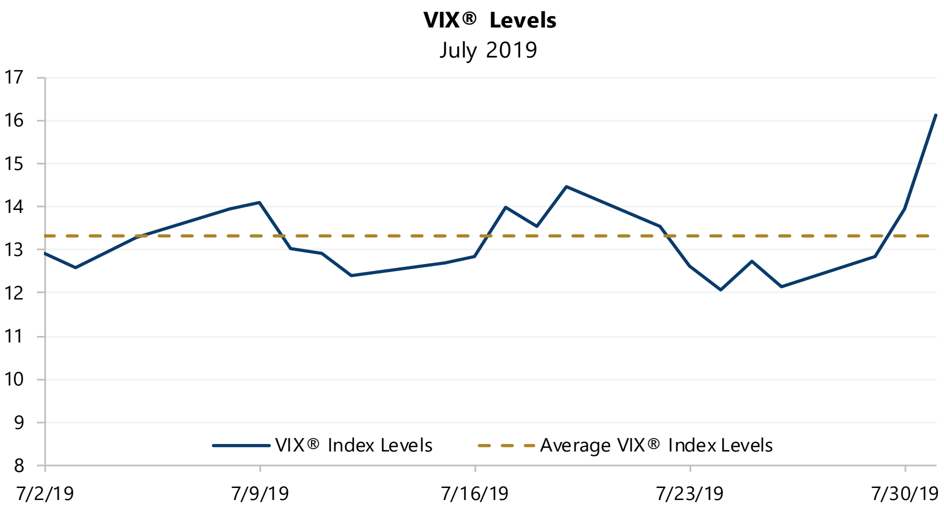
The S&P 500® Index continued 2019's impressive climb in July, returning 1.44% for the month and bringing its year-to-date return to 20.24%.

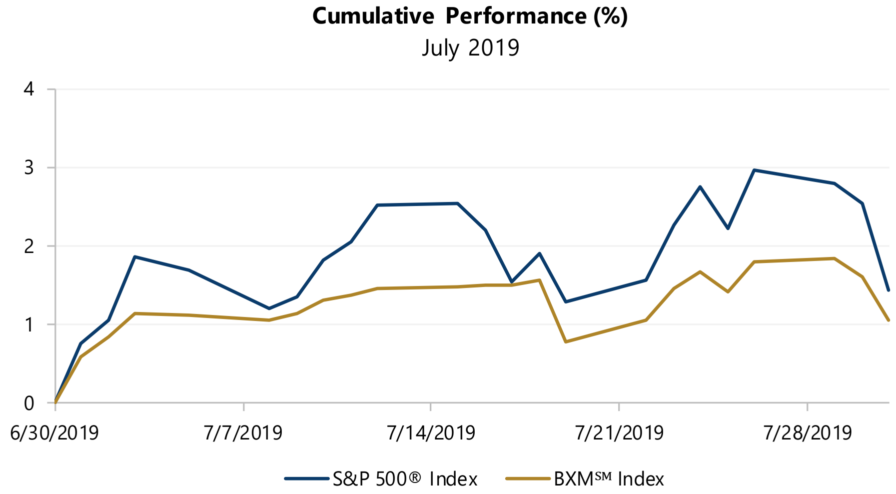
Trade tensions were put on the backburner in July as leaders from the U.S. and China both communicated a renewed commitment to carrying on the conversation. It was the Federal Reserve (the Fed) that commanded the spotlight in July as investors patiently waited in expectation of the first interest rate cut in over 10 years. Then, on July 31, the Fed announced a standard 25 basis point cut while tempering expectations of aggressive rate cutting in the future during the post-meeting press conference. The equity market sold off after the announcement and ended the day down 1.09%.

While market action on the last day of the month indicated that some investors were disappointed with the Fed decision, others were left scratching their heads given that fundamentals on the domestic front seem relatively stable. The first estimate of Gross Domestic Product growth for the second quarter of 2019 came in at 2.1%, on the high-end of consensus expectations and continuing one of the longest U.S. economic expansions on record. Corporate earnings also surpassed expectations despite concerns of a deceleration in growth. With nearly 65% of companies reporting, analyst estimates were met or exceeded by over 82% of them and aggregate operating earnings for S&P 500® Index companies grew more than 9% year-over-year. While the unemployment rate ticked up from 3.6% to 3.7% in June, nonfarm payrolls surged above consensus expectations for the month. The June Consumer Price Index, released on July 11, showed a 1.6% year-over-year increase, at the low-end of consensus expectations.

Implied volatility, as measured by the Chicago Board Options Exchange (Cboe®) Volatility Index (VIX®), averaged 13.31 in July. VIX® opened the month at 14.06 before drifting to its low of 12.07 on July 24. VIX® ended the month at its high point of 16.12. VIX® exceeded S&P 500® Index realized volatility, as measured by its annualized standard deviation of daily returns, of 8.41% for the month.



The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) had a return of 1.06% for the month, bringing its year-to-date return to 11.43%. On the third Friday of the month, the BXM℠ wrote a new index call option as the option it wrote the previous month expired. The premium the BXM℠ collected on its written index call option has a significant influence on its return potential over a period when the market advances. The premium collected as a percentage of the BXM's℠ underlying value was 1.12% in July, which did not provide enough return potential to keep pace with the equity market advance over the course of the month.



The Bloomberg Barclays U.S. Aggregate Bond Index increased 0.22% in July. The yield on the 10-year U.S. Treasury Note started the month at 2.01%, reached a high of 2.14% on July 11, then drifted lower to end the month at 2.01%.

IMPORTANT INFORMATION

Sources: Morningstar Direct℠, Bloomberg, L.P. Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the index includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit www.gia.com/insights.