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Market Update
(all values as of 06.28.2019)

Stock Indices:

Dow Jones	26,599
S&P 500	2,941
Nasdaq	8,006

Bond Sector Yields:

2 Yr Treasury	1.75%
10 Yr Treasury	2.00%
10 Yr Municipal	1.62%
High Yield	5.92%

YTD Market Returns:

Dow Jones	14.03%
S&P 500	17.35%
Nasdaq	20.66%
MSCI-EAFE	11.77%
MSCI-Europe	13.20%
MSCI-Pacific	9.46%
MSCI-Emg Mkt	9.22%
US Agg Bond	6.06%
US Corp Bond	9.69%
US Gov't Bond	6.82%

Commodity Prices:

Gold	1,412
Silver	15.36
Oil (WTI)	58.20

Currencies:

Dollar / Euro	1.13
Dollar / Pound	1.26
Yen / Dollar	107.86
Dollar / Canadian	0.76

Macro Overview

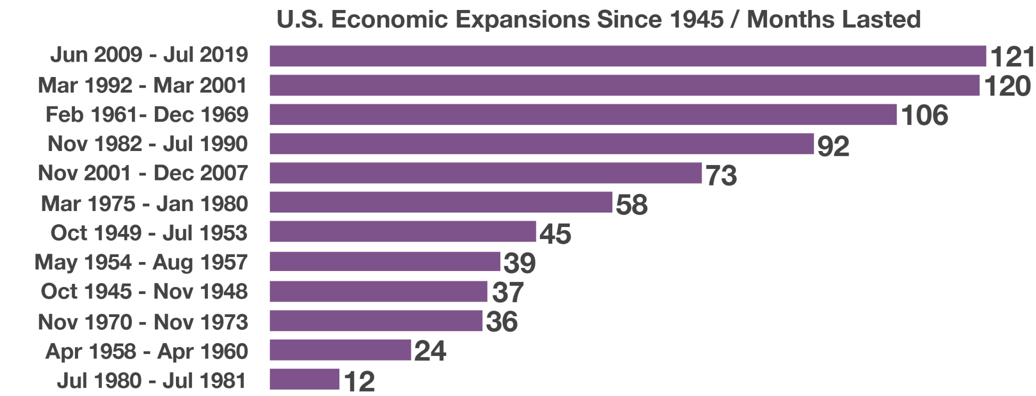
Stocks and bonds rose in June as lower rates drove equities higher and international diplomatic tensions elevated bond prices. Indications by the Fed that there may be a rate cut later in the year helped sustain stock prices near record levels.

The G20 met in Osaka, Japan, at the end of June where trade tensions between the U.S. and China were on the forefront of global concerns. The U.S. and China reached a temporary truce over the trade war as the leaders from both countries agreed to re-start negotiations that had fallen apart earlier on. The de-escalation of trade tensions between the two countries led to heightened optimism surrounding global economic growth. Central banks from around the world will weigh as to how much a trade truce or settlement might impact other economies globally.

The 10-year Treasury bond yield fell to 2.00% at the end of June, with several bond analysts expecting it to fall below the psychological 2.00% level. Yields dropped lower in Europe with Austria issuing 100-year government bonds with a yield of 1.17%. Highly rated, positive yielding government bonds are in enormous demand globally as investors seek income from viable and reliable sources.

Mortgage rates dropped again in June to 3.73% on a 30-year fixed conforming loan, helping to sustain the housing market. The low rate environment has also fostered an inexpensive source of capital for U.S. and international companies, allowing for expansion and hiring as demand reappears.

Commodity prices including oil, gold, and iron ore all elevated in the first half of 2019, with most of the gains occurring in June. Rather than a traditional sign of inflation, falling inventories of oil and iron ore have pushed prices higher as demand has remained constant.



The U.S. Bureau of Economic Analysis found that the current economic expansion is the longest on record since 1945. The economic expansion that began in June 2009, following the depths of the financial crisis, has now lasted 121 months as of the end of June. The second longest economic expansion lasted 120 months, running from March 1992 until March 2001 when the dot-com bubble burst. There have been 12 economic expansion periods since the end of World War II in 1945 lasting 12 months or longer. (Sources: BEA, Freddie Mac, U.S.Treasury, g20.org, Bloomberg, Federal Reserve)

Stocks Rebound In June – Equity Overview

Stocks and bonds registered the first half of the year with formidable gains propelled by an expected rate cut by the Fed later in the year. It was the best first half of the year since 1997 for equities, with the Dow Jones Industrial Index, S&P 500 Index, and the Nasdaq nearing new highs.

