

Open-End Net Fund Flows (\$)	7/19	6/19	YTD (Jul)
Equity	-40.98B	-36.65B	-156.68B
Taxable Bond	27.33B	7.85B	122.54B
Municipal Bond	8.97B	6.40B	55.91B
Hybrid	-2.80B	-4.75B	-27.20B
Taxable Money Market	75.19B	37.32B	226.89B

Key Interest Rates	8/30/19	12/31/18	8/31/18
Federal Funds Target Rate	2.25%	2.50%	2.00%
ICE LIBOR (3-Month)	2.14%	2.81%	2.32%
2-Year T-Note	1.50%	2.49%	2.63%
10-Year T-Note	1.50%	2.69%	2.86%
Bond Buyer 40	3.53%	4.09%	4.02%

Commodities/U.S. Dollar	8/19	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.41%	2.86%	3.97%
TR/CC CRB Commodity Index	-4.58%	0.33%	-11.71%
Crude Oil/WTI (per Barrel)	-5.94%	21.34%	-21.06%
Natural Gas (per million BTUs)	2.69%	-22.11%	-21.58%
Gold Bullion (Ounce)	6.79%	18.86%	26.75%

Total Return Performance

U.S. Stock Indices	8/19	YTD	12 Mo.
S&P 500	-1.58%	18.34%	2.92%
DJIA	-1.32%	15.14%	4.12%
NASDAQ 100	-1.86%	22.41%	1.60%
S&P MidCap 400	-4.19%	14.35%	-6.45%
Russell 2000	-4.94%	11.83%	-12.92%
Russell 3000	-2.04%	18.02%	1.30%

U.S. Styles/Market Caps	8/19	YTD	12 Mo.
S&P 500 Growth	-0.71%	20.71%	3.70%
S&P 500 Value	-2.59%	15.68%	2.12%
S&P MidCap 400 Growth	-3.08%	16.82%	-4.95%
S&P MidCap 400 Value	-5.38%	11.80%	-8.00%
Russell 2000 Growth	-4.32%	16.26%	-11.05%
Russell 2000 Value	-5.58%	7.29%	-14.92%

Foreign Stock Indices (USD)	8/19	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-2.46%	10.47%	-2.90%
MSCI Emerging Markets NET	-4.88%	3.90%	-4.36%
MSCI Europe NET	-2.52%	10.70%	-3.03%
MSCI BRIC NET	-4.80%	7.38%	0.55%
MSCI EM Latin America NET	-8.13%	3.61%	8.86%
Nikkei 225	-1.71%	8.74%	-3.35%

Barclays Bond Indices	8/19	YTD	12 Mo.
U.S. Treasury: Intermediate	1.82%	5.69%	7.50%
GNMA 30 Year	0.81%	5.29%	6.72%
Municipal Bond (22+)	2.54%	10.51%	11.14%
U.S. Aggregate	2.59%	9.10%	10.17%
Intermediate Corporate	1.74%	9.19%	9.55%
U.S. Corporate High Yield	0.40%	11.00%	6.56%
Global Aggregate	2.03%	7.42%	7.77%
EM Hard Currency Aggregate	0.02%	9.67%	10.46%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

It was risk-off for investors in August 2019. While U.S. and foreign equities markets were down across-the-board (see Total Return Performance tables), the major bond categories were up essentially across-the-board (see Barclays Bond Indices). Global investors concerned about the escalating trade conflict between the U.S. and China and its negative influence on global growth have been flocking to safe-havens, such as bonds and gold bullion. If you look at the performance of the major debt indices in August you will notice that the laggards were U.S. high yield corporate and emerging market bonds, the riskiest of the groups featured in the table. Investors opted for quality over yield. The price of gold bullion has risen from \$1,281.30 per ounce at the close on 12/31/18 to \$1,523.00 per ounce on 8/30/19, or a gain of 18.86%. The price of gold bullion hasn't been this high since 2013. Gold-based exchange-traded funds (ETFs) are experiencing huge inflows, with total ETF gold holdings reaching their highest level since 2013, according to CNBC. Central banks accumulated 374.1 tons of gold in the first half of 2019, according to Bloomberg. They now represent around 10% of global gold consumption.

