

July 2019 Flash Report

Overview: The Fed's Policy committee met in July and lowered its benchmark rate by 25bps as an insurance policy, based on what could go wrong in the economy down the road. The target range for the overnight lending rate is now 2% to 2.25%. Real gross domestic product (GDP) increased at an annual rate of 2.1% in the 2nd quarter of 2019 according to the "advance" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 3.1 percent.

Boris Johnson became Prime Minister of the UK on July 24th. A Brexit supporter, Johnson has pledged to negotiate a new deal with the EU to secure a smooth transition by Oct. 31. But if the bloc refuses, he has promised to leave anyway.

Equities: Many companies have been surpassing analysts' expectations for Q2 adjusted EPS but some have missed revenue expectations while an increasing number of companies have been releasing weaker-than-expected guidance and/or cutting guidance, weighing on shares.

In July, the S&P 500 rose by 1.4%, earning 20.2% for the year. Large Growth was the dominant style, increasing by 2.3% in the month and 24.2% YTD. Technology & Consumer Discretionary have led the market this year while Healthcare & Energy lagged. Midcap Growth has also been a strong performer this year. Small cap equity returns continue to lag the results posted by larger companies in 2019.

EAFE lost 1.3% in July as the stronger Dollar decreased results by 2% versus local currency returns as Europe deals with a sluggish economy and concerns regarding Brexit. EAFE has gained 13.1% this year. Spain and the UK lost 5.6% & 3.2% respectively in the month.

The Emerging Markets fell by 1.1% in July resulting in a YTD increase of 9.5%, well behind both the US and Developed markets. China declined by 0.5% as the trade dispute remained unresolved. Russia rose again by 0.7%, posting a 32.6% for the year. India was a significant loser this month, down 5.2%.

Fixed Income: Yields fell again as investors remained concerned about Global growth. Short term US rates decreased slightly by 3bps in reaction to the Fed rate decrease of 25bps. The 3-month T-bill yield closed at 2.06% while the 10 Year Treasury yield in July remained at 2.01%, the lowest level since 2016. The yield curve remains inverted from 3 months to over 10 years. The yield spread of 46bps between the T-Bill and 30 Year Treasury increased by only 2bps. The 30 Year Treasury yield decreased by only 1bps to 2.52%.

The 30 Year Municipal yield fell by 5bps, closing at 2.3%, 17bps lower than the 30 Year Treasury. The 1 Year Municipal yield ended the month at 1.09%, a 19bps decrease, resulting in a yield spread discount compared to the 1 Year Treasury of 45%. The spread discount continued to decline with longer maturities where at 30 Year maturities, the discount is approximately 7%, modestly higher than the previous month.

A significant amount of debt securities in both Europe & Asia continue to carry negative yields.

German rates fell further in July to a negative 0.79% yield for the 2 Year Bund and negative 0.44% for the 10 Year, 9bps lower in the month. In the UK, the 10 Year Gilt yield moved down 22bps to a 0.61% yield as rates fell based on the UK's renewed interest to separate from the EU. The Japanese 10 Year Gov't bond yield fell by 1bps to yield a negative 0.16%, while the 2 Year yield closed at negative 0.22%.

High Yield bonds moved higher in July by 0.6% with an average yield of 5.9%. High yield bonds have been attracting large capital flows this month.

Commodities: WTI Crude Oil fell again modestly in July, decreasing to \$57.9/barrel, a \$0.6/barrel loss in the month as the Iranian threat diminished somewhat and inventories continue to fluctuate while sluggish Global growth dampened the demand for oil. Gold prices continued to rally increasing by \$14/oz to \$1427/oz in July. Gold benefitted from an ongoing "flight to quality" mentality that continues to drive prices higher.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	1.1%	1.7%	16.7%	8.2%	16.1%	12.9%
S&P 500	1.4%	1.7%	20.2%	8.0%	13.4%	11.3%
Russell LG Value	0.8%	1.1%	17.2%	5.2%	9.4%	8.0%
Russell LG Growth	2.3%	2.4%	24.2%	10.8%	17.1%	14.3%
Russell 2000	0.6%	-0.7%	17.7%	-4.4%	10.4%	8.5%
NASDAQ	2.2%	1.3%	24.0%	7.8%	17.9%	14.7%
MLP Index	-0.2%	1.3%	16.7%	-3.5%	-0.7%	-6.6%
REIT Index	1.6%	3.4%	20.6%	13.2%	5.3%	9.1%
International Equities						
EAFE	-1.3%	-0.2%	13.1%	-2.1%	7.4%	2.9%
EAFE Small Companies	-0.7%	-1.8%	12.1%	-7.2%	7.1%	5.1%
Emerging Markets	-1.1%	-2.5%	9.5%	-1.8%	8.8%	2.2%
China	-0.5%	-6.5%	12.5%	-4.7%	13.0%	5.8%
Fixed Income						
US Agg	0.2%	3.3%	6.4%	8.1%	2.2%	3.1%
US High Yield	0.6%	1.6%	10.6%	6.9%	6.8%	5.1%
Municipal Bonds	0.8%	2.6%	5.9%	7.3%	2.8%	3.8%
Currencies						
EURO	-2.2%	-0.6%	-2.9%	-4.9%	-0.2%	-3.7%
British Pound	-3.9%	-6.2%	-4.3%	-6.9%	-2.7%	-6.3%
Japanese Yen	-0.7%	2.6%	1.0%	3.0%	-1.8%	-0.9%
Commodities						
Bloomberg Commodity	-0.7%	-1.4%	4.4%	-5.4%	-0.7%	-8.3%
S&P GSCI Crude Oil	0.2%	-8.5%	27.2%	-14.5%	8.2%	-19.1%
Gold	1.0%	11.0%	11.1%	15.9%	1.1%	1.5%



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