



## The Month in Review

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### July Takeaways

- Just when investors thought it was safe to go back in the water, *Shark Week arrived early* on Wall Street. After idly splashing about in the summer waves for most of July, someone on the beach thought they saw a dorsal fin in the surf and shouted “Shark!” You know how this played out in the movie...
- And so, an *otherwise healthy July* ended on a sour note as the *Fed* opted, as expected, to *cut interest rates* on July 31st. Also expected was the *negative reaction* on Wall Street as stocks fell over 300 points on the final trading day. This was widely interpreted as disappointment that the Fed did not signal additional cuts in the offing.
- Fed Chairman Jay Powell must be feeling a bit shark-bit right now. He raised rates a quarter point in December, only to have the market throw up on itself. Now he lowers rates a quarter point and gets more of the same. Sometimes you just cannot win for trying!
- We are getting to an *interesting juncture* in the road back to normal. *On the one hand*, some analysts have interpreted the Fed’s move as an *insurance policy* designed to offset the drag created by the last rate hike. *On the other hand*, it may be signaling concerns over *slowing global and domestic growth*.
- As of this writing, there have been two additional shark sightings. One is on the *Trade War front*, where the President appears to be applying his Mexican Standoff policy to our trading partners in China, threatening additional tariffs on September 1<sup>st</sup> unless progress is made in current negotiations. China responded by *lowering the value* of their currency to levels not seen since 2008, risking a global *Currency War*. There is supposed to be an old curse that goes something like “May you live in interesting times.” We may not be cursed, but these are interesting times...
- Back on Wall Street, earnings season continues with lowered expectations looking ahead and some signs of slowing on a trailing basis. Despite this, the *economy is still motoring along* at a healthy clip. We are having a *terrific year in stocks*, but we continue to bump up against *Relative Value*. In this week’s chart, the market slightly under fair value. On the recession front, we see continued upward pressure in our *Recession Predictor*. While this *is to be expected* late in the business cycle, we see nothing actionable at this point. The August-October period is traditionally volatile for equities. This year promises to be no different. Stay tuned!

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