

# MONTH IN REVIEW

## JULY 2019: SUSTAINING A SLOWING EXPANSION

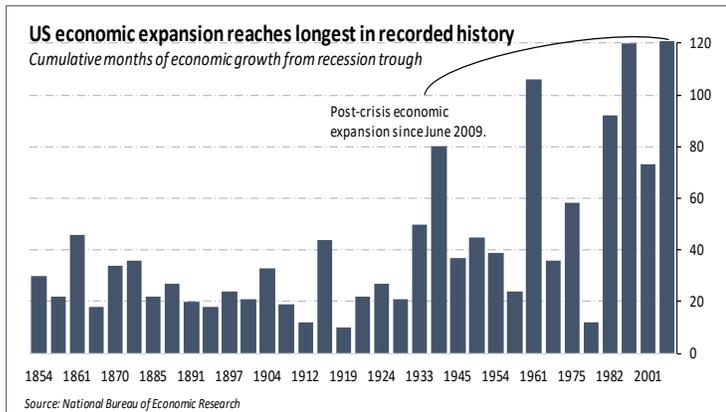
Global manufacturing surveys, important cyclical indicators, pointed to slowing economic momentum. Capital investment is on hold and inventories are shrinking as Brexit, trade, and supply chain concerns caused firms to reevaluate plans. The Fed and ECB continued to shift forward guidance to reflect an early end of the normalization period, and beginning of "more accommodation" needed to "sustain the expansion."

US equities hit new highs after Chair Powell signaled support for easing during his semiannual Congressional testimony. They retraced some when the Fed followed through with a cut at month end. And big tech firms faced increased regulatory scrutiny, most notably Facebook, as elected officials grilled Powell as much over its stablecoin, Libra, as they did over monetary policy.

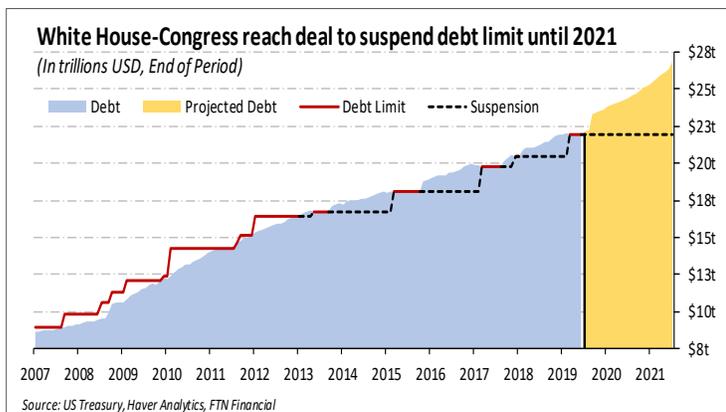
### ECONOMICS

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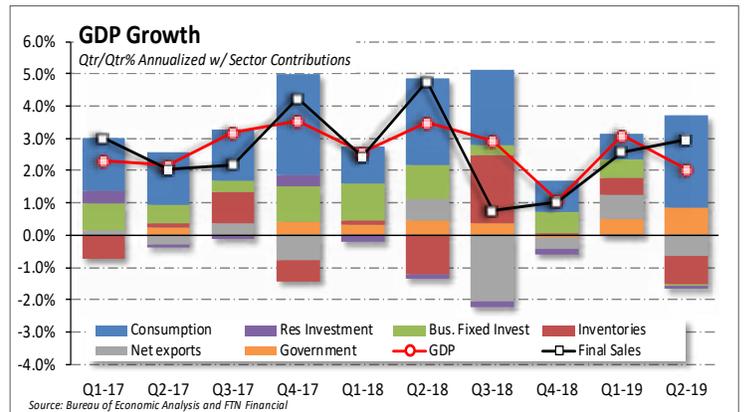
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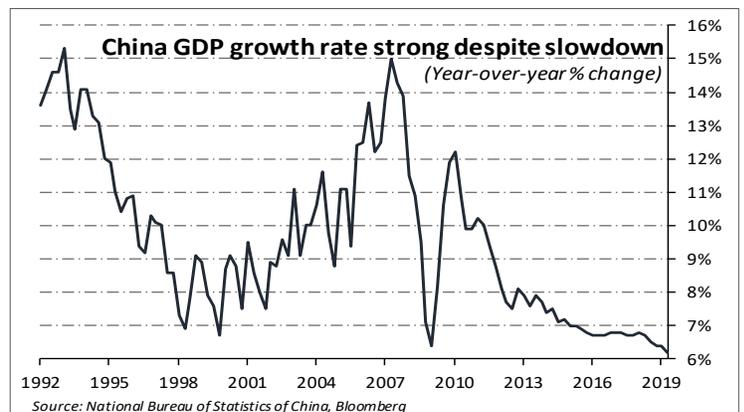
The US economic expansion entered its 121st month, making it the longest on record. But, the strength of the current expansion is weaker than that of the 1990s, as noted by the *Financial Times*. The current expansion led to a 26% rise in real GDP compared with its pre-crisis peak, while GDP rose 41% in the 1990s boom and 52% in the 1960s boom.



