



# July 2018 Investment Report

## Highlights

- Trade policy continued to dominate headlines, but U.S. markets largely ignored the negative news focusing instead on strong economic fundamentals, including second quarter (Q2) preliminary gross domestic product (GDP) growth of 4.1%, record low jobless claims and another quarter of strong US corporate earnings.
- In testimony before Congress, Federal Reserve (Fed) Chairman Jerome Powell reiterated a policy of steady rate hikes in light of the strong U.S. economy. Several global central banks raised rates in July and the U.S. dollar depreciated modestly against a basket of developed and emerging market currencies that provided some support for Wespath's non-U.S. investments.
- In July, the Fixed Income Fund outperformed its respective benchmark, while the U.S. Equity Fund, International Equity Fund and Inflation Protection Fund underperformed. As a result, the Multiple Asset Fund underperformed its benchmark.

## Monthly Overview

### Trade rhetoric buffets markets

The U.S. Treasury imposed tariffs on \$34 billion of Chinese industrial products and announced another \$16 billion over the month. On a positive note, President Donald Trump and European Commission President Jean-Claude Juncker agreed to postpone the imposition of any further trans-Atlantic tariffs and to hold talks on eliminating current tariffs. The de-escalation of European trade tensions in late July, strong Q2 GDP growth of 4.1% and better-than-expected earnings reports for over 70% of S&P 500 Index companies supported the largest monthly stock market gain since January.