Stock Market

The S&P 500 Index ("index") closed at 2,926.46 on 8/30/19, 3.29% below its all-time high of 3,025.86 on 7/26/19, according to Bloomberg. The index posted a total return of -1.58% in August. Only three of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Utilities, up 5.16%, while the worst showing came from Energy, down 8.07%. Year-to-date through August, the index posted a total return of 18.34%. All 11 major sectors were up on a total return basis. The top-performer was Information Technology, up 29.41%, while the worst showing came from Energy, up 2.15%. While the 18.34% year-to-date total return generated by the S&P 500 Index is impressive, it simply recouped the bulk of the 19.36% decline sustained from 9/20/18 (all-time high at the time) through 12/24/18, according to Bloomberg. The VIX Index (The CBOE Volatility Index[®]) estimates expected volatility by averaging the weighted prices of S&P 500 Index puts and calls over a wide range of strike prices. For the 12-month period ended 8/30/19, the VIX Index posted an average reading of 16.96, up from an average of 13.73 for the same 12-month period ended 8/31/18, but well below its 20-year average of 19.64, according to Bloomberg.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 8/30/19 at 1.50%, down 52 basis points (bps) from its 2.02% close on 7/31/19, and down 100 bps from its 2.50% close on 4/30/19, according to Bloomberg. That is a significant move to the downside over a four-month period. The yield (1.50%) stood 95 basis points below its 2.45% average for the 10-year period ended 8/30/19. The 1.50% mark is only 14 bps above the all-time closing low of 1.36% on 7/8/16. Yields are artificially low worldwide. The volume of negative-yielding debt exceeded \$17 trillion at the close of August 2019, according to Bloomberg. It notes that 30% of all investment-grade bonds currently bear sub-zero yields. Investors who own such debt and hold it to maturity are guaranteed to lose money. This suggests that investors are clearly concerned over the slowdown in global economic growth, in our opinion. The inverted Treasury yield curve (spread between the 2- and 10-year T-notes) scenario that presented itself in August may have some investors repositioning their portfolios in anticipation of a recession. The U.S. Treasury yield curve has inverted before each recession dating back 50 years, according to Reuters. It offered a false signal just once over that span. Brian Wesbury, Chief Economist at First Trust Advisors L.P., does not believe the current yield curve inversion portends a U.S. recession in the near-term and thinks investors are too pessimistic based on the fundamentals. In fact, the only bubble he sees is the one in the bond market. Wesbury, however, does not see it bursting anytime soon now that the Federal Reserve is unlikely to raise rates in the current climate.

Takeaway

U.S. stocks, which are significantly outperforming their foreign counterparts year-to-date, appear to be in need of a catalyst to push higher. A new trade agreement between the U.S. and China would qualify, in our opinion. Until that catalyst presents itself, perhaps additional rate cuts from the Fed could be enough to inspire investors to buy stocks. Don't fight the Fed!

