

Our Fundamental View:

Turning the page from June to July gives us a good opportunity to discuss what we expect for the 2nd half of 2019. Fundamentally speaking, there is a wide variety of opinions on what the world will look like six short months from now.

We are more optimistic than most, and believe the ongoing trade war with China will ultimately have a happy ending. We also believe this will likely be accompanied with a round of coordinated central bank stimulus. The reason being, all signatories would have a very vested interest in seeing a deal benefit their nations, and no better insurance policy than a round of global monetary easing.

Our Technical View:

Stocks remain in great shape technically, with the S&P 500 starting July off by posting a new all-time high. Market internals such as breadth and leadership remain healthy, and continue to suggest stocks are in the early days of a cyclical bull market.

Also making a meaningful move on the charts was gold, which moved decisively out of a three year trading range. This suggests an important change to the supply/demand dynamics for the shiny yellow metal, and most likely a new bull market here as well.

Finally, our biggest concern for the markets remains interest rates. Specifically, the spread between 3-mo. & 10-yr. US Treasuries again inverted, which is reliable harbinger of an economic recession.

Consensus Call of the Month:

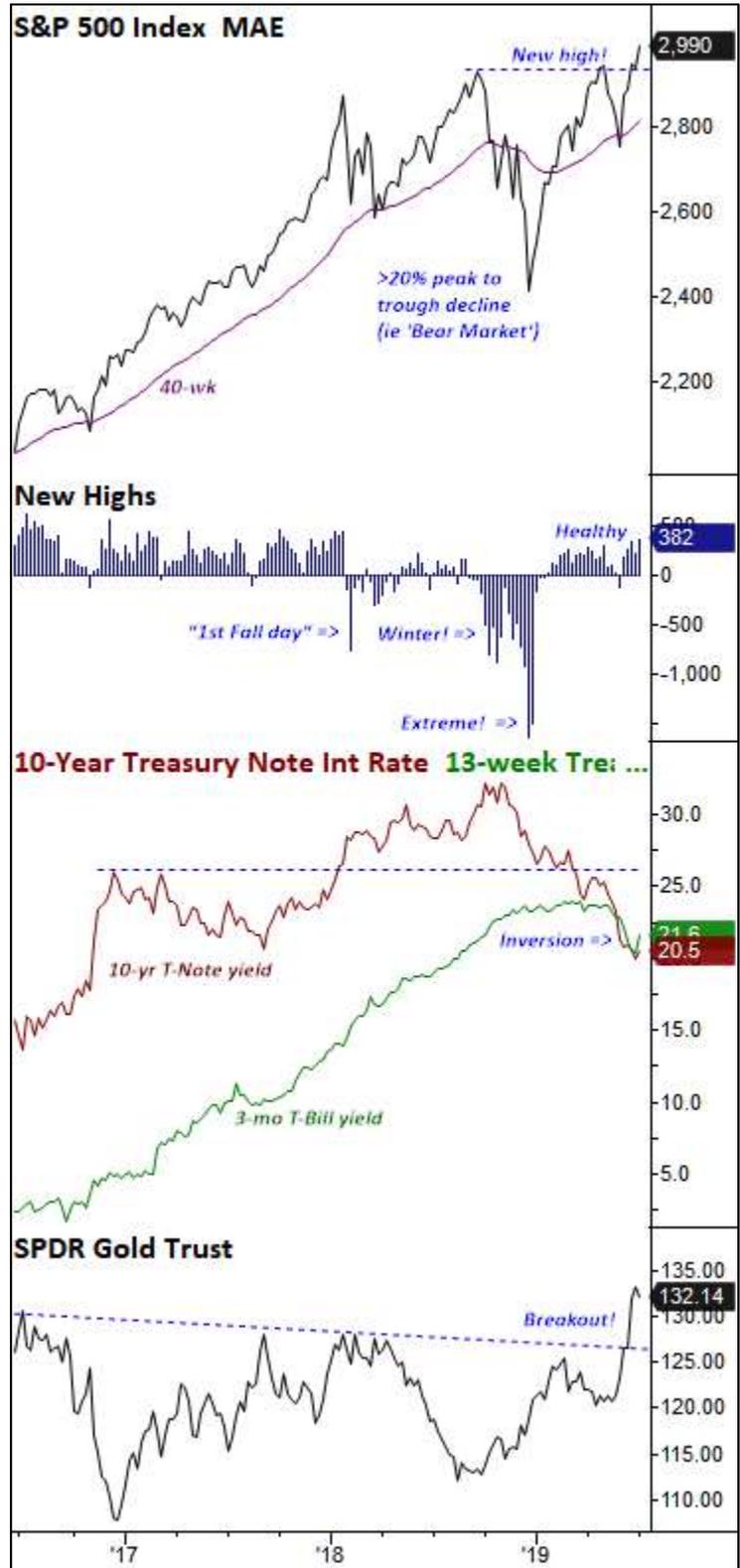
We are not the only ones to have noticed the strength in gold, which has indeed become a talking point for many. Consequences of the 'breakout' are being argued both positively and negatively. While we're not sure which is correct, we do agree that gold goes higher from here, with one technical target being the \$1,600 area.

Contrarian Call of the Month:

A far less embraced view, is that noted above regarding a globally synchronized round of monetary stimulus in conjunction with the cessation of the US/China trade war. While this may be difficult to imagine, we believe the 1985 Plaza Accord (aptly named after the NYC hotel in which it was signed) offers a good template of what nations can accomplish when the stakes are indeed high.

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Charts courtesy of TradeStation, as of July 5, 2019

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