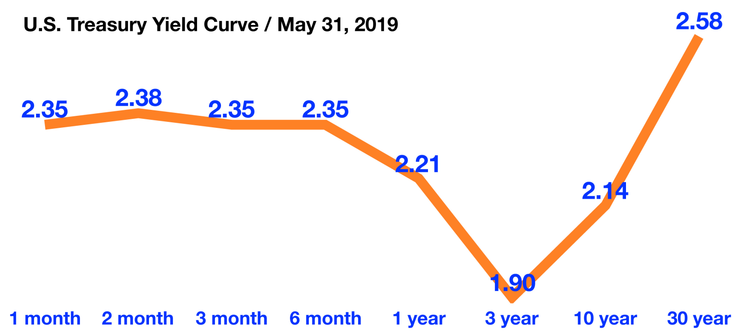
Equities were also driven higher in June by a relief in trade tensions between the U.S. and China as the expectation that the Fed will eventually cut rates sometime this year. Historically, a low-rate environment is favorable for equities in the form of inexpensive capital for expansion and loans.

The rebound in stock prices in the first half of 2019 from the turmoil that hindered markets in December 2018 has been one of the strongest rebounds in decades.

The Federal Reserve gave large U.S. banks the approval to repurchase their own shares and lift dividends, part of the Comprehensive Capital Analysis and Review process set in place by the Fed. Large money center banks as well as smaller regional banks were restricted from buying back their own shares as well as increasing dividends in order to fortify bank balance sheets following the financial crisis. (Sources: Federal Reserve, Dow Jones, S&P, Bloomberg, Reuters)

Rates Drop Rapidly Amid Inverted Yield Curve – Fixed Income Update

Markets tend to look at the yield curve in order to find clues as to what the expectations are about future economic growth and inflation. The yield curve is essentially the current yield on government Treasury bonds from 1-month maturities to 30-year maturities. At the end of May, the 1, 2, 3, 6 month and 1-year notes all yielded more than the benchmark 10-year bond. When shorter term bonds are yielding more than longer term bonds, it is known as an inversion or inverted yield curve.



When the yield curve is inverted, the typical order of the debt markets that prevails when the economy is healthy has been turned on its head. Usually, the long-term U.S. government bonds offer higher yields than short-term bonds.

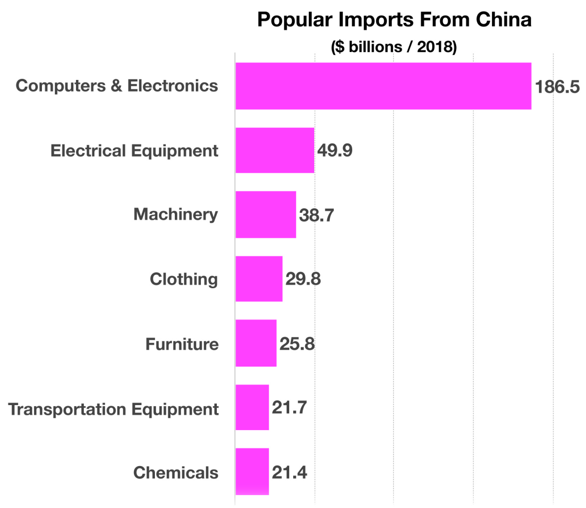
As of this week, the U.S. Treasury yield curve has now been inverted for a full quarter. This event happens to be an unusually reliable warning sign that an economic downturn is on the way. The yield curve has flipped prior to each of the last seven official recessions over the past 50 years, without a single false-alarm during the stretch.

The 10-year Treasury bond yield dropped below 2% for the first time since November 2016. The 10-year Treasury continues to trade at a lower yield than the 3-month Treasury bill. The Federal Reserve communicated its confidence with the labor market and rising wages for lower paid workers as positive for the U.S. economy, but noted that inflation is still mundane and below expectations. Its concern is slowing global growth with anemic economic expansion in other parts of the world. Such concerns may lead to dismal expansion with the need to eventually reduce rates to help prop up economic growth.

