

### What happened in the markets last week?



by **David Abuaf** - Investment Manager, RJFS

## News for the Week

### General Markets / Economic

1. US manufacturers are shifting production outside of China as trade tensions between the two economies stretch into a second year
2. China's economy decelerated to its lowest growth in decades, weakened by trade tensions with the US
  - a. Their slowing growth is stoking expectations that Beijing will roll out more incentives to get businesses and consumers spending
3. Politicians in both parties are demanding more regulatory scrutiny of tech firms
4. American shoppers increased their spending in June and US factories picked up production

### Company News

1. Boeing's 737 MAX planes are unlikely to be ready to carry passengers again until 2020 because of the time it will take to fix software and complete other steps
2. Charles Schwab is in talks to buy brokerage and wealth management operations from closely held USAA for roughly \$2B.
3. PG&E's plan to turn off power in part of California to limit wildfire risks is creating opportunities for alternative energy firms
4. IKEA is closing its only manufacturing site in the US and shifting the operations to Europe
5. Domino's Pizza reported its slowest quarterly sales growth in nearly seven years amid rising food delivery competition
6. Netflix saw the number of domestic subscribers decline for the first time in nearly a decade in the second quarter

### Interesting Stories

- In Crestview, Florida, a 32-year-old man had to pee. He walked into an Ace Hardware store. No, he did not use their bathroom, he relieved himself in a large rug...while employees wondered what he was doing



## TURNING BACK THE CLOCK TO 1999

July 16, 1999: John F. Kennedy Jr., his wife Carolyn Bessette Kennedy, and sister-in-law Lauren Bessette are killed in a plane crash off the coast of Martha's Vineyard.



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## **Weekly Commentary**

An almost eerie calm settled over the stock market this past week. The most significant macro-level directional drivers in recent months—trade policy and central-bank moves—appeared to be baked into the major indexes. The largest one-day move in either direction was a 0.74% drop for the Nasdaq Composite on Friday, while the Dow Jones Industrial Average never closed more than 0.42% away from its opening level.

The market is certain that the Federal Reserve will cut interest rates at the end of the month, with the only remaining debate over whether it will be 0.25 or 0.50 of a percentage point from the current target range of 2.25% to 2.50%. (Federal-funds futures pricing currently implies a 19% probability of a double cut at the Federal Open Market Committee's July 30 and 31 rate-setting meeting.)

Much stronger than expected consumer spending figures for June reported on Tuesday, and manufacturing activity data from the Philadelphia Fed's July survey on Wednesday, barely moved the market. Less than two weeks earlier, stocks had sold off on the release of robust June employment numbers that undermined the Fed's reasoning for a cut.

Even ultra-dovish from the usually hawkish-leaning New York Federal Reserve Bank President John Williams on Thursday didn't make much of a splash, pushing indexes just barely into the green for the day.

On the U.S.-China trade war front, companies and investors seem to be settling in for the long haul. The post-G20 meeting truce remains in place, and neither country appears incentivized to escalate matters further—or to quickly compromise.

President Donald Trump's remark on Tuesday that the two sides remained "a long way" from a deal was met by a shrug from the market, and a Wall Street Journal report on Wednesday that restrictions on China's Huawei Technologies presented a sticking point for both sides likewise didn't make a splash. Just last month, a few positive or negative words from either side were enough to determine the market's direction for an entire session.

U.S. large-cap indexes ended the week slightly below their record highs. The S&P 500 index fell 1.23%, to 2976.61; the Dow slid 0.65%, to 27,154.20, and the Nasdaq dropped 1.18%, to 8146.49.

That index-level calm masked plenty of action in individual names, however, as second-quarter earnings season ramped up this past week. Netflix (ticker: NFLX) got most of the attention with a 10.3% post-earnings plunge on Thursday. A gloomy forecast from CSX (CSX) sent its stock and those of other railroads tumbling on Tuesday. And Philip Morris International (PM) soared over 8% on Thursday on its upbeat earnings report.

The parade continues this coming week, when 133 S&P 500 constituents are scheduled to report. But the lack of broader market action might end up just being the calm before the storm. The Federal Open Market Committee meets a week from Tuesday, and trade news could drop at any time. Until then, keep your eye on your portfolio's individual movers.

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2635 Foxpointe Drive, Suite B  
Columbus, IN 47203  
812-378-0730

Our Indianapolis Area Office:  
Hamilton Financial Group  
23 South 8th Street, Suite 700  
Noblesville, IN 46060  
317-776-6999