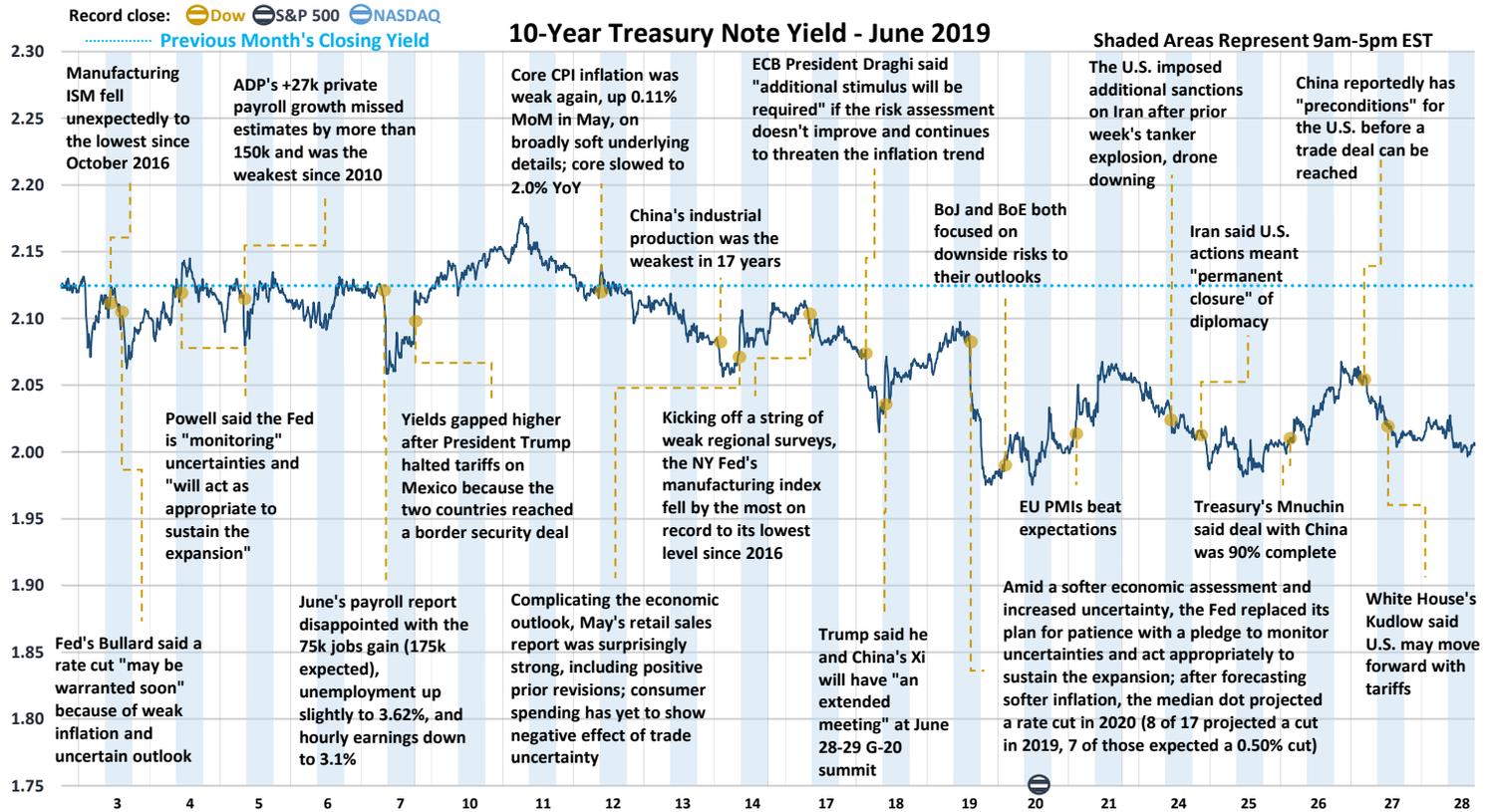


Monthly Review

June 2019

Central Banks' Shift Toward More Accommodation Boosted Stocks and Pressured Yields to Multi-Year Lows



Stocks Surged and Treasury Yields Tumbled In Response to Synchronized Central Bank Shift as Fed Signaled It Could Cut Rates Amid Increased Economic Uncertainty

Markets: The S&P 500 snapped back sharply in June and Treasury yields fell to multi-year lows as global assets rallied in response to the world's major central banks pivoting to a more dovish posture amid increased uncertainty. Trade tensions between the U.S. and China remained elevated and the economic data showed the uncertainty is increasingly affecting the global economic outlook. As a result, top central bankers signaled that they may be forced to step in and provide additional policy accommodation. With the Fed's dot plot now projecting possible rate cuts, potentially as soon as this year, investors ended the month expecting the Fed could lower rates by 0.75% before the end of 2019. That dragged the 2-year yield as low as 1.69% intraday, its lowest mark since November 2017. The 10-year yield fell as low as 1.97% after the Fed's decision, a new low since the 2016 presidential election. After tumbling 6.6% in May, the S&P 500 rallied back 6.9% on hopes responsive monetary policy could be a salve for the trade-induced economic slowdown. The surge represented the strongest June gain since 1955 and, helped out by a disastrous December, capped the strongest first-half performance (+17.3%) for the index since 1997.