Total global debt as of the end of 2017 was $184 trillion, as monitored by the International Monetary Fund (IMF). **Global bond yields fell in May with an estimated $10.6 trillion worth of debt now in negative yielding territory**, the highest since 2016. (Sources: IMF, U.S. Treasury Dept., Federal Reserve)

Here's What The U.S. Buys The Most Of From China – Trade Overview

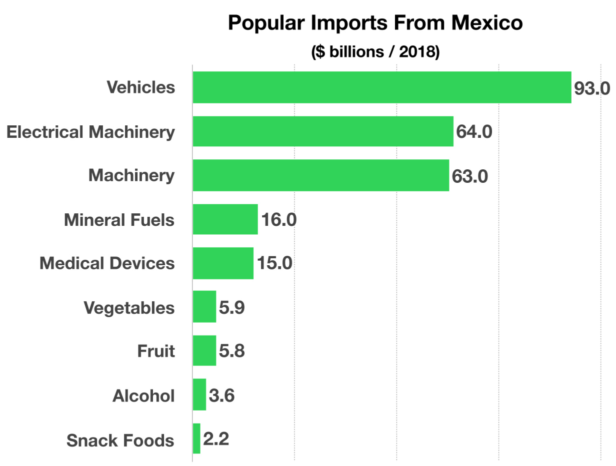
In the past twenty-plus years, China has evolved from a heavy equipment machinery exporter to a prominent leader in technology product exports. Large international conglomerates have established an enormous manufacturing presence throughout China, utilizing its cheap labor and quick turnaround times. China's manufacturing plants are among the most modern in the world, producing large capacities almost entirely for export.



As the world's appetite for electronic devices has grown, so has China's ability to manufacture and export these devices. As a product exporter, China is able to manufacture and export finished products worldwide. In addition, China is also an exporter of components, which may be used in the manufacture and assembly of products in other countries, such as the United States. By exporting components in addition to finished products, China is able to hedge against tariff issues and labor costs should they become a factor. (Sources: WTO, IMF, U.S. Dept. of Commerce)

What The U.S. Imports From Mexico – Trade Overview

The administration has proposed tariffs up to 25% on imported products from Mexico in order to stem illegal immigration from the country. Some argue that imposing such a tariff would make certain imported products more expensive for American consumers.



The U.S. imported $93 billion worth of vehicles from Mexico in 2018, with auto parts accounting for the single largest type of product imported from Mexico valued at over $51 billion in 2016, making the automotive industry an integral component of trade with Mexico. Interestingly enough, exports headed from the U.S. to Mexico are primarily for use in the automotive industry, with machinery, fuels, and plastics making up the largest portions.

Agricultural and food products imported from Mexico, such as vegetables, fruit, snack foods and alcohol, totaled over $17 billion in 2018. Mexico is currently the world's largest exporter of beer, exporting $3.6 billion of the alcohol to the U.S. in 2018. Proposed tariffs on Mexican imports are expected not to take effect until June 10th in order to give Mexico ample time to respond or negotiate terms. (Sources: Dept. of Commerce, BLS, Office of the U.S. Trade Representative)

Changes Proposed For 401k Plans & IRAs – Retirement Planning

The U.S. House of Representatives passed the SECURE Act, which will introduce various changes to retirement plans including IRAs and 401k plans. The act was approved by the House in May and is expected to be approved by the Senate and become law relatively soon.

One of the most significant revisions to IRAs introduced by the legislation is repealing the prohibition on contributions to a traditional IRA by an individual who has attained age 70 1/2. The legislation doesn't propose a revised maximum contribution age, yet states that more Americans continue working beyond traditional retirement age. So essentially, there will no longer be an age limit on IRA contributions.

A modification to 401k plans that will affect eligibility requirements for part-time workers is a major change. Longer term part-time employees will no longer be excluded from 401k plans, allowing part-time workers the ability to save and accumulate savings towards retirement.

Annuity payments will become an option for retirees when leaving their job and taking their retirement savings. In addition to opting for a rollover of retirement assets to an IRA or other qualified plan, retirees will be able to choose annuity payments as well.

The Required Minimum Distribution (RMD) age for IRAs will increase from age 70 1⁄2 to 72. This is beneficial for those retirees that don't need the income from their IRAs or rollover IRAs until later, thus minimizing the tax liability on distributions that would have been required at age 70 1/2.

Safe Harbor provisions will be simplified for 401k employer plans in order to facilitate plan administration as well as allowing greater flexibility to employers and employees. Such changes will eventually increase participation in employer sponsored retirement plans, an objective of the SECURE Act. (Source: House Committee on Ways & Means; https://waysandmeans.house.gov)