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	3025.86	7/26/2019	994.75	9/2/2009	2926.46	-3.29%	18.34%	1.95%
S&P 500 Growth	1858.74	7/26/2019	511.46	9/2/2009	1806.26	-2.82%	20.71%	1.47%
S&P 500 Value	1195.51	1/26/2018	476.35	9/2/2009	1136.73	-4.92%	15.68%	2.52%
S&P MidCap 400	2050.23	8/29/2018	636.71	9/2/2009	1881.20	-8.24%	14.35%	1.79%
S&P MidCap 400 Growth	962.51	9/14/2018	274.34	9/2/2009	898.19	-6.68%	16.82%	1.46%
S&P MidCap 400 Value	680.56	8/29/2018	232.22	9/2/2009	610.82	-10.25%	11.80%	2.15%
S&P 100	1339.87	7/26/2019	462.83	9/2/2009	1292.38	-3.54%	17.74%	2.04%
DJIA	27359.16	7/15/2019	9280.67	9/2/2009	26403.28	-3.49%	15.14%	2.31%
NASDAQ 100	8016.95	7/26/2019	1594.28	9/2/2009	7691.00	-4.07%	22.41%	1.04%
Russell 2000	1740.75	8/31/2018	555.83	9/2/2009	1494.84	-14.13%	11.83%	1.64%
Russell 2000 Growth	1117.18	8/31/2018	303.38	9/2/2009	987.06	-11.65%	16.26%	0.80%
Russell 2000 Value	2049.42	8/22/2018	773.57	9/2/2009	1702.86	-16.91%	7.29%	2.52%
Russell 3000	1779.48	7/26/2019	580.65	9/2/2009	1715.25	-3.61%	18.02%	1.89%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	3249.15	5/25/2010	5794.39	-10.69%	10.47%	3.58%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	296.24	1/21/2016	462.88	-19.25%	3.90%	2.97%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	24439.27	-43.97%	7.74%	2.91%
RTS/Russia (USD)	2123.56	4/8/2011	628.41	1/20/2016	1293.32	-39.10%	27.68%	6.92%
S&P BSE 500/India (USD)	245.12	1/24/2018	95.89	9/3/2013	199.03	-18.80%	-3.66%	1.34%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	403.29	-51.53%	13.80%	2.43%
KOSPI/South Korea (USD)	2.42	1/29/2018	1.24	5/25/2010	1.63	-32.88%	-10.72%	2.40%
Hang Seng (USD)	4241.01	1/26/2018	2087.46	10/4/2011	3280.63	-22.65%	2.27%	3.79%
MSCI Euro (USD)	1544.35	1/26/2018	814.62	6/1/2012	1261.06	-18.34%	11.32%	3.77%
S&P 500 Consumer Discretionary	989.17	7/15/2019	200.69	9/2/2009	940.47	-4.92%	21.42%	1.27%
S&P 500 Consumer Staples	624.42	8/19/2019	252.16	9/1/2009	621.27	-0.50%	21.23%	2.76%
S&P 500 Energy	737.09	6/23/2014	371.08	7/2/2010	422.09	-42.74%	2.15%	4.03%
S&P 500 Utilities	315.97	8/30/2019	141.65	6/1/2010	315.97	0.00%	20.28%	3.11%
S&P 500 Financials	501.29	1/26/2018	151.85	10/3/2011	445.65	-11.10%	14.30%	2.16%
S&P 500 Banks	372.05	2/1/2018	105.73	8/22/2011	309.39	-16.84%	13.38%	2.98%
FTSE NAREIT All Equity REITs	775.45	8/30/2019	280.78	9/2/2009	775.45	0.00%	26.11%	3.63%
S&P 500 Health Care	1107.28	10/1/2018	324.13	7/1/2010	1046.74	-5.47%	5.82%	1.76%
S&P 500 Pharmaceuticals	723.95	11/30/2018	268.30	6/4/2010	661.91	-8.57%	1.19%	2.75%
NYSE Arca Biotechnology	5400.34	9/27/2018	821.04	10/30/2009	4386.71	-18.77%	4.13%	0.33%
S&P 500 Information Technology	1452.75	7/24/2019	314.98	9/2/2009	1393.25	-4.10%	29.41%	1.42%
Philadelphia Semiconductor	1622.02	7/24/2019	293.48	11/3/2009	1504.93	-7.22%	31.97%	1.77%
S&P 500 Telecom Services	183.85	7/1/2016	100.96	5/26/2010	166.58	-9.40%	21.22%	1.36%
S&P 500 Industrials	678.74	1/26/2018	212.42	9/2/2009	636.24	-6.26%	18.99%	2.07%
S&P 500 Materials	401.59	1/26/2018	170.73	7/2/2010	354.28	-11.78%	13.52%	2.20%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	98.98	-56.77%	41.12%	0.80%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	170.36	-54.03%	0.33%	N/A
ICE BofAML Perpetual Preferred	279.55	8/28/2019	119.61	9/2/2009	279.29	-0.09%	13.88%	5.25%
ICE BofAML U.S. High Yield Constrained	453.70	8/30/2019	201.85	9/1/2009	453.70	0.00%	11.15%	6.32%

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