CWP | PRIVATE WEALTH MANAGEMENT

August 2019

Monthly Market Commentary

Happy August! We hope that you are enjoying your summer and are taking time to enjoy yourself in this warm weather! July ended with a much-anticipated rate cut from the FED. There has been a lot of mixed economic data and a slight de-escalation from trade tensions between the USA and China. Growth continues to slow from its peak of 3.2% YoY in the Q2 2018. First read on Q2 2019 GDP was reported at 2.3% YoY vs 2.65% YoY in Q1 2019. Inflation remains muted and has also slowed from its latest peak of 2.7% YoY in Q2 2018 to 1.8% YoY in Q2 2019. We believe this dual slowdown in growth and inflation to be one of the primary reasons for the preemptive rate cut by the FED. This cut will support further expansion and stabilize inflation. We are about two thirds through S&P 500 earnings for Q2 2019. So far, 355 of the 500 companies have reported aggregate revenues and earnings at 4.4% and 2.5%, respectively for Q2 2019. This compares to revenues and earnings growth of 5.7% and 1.6%, respectively in Q1 2019. Overall, earnings have been slightly better than expectations so far with a third left to report. Trade uncertainty remains elevated despite resumption of trade talks, which are expected to continue over the next few months. Unless a concrete trade resolution is achieved, it is difficult to see a sustained inflection in global economic growth from the slowdown that started at the beginning of 2018. Going forward, we expect US growth to be more in line with the growth trend of this expansionary cycle around 2%. We will continue to add exposure as and when we see compelling opportunities supported by fundamentals.