 12, 2019

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