

COMMENTARY

As we head into the second half of 2019, the Federal Reserve left the Federal Funds Rate target level has remained unchanged at 2.25% to 2.50%, which was the market expectation. The more anticipated news was the press conference of Federal Reserve chairman Jerome Powell and his statement regarding the current economy and future moves by the Fed. The tone of the statement was dovish as expected with some key words removed and/or changed as the Fed indicated it would be prepared to act, "The FOMC will closely monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion." Current probabilities (based on the CME Groups FedWatch Tool) show a zero percent chance of rates staying as is through the December 11th meeting, which is the last meeting of the year. Currently we are expecting a two 25bps cuts with the first one happening at the next meeting on July 31st and the second coming at either the September 18th or December 11th meeting. If we get anything outside of a 25bps (a 50bps cut or no cut at all) on the July 31st we would expect the market to react greatly.

President Trump and Chinese President Xi Jinping meet during the G20 summit and agreed to take a step back from the trade war and continue to negotiate. This isn't the first time and probably not the last time we get a cease fire in the trade war between U.S. and China that started almost a year ago. A few of the major points on the agreement – 1) the U.S. will not add new tariffs on Chinese goods while trade talks are underway (previous threat was an additional 25% tariff on \$300 billion of Chinese imports). 2) President Trump backed off the ban on sales of American equipment to Huawei. 3) China agreed to buy a "tremendous amount" of agricultural goods from the U.S. Our expectation is for this to continue to play out over the course of this year and into next year and then a "major" announcement on a trade deal (right when campaign season starts to ramp up). President Trump also became the first sitting U.S. president to enter North Korea when he meet with Supreme Leader Kim Jong Un in the demilitarized zone between North and South Korea.

Our long-term view (multiple years) for equity markets is still bullish. We believe we are in the middle part of a secular bull market. With the previous two secular bull markets lasting 17 years, so we could be in for a nice ride if this secular bull market is of similar duration. Inside of our long-term secular bull market we do expect to see a bear market and a recession, but currently do not project this for 2019. Our S&P 500 target at the beginning of the year is/was 2800 which is looking a

ECONOMIC HIGHLIGHTS

S&P 500	2,941.76
DIJA	26,599.96
NASDAQ	8,006.2
OIL	\$58.47/BARREL
GOLD	\$1,413.70/OUNCE
10-YEAR TREASURY FIELD	2.00%
UNEMPLOYMENT	3.60%
GDP	3.10% (Q1 3RD ESTIMATE)
CONSUMER PRICE INDEX (CPI)	0.1% (12 MO CHANGE +1.8%)
CORE CPI	0.1% (12 MO CHANGE +2.0%)



Stock Market – with major markets trading near all-time highs, a breakout from here could setup a nice rally after trading sideways for about 18 months.



Employment Situation – was less than stellar with only 75,000 nonfarm payrolls added in May while the consensus was 180,000. Unemployment (3.6%) and participation rate (62.8%) stayed the same from the prior month.

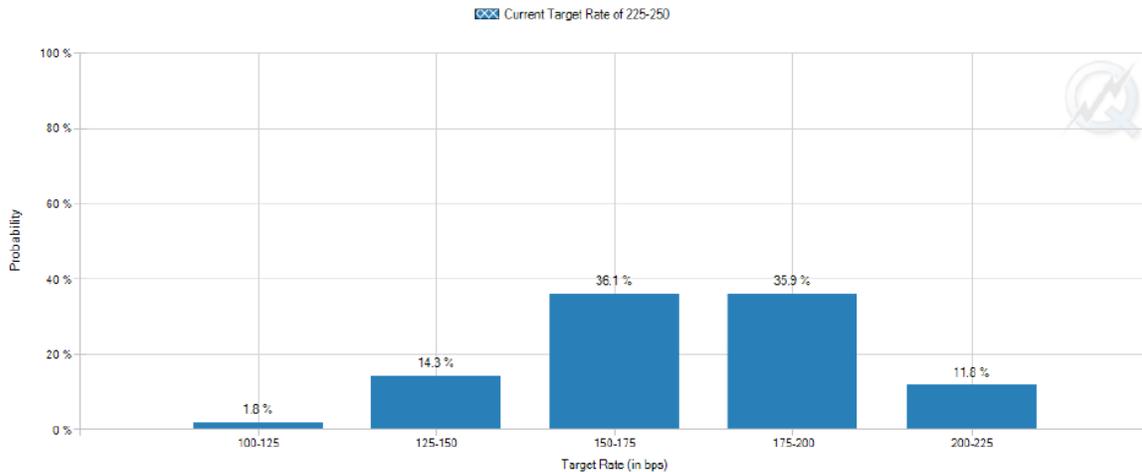


Consumer Confidence – considered a leading economic indicator, June confidence level was 121.5 well below consensus of 132.0. Trade war and tariff tensions were the cited factors behind the dip. We'll see if the news around the G20 calms consumer nerves



little light, but we'll see if the S&P 500 can break above 3000 before looking to adjust our prediction. In Fixed Income, we are maintaining our over-weights in International and Floating Rate bonds but will be gradually looking to move into U.S. Government Bonds and Mortgage-Backed Securities as we move our fixed income position more conservative. Our research team is constantly evaluating our products and tactical positions inside both our fixed income portfolio and equity portfolio, looking at both larger trends and short-term opportunities. With daily monitoring to accounts on an individual basis, we continue to rebalance accounts when they fall too far from their equity-to-fixed income ratio.

TargetRate Probabilities for 11 Dec 2019 Fed Meeting



MARKET TRACKER

INDEX	3 MO	1 YR	3 YR	5 YR
S&P 500	4.30%	10.42%	14.19%	10.71%
MSCI EAFE	3.68%	1.08%	9.11%	2.25%
BAR AGG BOND	3.08%	7.87%	2.31%	2.95%





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