DIPSEA
CAPITAL, LLC

Dipsea Capital Fund LP

Commentary for the Month Ending July 2019:

The Dipsea Capital Fund returned 0.71% to partners for the month of July, 4.79% year-to-date, and 9.14 % for the previous twelve months.

Market Review:

The U.S. equity markets rebounded for a second consecutive month in July. Volatility remained benign up until the very last day of the month. As this commentary is being written, the S&P 500 index has given back it's July gain of 1.44% and is in proximity to June's closing levels.

Market Landscape:

Tailwinds supporting higher stock prices:

1. Economic growth remains positive in the U.S.
2. Global and U.S. interest rates continue to move lower, making stocks more attractive on a relative value basis. Another rate cut of at least .25-50% is anticipated by the market before the end of 2019.
3. All the world's major central banks are articulating a stance of greater accommodative policy in the months ahead.
4. Inflation measurements remain benign in spite of low unemployment and an abundance of job openings.
5. The dividend yield on the S&P 500 index yields more than all U.S. Government bonds with durations from 6 months through 10 years. This reality provides some support in owning stocks from a value basis.

Headwinds to higher stock prices:

1. Trade tensions have persisted and have begun to crescendo, creating pronounced uncertainty and reducing global growth expectations.
2. Evidence abounds that domestic and global growth are slowing.
3. Earnings growth is negative. As the 2nd quarter earnings seasons ends, it's the second consecutive quarter where earnings growth is negative, year over year.

Unintended Consequences

As we begin August, it appears the markets are growing weary of an escalating trade war. In addition, there is fervent debate (even among members of the Fed) that if growth does continue to slow, will additional monetary stimulus actually invigorate growth? The record isn't good given what we've witnessed with low to negative interest rates in the EU and Japan.

Remaining Disciplined with Our Models, But Flexible with Our Observations:

We've begun August on a solid footing and intend to maintain our unwavering focus on risk management whether this "risk off" environment persists or when a more sanguine landscape returns. All the while, we steadfastly work to maintain our efforts towards continuing to generate consistent, uncorrelated returns for our partners.

Thank you for the opportunity to be a trusted steward of your capital.

Chris Antonio
Chief Investment Officer and Founder