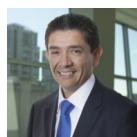




## Markets in a Minute

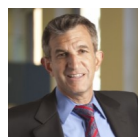
Biweekly insights on the latest global investment news

### Equities: A clouded outlook



**Omar Aguilar, PhD**  
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### Fixed Income: Same song and dance



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#### Lackluster global growth

Although the S&P 500 Index reached an all-time high in July, lackluster global growth represents a significant roadblock going forward, potentially undermining a bull market rally for stocks that is now seven years old. “Brexit,” negative interest rates, and considerable currency fluctuations dominate the headlines, while extremely accommodative policies by central banks and recent U.S. dollar depreciation are supporting emerging market stocks.

#### Consumer spending is key

Economic data over the past few weeks suggests that uncertainty regarding the fallout from “Brexit” on Europe’s economy and downward pressure on international interest rates could be limiting U.S. consumer spending. Moreover, the relatively meager rate of wage gains and the upcoming presidential election could limit the strength of consumer confidence in the near-term.

#### Upbeat earnings reports

A string of better-than-expected corporate earnings reports has been providing a tailwind for stocks, while declining oil prices represent a substantial headwind. We continue to find value in select Technology and Health Care stocks, while high-yielding stocks in Telecommunications, Utilities, and Consumer Staples are trading at relatively rich prices.

#### Rate hike? Don’t hold your breath.

The Fed left rates unchanged at its policy meeting a few weeks ago, while providing little additional insight into what we might expect going forward. A September rate increase remains doubtful, and while a rate increase at some point in 2016 seems increasingly likely, it’s still far from certain.

#### The Fed’s message

Highlights from the Fed’s post-meeting announcement included, “. . . near-term risks to the economic outlook have diminished.” Our translation of this phrase is, “Don’t worry about Brexit. As long as U.S. stocks keep rallying, everything should be fine.” The Fed also noted that, “. . . the labor market has strengthened,” which seems rather obvious in light of recent economic data.

#### The market’s message

The market’s response to the Fed’s announcement was rather muted, which makes sense given that nothing particularly new was conveyed in their post-meeting statement. Bond yields didn’t do much, with 10-year Treasuries continuing to trade near 1.5%.

#### What’s it all mean

As we’ve seen so many times recently, the market seems to be leading the Fed, and not the other way around. So all said, the Fed’s recent announcement simply confirmed what the market had already been telling us.

## About the authors

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Omar Aguilar is Chief Investment Officer (Equities) of Charles Schwab Investment Management, Inc. (CSIM), a subsidiary of The Charles Schwab Corporation. Aguilar joined CSIM in 2011 and is responsible for equity and asset allocation mutual funds, ETFs, and separately managed accounts. Aguilar has more than 20 years of broad investment management experience in the equity markets, including managing index, quantitative equity, asset allocation, and multi-manager strategies. Aguilar received a BS in actuarial sciences and a graduate degree in applied statistics from the Mexico Autonomous Institute of Technology. He was a Fulbright scholar at Duke University's Institute of Statistics and Decisions Sciences, where he earned his MS and PhD.

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Brett Wander is Chief Investment Officer (Fixed Income) of CSIM, a subsidiary of The Charles Schwab Corporation. Wander joined CSIM in 2011 and is responsible for all aspects of the firm's fixed income and money market portfolios, leading a team of more than a dozen investment professionals. Over his more than 20 years of investment management experience, Wander has been intimately involved in the design, development, and oversight of a wide range of active, indexed, and alternative fixed income strategies. His expertise spans a wide range of global and domestic markets and sectors. He is a frequent industry speaker, presenting at conferences and in various media forums. He has taught MBA-level investment courses at the University of Southern California. Wander earned an MBA from the University of Chicago and a BS in system science engineering from the University of California, Los Angeles. He is a Chartered Financial Analyst® charter holder.

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