Consumer: Personal consumption was revised lower in the third 1Q GDP estimate and mixed messaging in the recent economic data fueled continued uncertainty about the outlook. Personal consumption rose 0.9% in 1Q, less than the 1.3% previously estimated. May's retail sales data was solid, personal spending was steady, and positive April revisions added to the quality of both reports. However, other indicators painted a more cautious picture moving forward. While the unemployment rate remained low at 3.6%, hiring slowed sharply to 75k in May, 100k below expectations, and earnings growth disappointed. The YoY growth rate for earnings slowed to 3.1% and the 3M/3M annualized rate dropped to its weakest rate since January 2018. Adding to the uncertainty, both key confidence measures cooled. The University of Michigan's index declined modestly, but the Conference Board's measure, more heavily impacted by the labor market, crumbled to its lowest level since September 2017.

Private Investment: First quarter business investment was revised up, offsetting the weaker consumer spending and keeping overall growth unchanged at 3.1%. As with the consumer, previous months' business activity was solid, but most forward-looking indicators were softer. Small business confidence rose unexpectedly in May, but might not fully capture worries about trade. The ISM's non-manufacturing index also recovered in May, but the manufacturing index slid to its weakest level since October 2016. Additionally, Markit PMIs for both sectors deteriorated further in June, the manufacturing index fell to a new low for the cycle, and five key Federal Reserve surveys signaled slowing momentum. Housing activity remained mixed, with both pending and existing home sales improving while new home sales slowed to a 2019 low.

External Trade: Advanced goods trade data showed the related deficit widened more than expected in May to a five-month high as both imports and exports improved.

Inflation: Core CPI inflation was weaker than expected in May at 0.11% MoM, pulling the YoY rate down from 2.1% to 2.0%. The Fed's preferred PCE measure was a firmer 0.19%, keeping the YoY rate unchanged at a below-target 1.6%, but lifting three- and six-month momentum indicators.

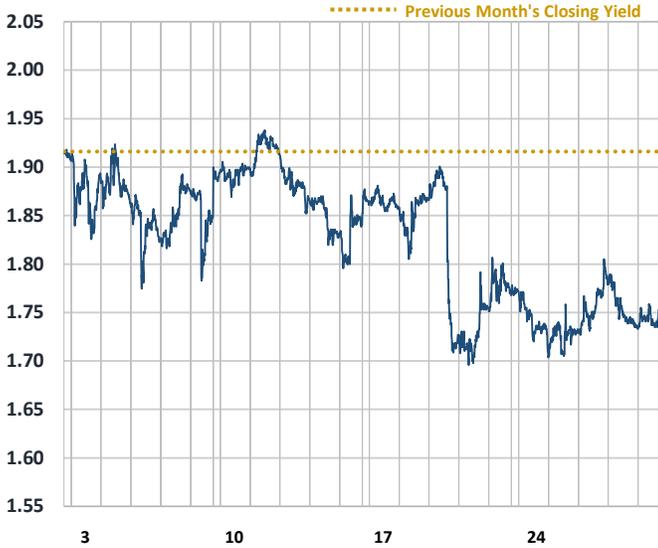
Monetary Policy: Central banks stole the show in June, pivoting toward more policy accommodation in response to greater global uncertainty. The Fed removed "patient" from its Statement and said it will "act as appropriate to sustain the expansion." The updated dot plot flipped from a median expectation for a rate hike in 2020 to a rate cut, and eight of the 17 officials believed cuts may actually be needed this year. President Draghi from the ECB also said stimulus could be required if the outlook doesn't improve and central banks in England and Japan stressed downside scenarios to the outlook.

