**Weekly Market Recap**

**The week in review**
- Market/ISM services PMI at 53.0/53.7
- Job openings at 7.348M
- Jobless claims at 209K
- PPI rose 0.2% m/m / 1.7% y/y

**The week ahead**
- CPI & consumer sentiment
- Philly/NY Fed. Mfg. survey
- Retail sales & industrial production
- Fixed income investors need to be more tactical in their investment approach. If

**Thought of the week**
Trade tensions escalated last week, as China devalued its currency and the U.S. responded by labeling China a currency manipulator. Equity markets largely shrugged off these developments, with U.S. equities down only -0.5% while 10-year U.S. Treasury yields fell 12 basis points (bps) to a level of 1.74%. Since their recent peak in November 2018, 10-year U.S. Treasury yields have fallen 150 bps; this has not only been driven by slower global growth, lower yields have fallen 150 bps; this has not only been driven by slower global growth, lower inflation expectations and a dovish Fed, but also by escalating U.S.-China trade tensions, the end of Federal Reserve balance sheet reduction and, as this week’s chart shows, an increasingly growing share of negative-yielding global debt. Currently, there is about $15trn worth of negative-yielding bonds, all of which can be found outside of the U.S. This dynamic, coupled with more favorable hedging costs for non-U.S. investors, has led foreign demand for U.S. Treasuries to increase, further compounding the decline in U.S. yields. With low rates around the world, fixed income investors need to be more tactical in their investment approach. If looking for sources of income, global high yield and emerging market debt may look attractive, but their high correlation to the equity market offers little to no protection during downturns. On the other hand, if looking for protection from equity market volatility, core fixed income, despite its uninspiring yields, can act as a hedge given its negative correlation with the equity market.

*Please see important disclosure on next page.*
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**Thought of the week:**


**Chart of the week:**

The Bloomberg Barclays Global Aggregate Index includes the market value of negative-yielding debt.

**Source:** 

**Equity Performance:**

Russell 3000, Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

Past performance does not guarantee future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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U.S. | August 12, 2019