The White House and Congress reached an [agreement](#) to extend the US debt limit until July 31, 2021. The two-year deal ends the automatic spending cuts fiscal conservatives won during the Obama-administration. The deal passed the House and Senate. Appropriation bills are expected in September, after the recess.



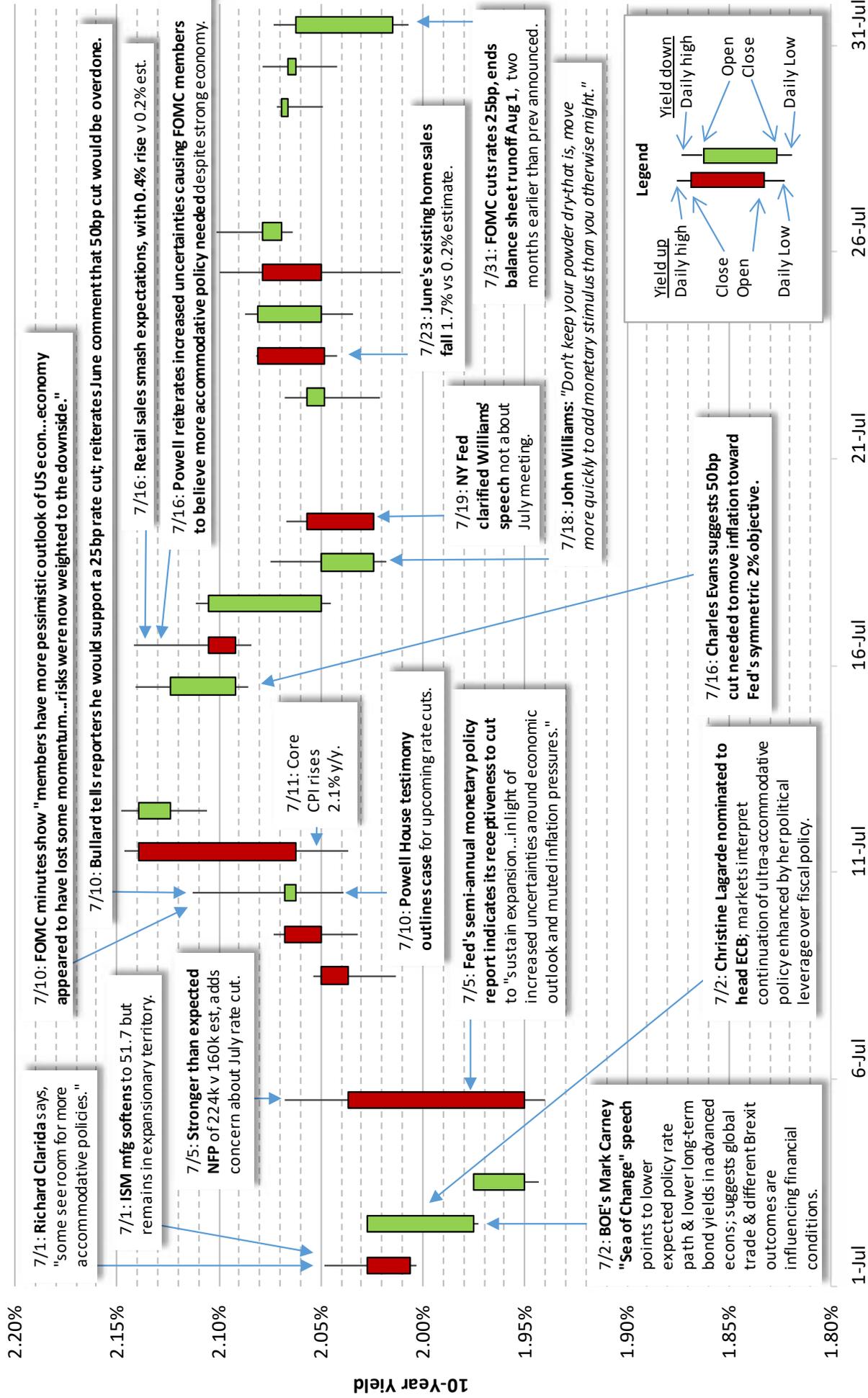
Q2 GDP rose 2.1% annualized, beating consensus but with cracks that could endanger momentum. Personal consumption rebounded from Q1 with a strong 4.3% rise fueling most of the boost. Government spending added 0.9% to GDP, while exports, inventory, and fixed investment dropped significantly, all clipping GDP.



