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Market Highlights 2Q 2019

Christina Siegel, CFA

The S&P 500 Index finished the quarter with a total return of 4.30% while the Nasdaq Composite gained 3.88% and the Dow Jones Industrial Average finished the quarter up 3.21%. Ten out of the eleven sectors in the S&P 500 posted positive returns during the period. Financials, Information Technology and Materials were the biggest winners with returns of 8.00%, 6.31% and 6.06%, respectively, while Energy was down -2.83% for the period. Large-cap stocks outperformed mid-cap stocks which beat small-cap names, but all were up for the quarter. Specifically, the Russell 1000 Index's 4.25% gain did better than the Russell Mid-Cap Index and the Russell 2000 Index which posted gains of 4.13% and 2.09%, respectively for the quarter. Growth stocks continued to beat their value counterparts, as the Russell 1000 Growth Index rose 4.64% compared to the 3.84% gain of the Russell 1000 Value Index over the same period. Bonds were mixed over the period, with the Barclays Aggregate underperforming all equity benchmarks, with a 3.08% gain while long-dated US Treasuries outperformed all equity markets, with the Barclays Long-Term Treasury Index gaining 6.11%. The US Dollar Index lost -1.19% for the quarter while gold gained 8.37% and Oil was down 2.78%. Bitcoin made a strong move in the quarter gaining 199.91% while it is up 232.39% for the year.

The 2nd quarter of the year continued to be choppy following March with the market up in April and June but down in May for a total return of 4.30%. May was hurt by the China-USA trade talks falling apart followed by Trump increasing tariffs to 25% on \$200B worth of Chinese imports with China retaliating by hiking duties on \$60B in US goods to 25%. Hope was spurred by Trump and Xi agreeing to continue trade negotiations during their meeting at the G-20 Summit at the end of June which ended with an agreement to hold off on the increase of tariffs on an additional \$300B of Chinese Goods. Trump also said he would allow US companies to continue to sell to Huawei reversing the earlier ban by the US Commerce Department on the promise that China would purchase more agricultural goods from the US. The yield curve, as measured by various maturities, inverted for periods during the quarter causing concern about the end of the business cycle. Since May, the 10-year dropped below the Fed Funds rate as inflation expectations have declined. A 25bps rate cut in July is currently 100% priced into the market but the strong employment report on July 5th puts pressure on this probability and dramatically dropped the odds of a 50bps cut. Brexit negotiations were further delayed with an extension to October 31st provided by the European Council. Theresa May announced her resignation as Conservative Party leader effective June 7th but will remain Prime Minister while a successor is chosen. The Federal Trade Commission and Department of Justice are taking on antitrust oversight of big tech firms with the DOJ overseeing Google and Apple and the FTC overseeing Facebook and Amazon.

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