Payden&Rygel
Investment Management

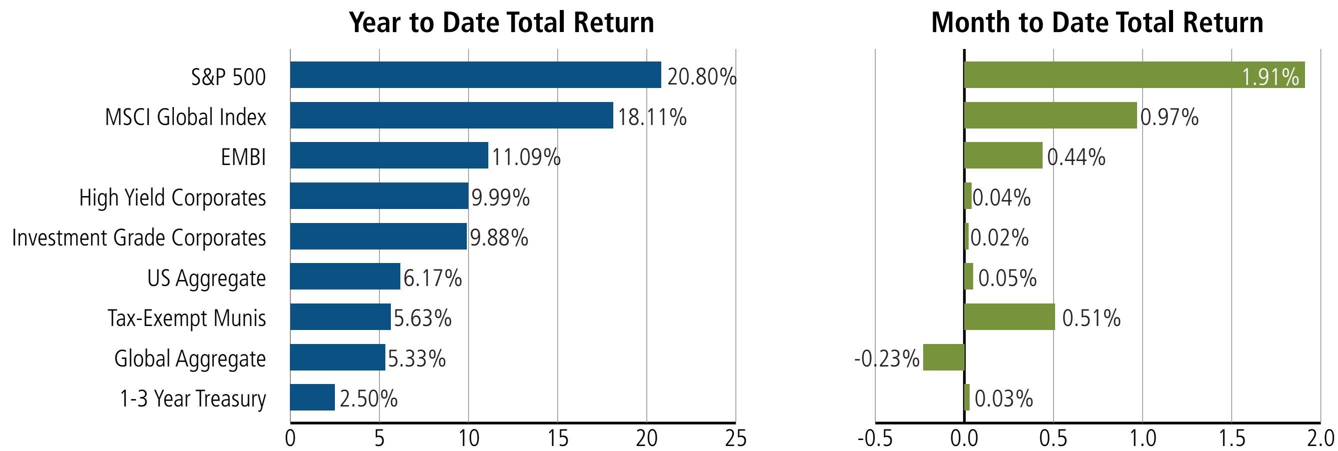
Week Ending **July 19, 2019**

Fly Me To The Moon

Economic Overview:

We take a break from our regularly scheduled programming to bring you…the moon landing. Fifty years ago (July 20, 1969), Neil Armstrong stepped foot on the moon. It was the Apollo Guidance Computer (AGC) that made possible humankind's giant leap. The AGC handled 85,000 calculations per second using 33,600 transistors packed into a 1.04 cubic foot box onboard Apollo 11 to navigate the 500,000-mile moon roundtrip. Your iPhone Xs handles a whopping 5 trillion instructions per second using 6.9 billion transistors in a device that fits in your pocket. It's amazing how much humans accomplished in 1969 with so little computing capacity! It's also amazing how far computing has progressed in the decades since. The accelerating rate of computing progress suggests that when humans look back on the present, they'll remember the tremendous feat "of landing a man on the Moon and returning him safely to the Earth," in the words of John F. Kennedy. Meanwhile, 21st-century central bankers tinkering with interest rates by 25 (or 50!) basis points will have long faded from memory.

Total Returns by Asset Class



Highlights of the Week:

- **Currencies:** The New Zealand dollar was the top performing G10 currency this week on the back of the country's latest inflation report. Even though the latest CPI reading was in line with expectations, it was sufficient to increase the headline rate from 1.5% to 1.7%. As a result, the likelihood of an August rate cut by the Reserve Bank of New Zealand fell, which supported the kiwi dollar and it finished the week about 1.2% higher against the U.S. dollar.

- **Corporates:** This week kicked off the earnings season led by multiple U.S. banks. Typically bank earnings announcements coincide with bank new issuance, but reporting banks issued just shy of $8 billion this week. Overall issuance for the week was nearly $10 billion below expectations, totaling $15 billion. 2019 issuance is 10% behind 2018's year-to-date pace, bringing debt growth to its slowest rate in years.

- **Municipal:** Year to date municipal mutual fund inflows surpassed $50 billion this week, according to Lipper. For context, the most amount of inflows on record for a full calendar year was $45 billion in 2009. This overwhelming demand has translated into strong performance for municipals with the broad index returning 5.63% year to date on a nominal basis.

- **Equities:** The U.S. equity market fell for the first time in three weeks as 2nd quarter corporate earnings season kicked off in earnest. Near record high equity prices, light trading volumes, and declining volatility characterize the current market environment during these summer days. The start of this earnings season has provided some relief on fears of slowing corporate earnings growth, with bellwether companies such as JPMorgan Chase, Goldman Sachs, and Microsoft all posting strong quarterly results.