

Greetings:

All three major indices closed the week in the positive, with the Dow leading the way up 1.5%, the S&P 500 adding 0.8% and the Nasdaq gaining 1.0%.

During testimony on Capitol Hill, Fed Chairman Powell signaled a pending interest rate cut, citing trade tensions and concerns around the US and global economies as contributing factors. The prospect of the first rate cut since 2009 was the primary factor for the market increase last week. (www.federalreserve.com; 07/11/2019)

In other positive news, the US and China move to revive trade talks after both presidents reached a go-ahead agreement last week. Leaders have mentioned that they are near a principle-based agreement but must finalize the negotiations regarding China's agricultural purchase requirements. The increase in tariffs may be taking their toll as China reported a 1.3% decline in exports in the month of June and that imports fell 7.3% in June, after falling 8.5% in May. This could help motivate the Chinese to come to an agreement. (www.wsj.com; 07/12/2019)

In June, the Consumer Price Index climbed 0.1% from the prior month, and 1.6% compared with the same month a year ago. Core prices—which include basic consumer staples but exclude food and energy categories—were up 0.3% from May, the largest increase since January 2018. Inflation momentum remains limited and this increase is not expected to change the Fed's thinking on inflation, which is running below the central bank's 2% target. (www.bls.gov; 07/11/2019)

Corporate earnings could test the soaring stock market, as more than 80 S&P 500 companies warned that their Q2 financial results will be weaker than initially expected. Analysts now expect earnings to slow by 2.9% versus a year ago, as slower growth and the cost of tariffs on US businesses are tallied. Keep in mind that these numbers are regularly underestimated, and it is common for companies to report upside earnings surprises. (www.factset.com; 07/12/2019)

I hope these comments are helpful.

Regards,
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