Monthly Review

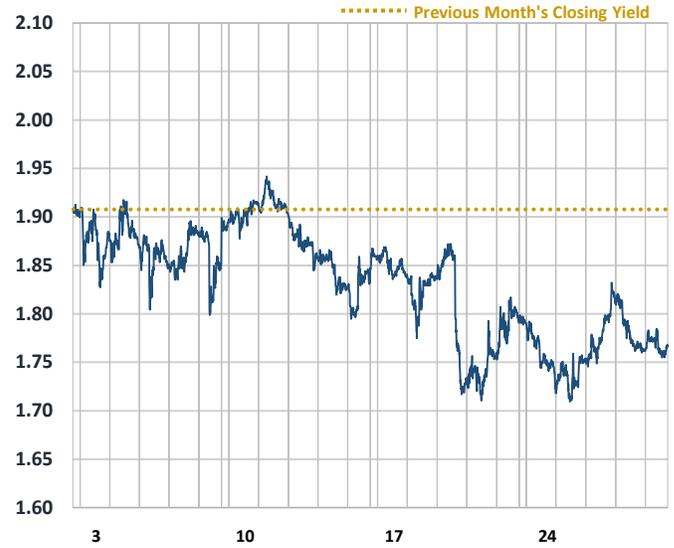
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2-Year Treasury Note Yield - June 2019



5-Year Treasury Note Yield - June 2019



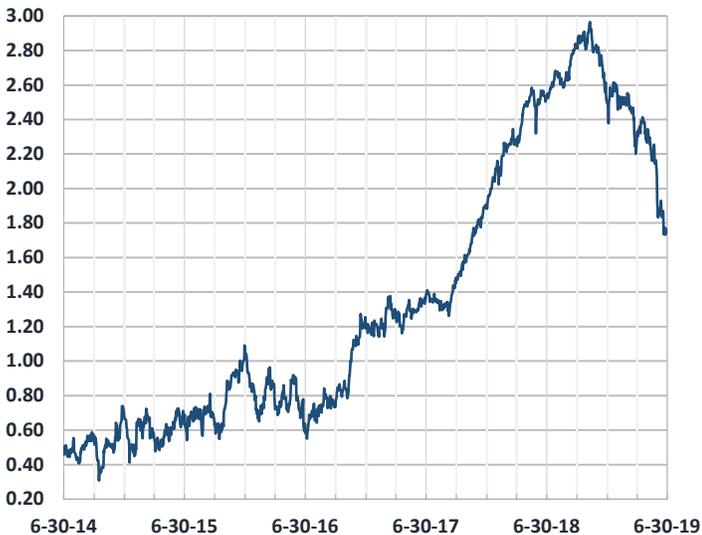
2-Year Treasury Note Yield - Last 12 Months



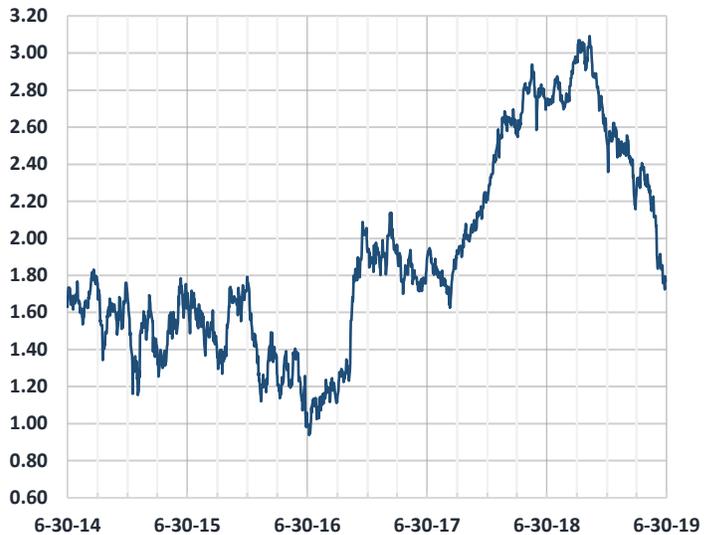
5-Year Treasury Note Yield - Last 12 Months



2-Year Treasury Note Yield - Last 5 Years



5-Year Treasury Note Yield - Last 5 Years

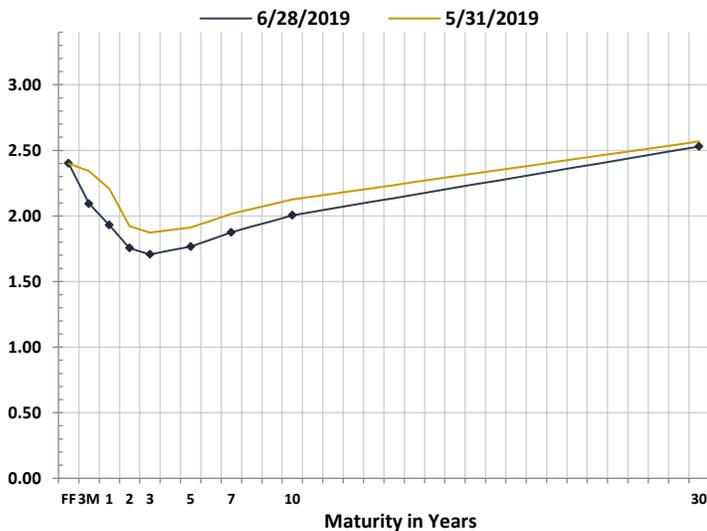


Monthly Review

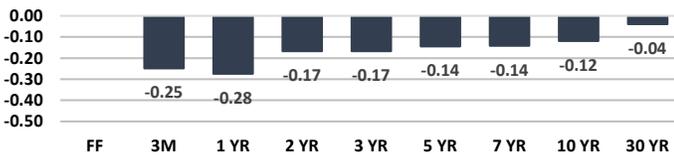
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Treasury Month-Over-Month



