ATG TRUST COMPANY

FINANCIAL MARKET UPDATE
7/19/19

THE WEEK IN REVIEW

The S&P 500 moved lower this week despite a decent start to the second quarter earnings reporting season. Stocks fell from record levels early in the week after President Trump said there is a “long way to go” in trade negotiations with China, and the U.S. could impose additional tariffs on China if it needed to do so. Energy stocks were the biggest detractors with the sector losing close to 2.5% amid the 6.7% weekly decline in oil prices. A number of factors contributed to ongoing concerns about the oil market’s oversupply including signs of easing tensions with Iran and a reduced 2019 oil demand forecast from the International Energy Agency. Stocks received some relief on Thursday as comments from a few Federal Reserve officials fueled expectations for a steeper path of interest rate cuts in the coming months.

Second quarter earnings moved to the forefront of investors’ attention as the reporting season ramped up this week. Analysts forecast a 2.2% decline in the S&P 500 index’s second quarter earnings compared to the second quarter of 2018, led by double-digit declines in the technology and materials sectors. Results have been slightly better than expected so far with earnings growth on pace for a 1.7% decline. Several large members from the financials sector reported earnings this week including Citigroup (C) and JPMorgan Chase (JPM). Citigroup posted earnings per share (EPS) of $1.83 due to solid numbers from its consumer banking division and the IPO of Tradeweb, beating analysts’ forecasts by $0.03. JPM announced EPS of $2.82, beating analysts’ estimates by $0.33. JPM’s EPS was also driven by growth in its consumer banking area, with double-digit growth in credit card sales and strong growth in mortgages and auto loans. JPM reduced its forecast for 2019 net interest income, reflecting the impact of anticipated rate cuts. Notably, both Citigroup and JPM missed expectations for their net interest margins.

U.S. June retail sales were announced this past Tuesday and rose 0.4% which was more than expected as compared to economists’ consensus expectation of a 0.1% increase. June’s figures suggest consumer spending remains strong, despite slowing global growth and business investment. While the strong print is not expected to dissuade a Federal Reserve rate cut later this month, it most likely dampens the possibility of an aggressive cut of 0.50% or more in July.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
U. of Mich. Consumer Sentiment	98.4	97.2	▲
Housing Starts (Millions Annualized)	1.253	1.199	▲
Retail Sales (Less Autos YoY)	3.3%	3.7%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	27154.20	-0.65%	16.40%	8.34%
NASDAQ	8146.49	-1.18%	22.78%	4.10%
S&P 500	2976.61	-1.23%	18.74%	6.14%
MSCI EAFE	1906.32	-0.79%	10.84%	-3.28%
Bbg Barclays Aggregate US	2172.79	0.41%	6.17%	7.50%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	2.06%	2.16%	1.98%
10-Year Treasury	2.05%	2.02%	2.84%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	-1.3%
New Home Sales (Thousands Annualized)	626
GDP (Annualized QoQ)	3.1%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.