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Market Briefing

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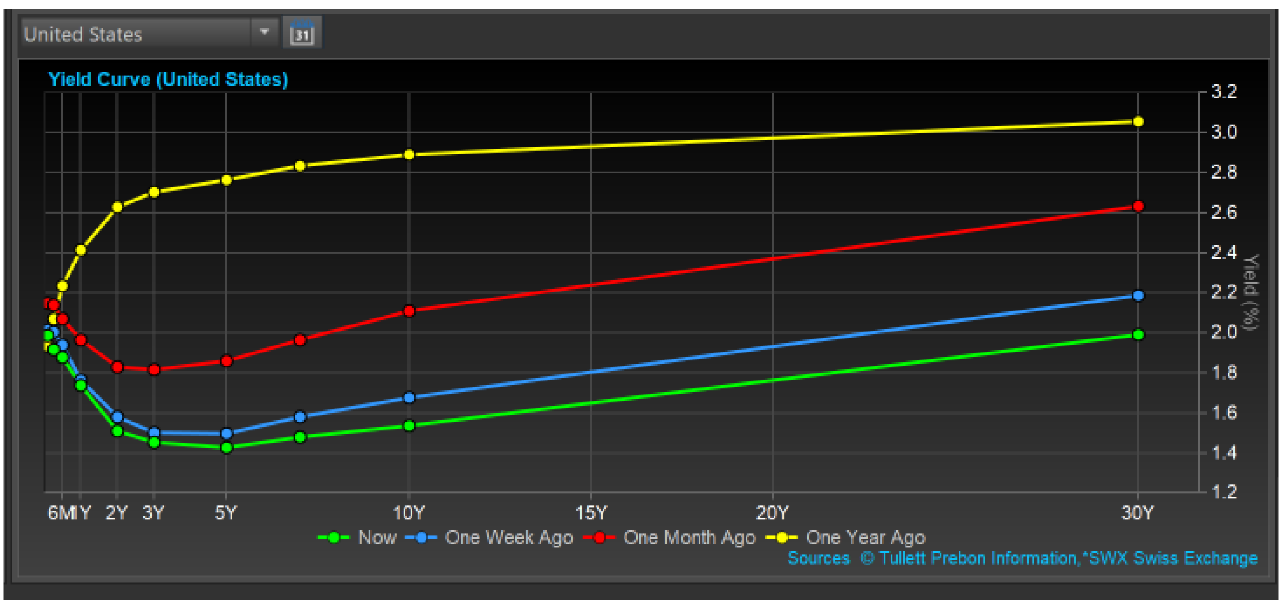
Significant equity market volatility materialized after an already tumultuous start to August. On Wednesday, investors reacted negatively to the 2-Year – 10-Year Treasury yield curve inverting. As we have previously noted, the Treasury yield curve has been flat and partially misshapen for some time now, with the 3-Month – 10-Year curve inverting months back. Historically, an inverted yield curve has been a precursor to an economic recession. While this dynamic has been a historical tendency, the timing of a recession commencing post-inversion has varied, and of course, there have been instances in which an inversion has not led to economic recession (two consecutive quarters of negative GDP growth). That said, the current market backdrop is unique in light of stop-and-start trade negotiations, negative bond yields in certain non-U.S. regions, and geopolitical apprehensions – namely surrounding the Brexit process.

- **Federal Reserve recently cut rates by 0.25%**
  - **Bond markets are pricing-in additional cuts during next 12 months – timing and degree of rate reductions, if any, are yet to-be-determined**
- **July inflation was slightly elevated; Core year-over-year CPI of 2.2%**
- **Additional 10% tariff on ~$300B of Chinese imports delayed until December 15th**
  - **U.S. – China trade discussions are expected to continue, with next meeting planned for September**

We strive to help investors avoid the potential pitfalls of short-term market timing, and adhere to a disciplined approach that considers your time horizon, risk tolerance, return goals, liquidity needs, and so forth. We recognize that each of our clients is unique; if goals or preferences impacting your capital have changed, it is important that we have ongoing conversations surrounding those changes. Please keep an open dialogue with us regarding your overall investment strategy.



Source: FactSet

This chart depicts the yield curve one year ago (yellow), one month ago (red), one week ago (blue) and today (green). You'll notice how much rates have dropped, how the curve has flattened, and that the difference between where two year and ten year treasuries trade is minuscule. Yesterday the curve "inverted;" two year treasuries traded slightly above ten year treasuries.
