Coin Toss - HEAD= Bonds - TAILS = Stocks

It's not only North American cities that have been under the so called **"Heat Dome",** both stock and bonds have **also** been hot this month with North American Indices making new highs along with impressive up moves in global markets. At the same time**,** investors have been flooding to the **"safety"** of the bond markets with new money forcing the yields down and of course prices up. Quoting for this week's ***Global Insight*** "The yield on 10-year U.S. Treasuries has plunged by more than 60 basis points year-to-date, while investors are willing to pay to own government debt in Europe and Japan. The yield on 10-year sovereign bonds in Germany slipped to a **record -0.40%** in early July"-- **F**or reference the 10 year U**S** bond yield is 2.04% and Canada's is 1.51%.

Equity investors seems to be betting that despite global growth concerns, the promise of Federal Reserve Board rate cuts will keep the economy and stock markets rolling along and **bond investors** seem to be betting that the inverted yield curve is perhaps forewarning of a recession ahead and that along with the above mentioned global concerns make the safety of fixed income the place to be. It is entirely possible that both choices can be right for a while - but history tells us one outcome generally ultimately overrules.

Last week was actually a losing week for shares (the worst since the end of May) not too surprising perhaps after the previous few weeks of gains – reasons given was a news report that the US Fed would cut rates just 25-bp (Basis Point) at the July 30-31 FOMC meeting**,** not the antic**i**pated 50 bp. Not helping was China's economic growth decelerated in the second quarter to its slowest pace since 1992.

A look at some of the week's numbers: In Canada the **TSX- unchanged**. South of the border: **Dow Jones -0.7%**, **NASDAQ -1.2%** and the **S&P500 -1.2%**. Globally **Japan -1.0%** and the **FTSE All World -0.7%**, while gold was back on its winning streak gaining 0.7% and closed the week at $1427, now up 11% for the year.

4 events of note last week:

- **Netflix** – an analysts darling saw its share price plunge 12% on Wednesday as reported disappointing numbers and the streaming service also lost more than 100K subscribers in the U.S. - where it was expected to gain over 300K - marking its first dip in eight years
- **Sterling** fell to a six-month low after a debate between the two candidates vying to be Britain's next prime minister reignited worries about a no-deal Brexit.
- **Boeing** is setting aside about $4.9B to compensate airlines that have suffered because of the prolonged grounding of its 737 MAX. Despite the

unknown costs and the potential timing of the MAX's return to commercial service, investors seemed pleased with that number sending the shares up over 3% for the week

- **Iran** boarded a British tanker in the Straits of Hormuz –I fear this growing escalation will eventually end in some sort of military action.