ATG TRUST COMPANY

FINANCIAL MARKET UPDATE
8/2/19

THE WEEK IN REVIEW

U.S. stocks fell this week as investors ignored an in-line July jobs report and focused on a further escalation of the U.S.-China trade war as well as the potential for fewer interest rate cuts by the Federal Reserve. The S&P 500 ended the week down 3.1% and the 10-year U.S. Treasury yield fell to 1.84%, its lowest yield since 2016. President Trump surprised financial markets on Thursday by stating he will impose an additional 10% tariff on $300 billion of Chinese imports on September 1. China warned of retaliation if these additional tariffs take effect. This most recent development in the trade war pushed several major Asian and European nations' equity benchmarks to steeper weekly declines than their U.S. counterparts.

The IHS Markit US Manufacturing PMI was released this week showing a level of 50.4 for July, down from 50.6 in June. This reading is the slowest rate of expansion in nearly ten years, dating back to September 2009. The less robust growth was driven by a slower increase in production and muted client demand. Additionally, export orders contracted for the second time in three months. Optimism among manufacturers dipped with survey respondents citing the trade war, while increased cautiousness in hiring led the employment component of the report to fall for the first time since 2013.

The monthly non-farm payrolls report released this week indicated 164,000 jobs were added in July, down from 224,000 in the prior month. Wages ticked up slightly with average hourly earnings increasing 3.2% year over year, up from a 3.1% level in June. The unemployment rate remained at 3.7%. Despite ongoing trade uncertainties, consumer confidence has remained relatively stable; the University of Michigan Consumer Sentiment Survey reported an unchanged level from the prior month of 98.4.

On Wednesday, the Federal Reserve cut interest rates by a quarter-percentage point, the first reduction since 2008, in a preemptive move to protect the economy from a global slowdown. Federal Reserve Chairman Jerome Powell described the cut as a "mid-term policy adjustment" and made no guarantees of future rate cuts. Markets took Powell's comments to be less dovish than anticipated, igniting a significant sell off in major U.S. stock indexes. Global growth, inflation and the strength of the U.S. economy will likely continue to drive the Fed's next policy move.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Initial Jobless Claims (Thousands)	215	230	▼
Non-Farm Payrolls	164,000	216,000	▼
U. of Mich. Consumer Sentiment	98.4	97.2	▲
Unemployment Rate	3.7%	3.6%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	26485.01	-2.60%	13.54%	4.58%
NASDAQ	8004.07	-3.92%	20.63%	2.58%
S&P 500	2932.05	-3.10%	16.96%	3.71%
MSCI EAFE	1894.34	-1.06%	10.14%	-4.16%
Bbg Barclays Aggregate US	2190.60	0.89%	7.04%	8.90%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	2.05%	2.17%	2.00%
10-Year Treasury	1.84%	1.97%	2.99%

REPORTS DUE NEXT WEEK	LATEST
PPI Final Demand (YoY)	1.7%
Initial Jobless Claims (Thousands)	215
Consumer Credit ($ Billion)	17.086

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