

2nd Quarter 2019 Update

Equity markets continued to rally in the 2nd quarter and have posted very strong performance year to date.

Equity Market Performance

	QTD	YTD
S&P 500 (large cap)	4.30%	18.54%
MSCI EAFE (International index net return)	3.68%	14.03%
Russell 2000 (small cap)	2.10%	16.98%

Volatility increased during the quarter as concerns about the U.S./China trade agreement weighed on equity markets, but the potential for the U.S. Federal Reserve to cut interest rates outweighed these concerns. The Federal Reserve left the Fed Funds rate unchanged during the quarter but indicated that a rate cut is possible this year. With this outlook from the Fed, interest rates fell during the quarter, and the Barclays Aggregate, which is a good representation of the broad fixed income market, was up 3.08%.

The U.S./China trade agreement and the Federal Reserve's interest rate policy will likely be significant drivers of market performance for the remainder of the year. U.S. economic growth is expected to slow, but the employment situation and consumers continue to be in a strong position, so we are not likely headed for a recession in 2019.

With the market rally and modest earnings growth expected in 2019, domestic equity market valuations are less attractive than they were at the end of last year but not overly stretched. We should expect increased volatility and more moderate investment performance for the remainder of the year.

Please give me a call with any questions.

Source: Morningstar, federalreserve.gov, Treasury.gov

The performance data shown represents past performance, which is not a guarantee of future results.

Return data is as of 06/30/2019. Index returns are total returns except for MSCI EAFE which is a net return.