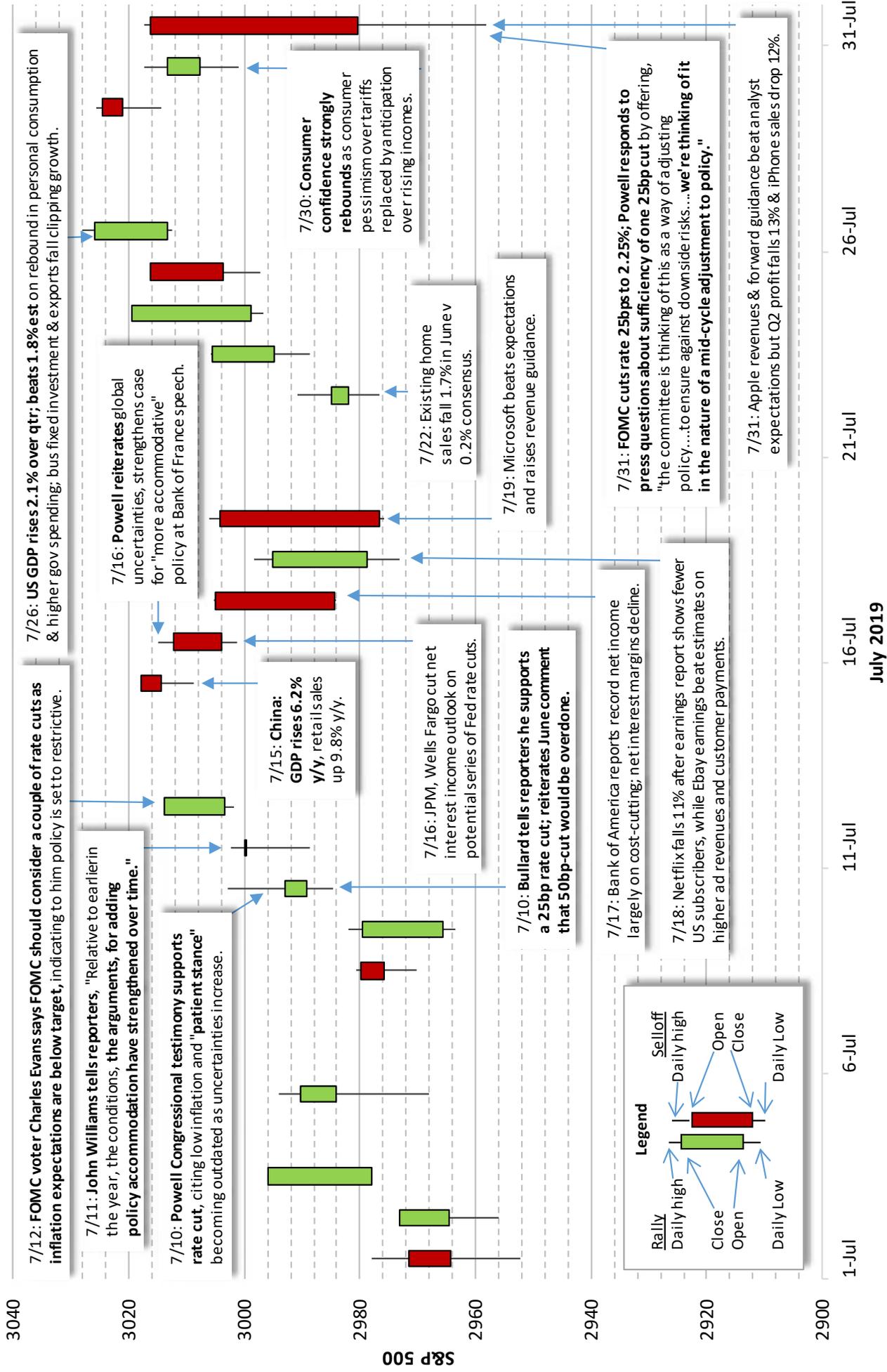
China's GDP growth slowed to 6.2%, its slowest on record, even below the 6.4% pace of the financial crisis. While the US-China trade battle slowed exports, China's rate of economic growth has been slowing for 10 years from the double-digit growth recorded when annual GDP was \$2 trillion. It's on track to exceed \$15 trillion GDP in 2019.