Month-Over-Month Change in Treasury Yields



Global Stock Performance

	Value	MTD Change	QTD Change	YTD Change
Dow Jones	26,600	7.19% ↑	2.59% ↑	14.03% ↑
S&P 500	2,942	6.89% ↑	3.79% ↑	17.35% ↑
Nasdaq	8,006	7.42% ↑	3.58% ↑	20.66% ↑
Stoxx Europe 600	385	4.28% ↑	1.52% ↑	13.98% ↑
China CSI 300	3,826	5.39% ↑	-1.21% ↓	27.07% ↑
Nikkei 225	21,276	3.28% ↑	0.33% ↑	6.30% ↑

Global Sovereign Debt Performance

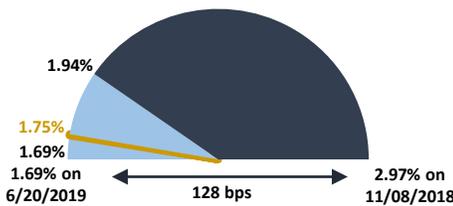
	Yield	MTD Change (in bps)	QTD Change (in bps)	YTD Change (in bps)
U.S. 2-year	1.75%	-16.7 ↓	-50.5 ↓	-73.3 ↓
U.S. 5-year	1.77%	-14.5 ↓	-46.7 ↓	-74.5 ↓
U.S. 10-year	2.01%	-12.0 ↓	-40.0 ↓	-67.9 ↓
German 10-year	-0.33%	-12.5 ↓	-25.7 ↓	-56.9 ↓
U.K. 10-year	0.83%	-5.3 ↓	-16.7 ↓	-44.4 ↓
French 10-year	-0.01%	-21.5 ↓	-32.3 ↓	-71.5 ↓
Italian 10-year	2.10%	-56.8 ↓	-38.6 ↓	-64.0 ↓
Japanese 10-year	-0.16%	-6.4 ↓	-7.7 ↓	-16.1 ↓

Commodity Performance

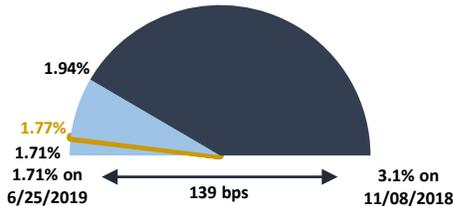
	Value	MTD Change	QTD Change	YTD Change
WTI Crude	\$ 58.47	9.29% ↑	-2.78% ↓	28.76% ↑
U.S. Dollar	96.13	-1.66% ↓	-1.19% ↓	-0.04% ↓
Gold Spot	1,409	7.97% ↑	9.07% ↑	9.90% ↑
Commodity Index	79.65	2.51% ↑	-1.77% ↓	3.83% ↑

Treasury Notes Intraday Ranges: 52-Week Yield Range / Monthly Yield Range / Last Traded Yield

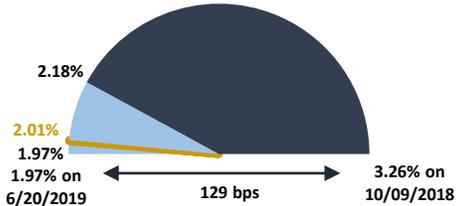
2-Year Treasury



5-Year Treasury



10-Year Treasury



Nonfarm Payrolls

May 75k

Job growth missed estimates by 100k and hourly earnings were weaker than expected

Unemployment Rate

May 3.6%

Unchanged

Existing Home Sales MoM

May 2.5%

New Home Sales MoM

May -7.8%

New home sales hit their weakest pace of 2019

Core Retail Sales

May 0.4%

Consumer Confidence

June 121.5

Down 9.8 pts Biggest miss of the cycle relative to estimates, weakest since 2017 Core PCE YoY

ISM Non-Manufacturing

May 56.9 +1.4 pts

While services remained stable, manufacturing hit its weakest level since October 2016

ISM Manufacturing

May 52.1 -0.7 pts

Manufacturing Production

May 0.2%

Core Capital Goods Orders

May 0.4%

Trade Balance

April -50.8B Up \$8.8 B

May 1.6% Down 0.02%

Expected to decline to 1.5%

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