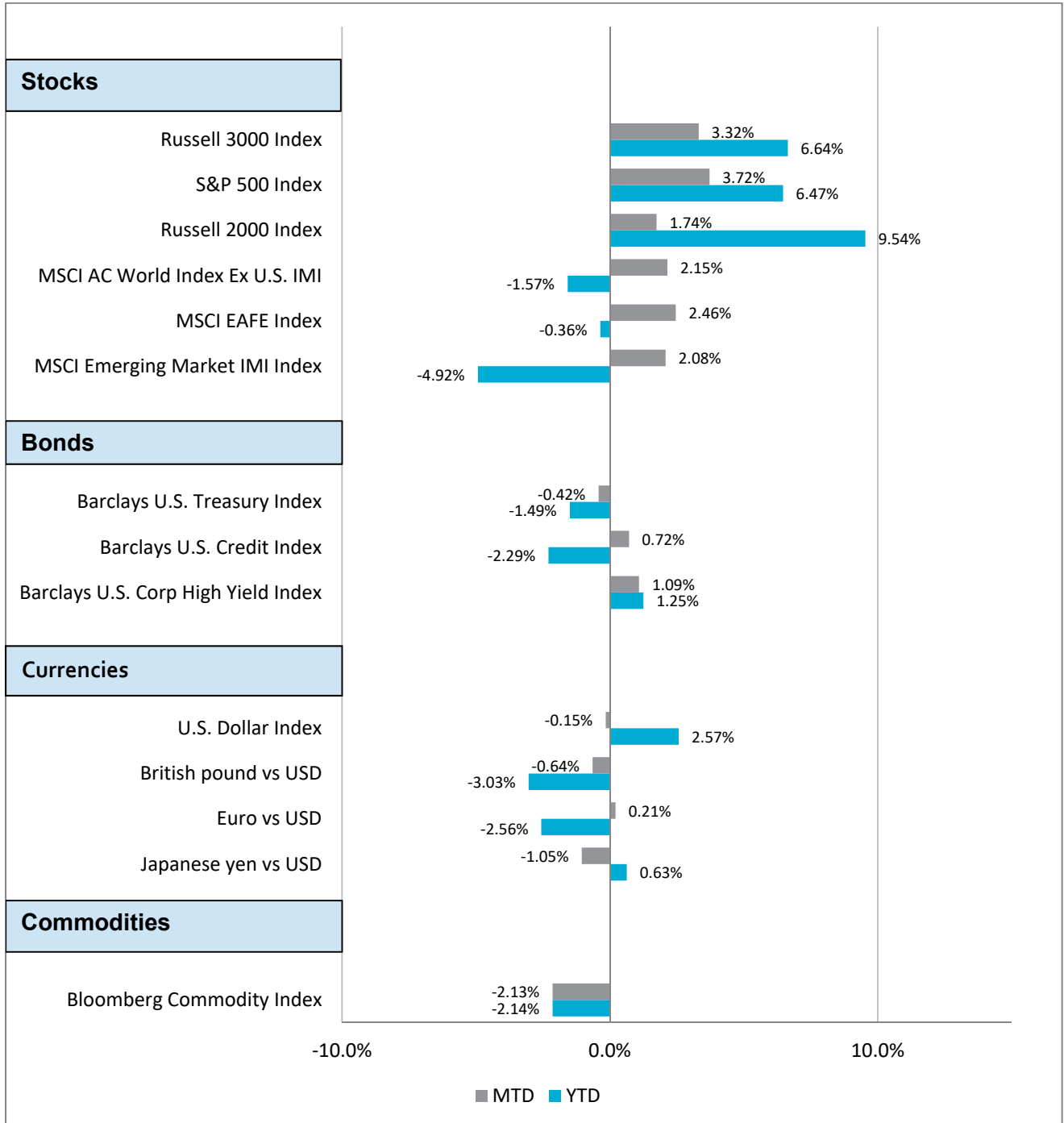
### Fed affirms current policy

Appearing before Congress, Fed Chairman Powell gave an optimistic view of the economy and affirmed the Fed's current policy for a steady series of rate hikes. Powell also noted the difficulty of predicting the economic impacts from current discussions over trade and recent changes in fiscal policy. In an unusual move, the President questioned Fed interest rate policy but later stated his respect for Fed independence.

### Technology stocks under pressure at month-end

Investors questioned the prospects of the largest global internet-focused firms after Facebook reported disappointing growth driven by a decline in internet advertising revenue. Facebook's stock fell 19% and suffered the largest one-day loss (\$120 billion) for a U.S. listed company. A New York Stock Exchange index that tracks the FAANG stocks (Facebook, Apple, Amazon, Netflix and Alphabet, Google's parent company) fell over 10% from its record high on June 20.

## Market Performance



Source: FactSet, as of July 31, 2018

## Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Jul: 127.4 (Jun: 127.1)	▲
Factory Orders	Jun: 0.7% (May: 0.4%); M/M-SA	▲
Institute for Supply Management Index	Jul: 58.1% (Jun: 60.2%)	▲
Nonfarm Payrolls	Jul: 157,000 (Jun: 248,000)	▲
Real Gross Domestic Product	Jun: 4.1% (Mar: 2.2%); Q/Q-SAAR	▲
Retail Sales ex-auto	Jun: 0.4% (May: 1.4%); M/M-SA	▲
Retail Sales	Jun: 0.5% (May: 1.3%); M/M-SA	▲
Unemployment Rate	Jul: 3.9% (Jun: 4.0%)	▲
		<b>Neutral</b>
Consumer Price Index core	Jun: 0.2% (May: 0.2%); M/M-SA	◆
Consumer Price Index	Jun: 0.1% (May: 0.2%); M/M-SA	◆
Durable Goods Orders	Jun: 0.8% (May: -0.3%); M/M-SA	◆
Producer Price Index core	Jun: 0.3% (May: 0.3%); M/M-SA	◆
Producer Price Index	Jun: 0.3% (May: 0.5%); M/M-SA	◆
S&P/Case-Shiller 20-City Home Price Index	May: 6.5% (Apr: 6.7%); Y/Y	◆
Existing Home Sales	Jun: -0.6% (May: -0.7%); M/M-SAAR	▼
Housing Starts	Jun: -12.3% (May: 4.8%); M/M-SAAR	▼
New Home Sales	Jun: -5.3% (May: 3.9%); M/M-SAAR	▼

M/M Month-over-month (% change since last month)

Q/Q Quarter-over-quarter (% change since last quarter)

Y/Y Year-over-year (% change since the same month, last year)

SA Seasonally Adjusted

SAAR Seasonally Adjusted Annual Rate

Source [FactSet](#)



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