Disclosures are on the last page of this report.

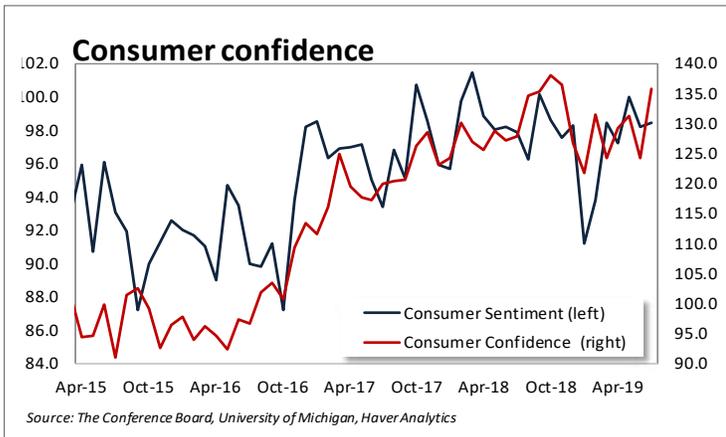
# MARKET-MOVING EVENTS: 10-YEAR TREASURY



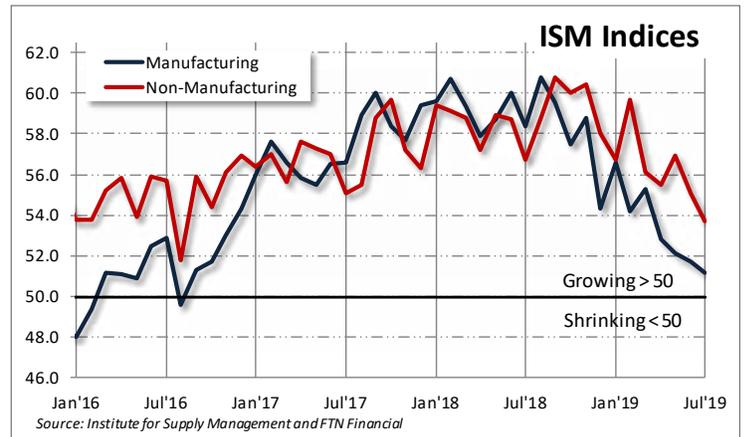
## MARKET-MOVING EVENTS: S&P 500



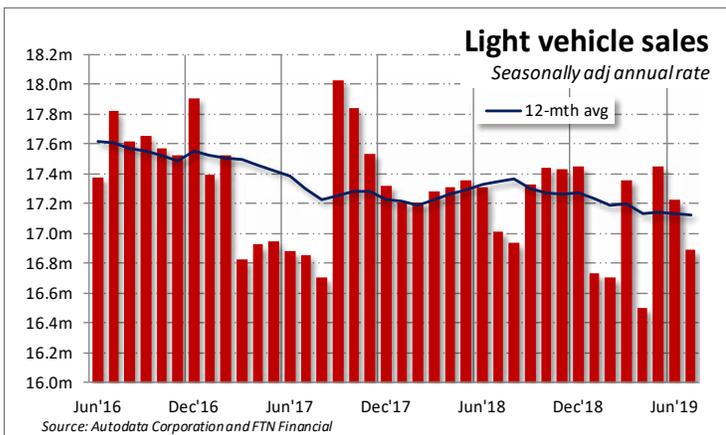
## DATA WATCH: KEY ECONOMIC INDICATORS



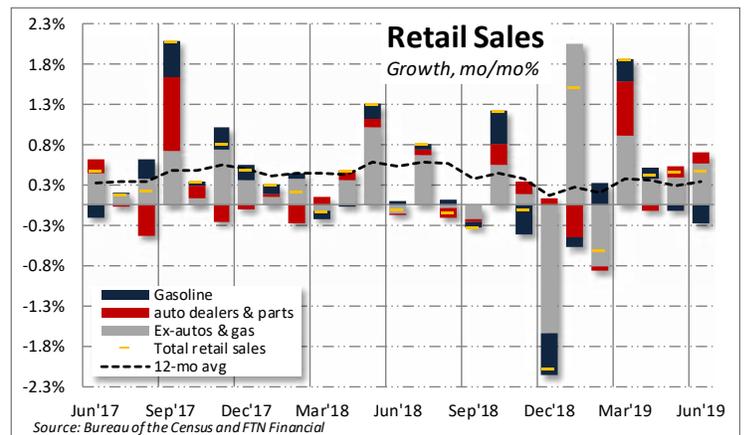
Sentiment in July was nearly unchanged from June's 98.2 to 98.4 over the month. Current conditions fell 1.2 points to 110.7, while expectations rose 1.2 points to 90.5. Confidence rebounded 11.4 points from 124.3 to 135.7 on optimism about current and future prospects following June's trade and tariff driven pessimism.



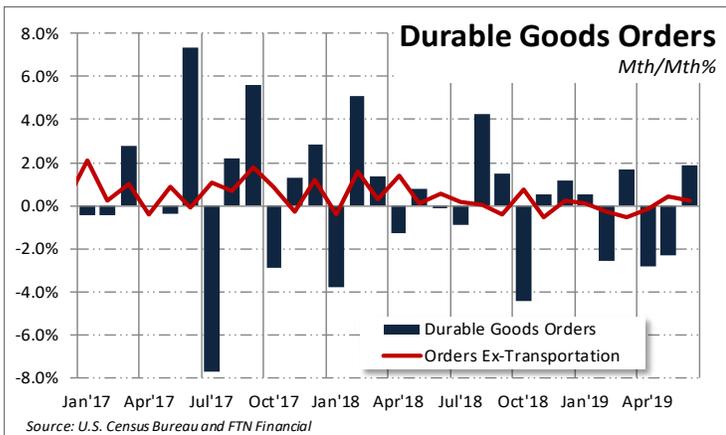
July's ISM manufacturing PMI fell for the fourth straight month to hover just above expansion at 51.2. New orders barely rose and inventories contracted to levels gauged as "about right." Respondents were less concerned about China-US trade tensions and more over supply chain adjustments.



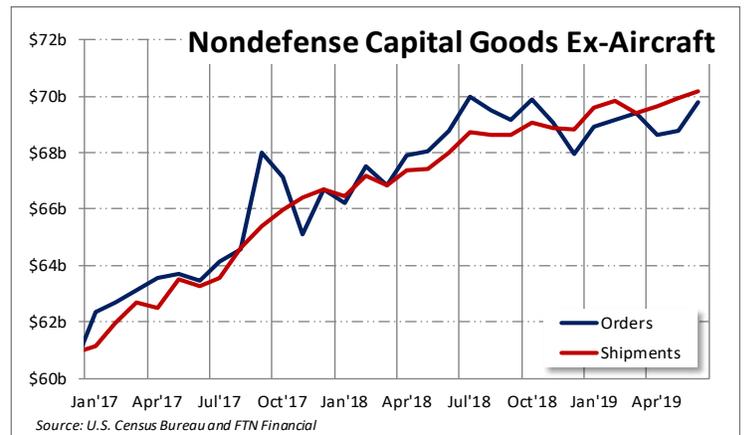
July's auto sales declined to 16.9m at a SAAR taking the 12-month average to 17.1m. Higher financing costs and higher prices are shifting consumer preferences to the used-vehicle market, which is growing along with lots of dealer inventories.



June's retail sales smashed expectations with a 0.4% rise versus 0.2% consensus. Nonstore and restaurant and bar sales led the increase. Nonstore sales (including online stores) rose 1.7% over May offsetting declines in department and miscellaneous store retailers.



June's durable goods orders rose 1.9% after two months of consecutive declines, easily beating 0.7% consensus. Transportation equipment led the increase, rising 3.7% month/month. May was revised lower, and on a year/year basis, orders are pacing -1.6%, its lowest rate since November 2016.



A proxy for business investment, nondefense capital goods excluding aircraft rose 1.5% in June to a record high of \$70.1b. Weak fixed business investment is a key factor influencing FOMC voters to revise growth forecasts lower and call for increased monetary accommodation.

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