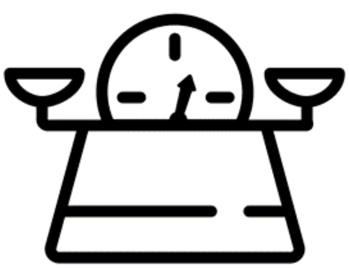
JULY 2019

HALF-TIME SCORECARD AND OUTLOOK

Coming off declines in May, June brought welcome relief by way of strong returns for equity markets. The broad domestic equity benchmark Standard and Poor's 500 Index returned 7.05% during the month to bring the year to date return to 18.54%. International markets also saw strong returns year to date with the MSCI World Index ex-US returning 15.1%. Interest rates took a wild ride on more fears of a global slowdown and posturing between President Trump and Federal Reserve Chairman Jerome Powell over monetary policy. The benchmark 10-year Treasury finished the month at 2.00% compared to the 2.66% it opened the year at.

The first half of 2019 has proved an odd time for investors. After an early, and strong, rise for markets this year, we experienced some ups and downs bringing some volatility to a market that mostly traded sideways. While we are currently sitting at all-time highs for the broad-based Standard and Poor's 500 Index, markets are clouded by a number of downside risks, including trade wars and other geopolitical issues, volatile interest rates, a Fed facing a show down with the President, and signs of a slowing global economy.



Our internal investment committee met last week to review the "state of the markets" and of course assess not only how our 2019 market outlook compares with market action year to date, but how our positioning may change through the remainder of the year. While the year has largely shaped up much to our expectations, we admittedly did not anticipate such strong equity market performance through the first half. While we do not see cause for immediate concern through the remainder of the year, we continue to believe that we may see bouts of volatility throughout the year on policy and geopolitical issues. Where appropriate, we are taking the recent market run as an opportunity to pare gains and rebalance portfolios. While we continue to see opportunities in equities, we are approaching markets cautiously—especially with new investments.

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Our 2019 Market Predictions

1.	**Growth will slow in 2019, but we won't see a recession.** *Too early to call.* Only First Quarter GDP numbers, which came in at 3.1%, are available as of this time. In 2018, we saw 2.9% GDP growth for the year. We remain confident that we will not see a recession in 2019, and we are targetting GDP growth between 2.0% and 2.5% for the full year 2019.
2.	**Earnings growth will slow in 2019.** *Too early to call, but on track.* First Quarter earnings growth came in at 4% compared to the 22% year over year growth that we saw in 2018.
3.	**Wages will grow again in 2019, but unemployment will bottom out.** *Too early to call, but on track.* Unemployment has fallen to its current level of 3.6%. The unemployment rate continues to hover at that level while wage growth has trended higher.
4.	**Consumer spending will rise in 2019.** *Too early to call, but on track.* While growth has not been robust, consumer spending has trended higher so far in 2019.
5.	**Inflation will slow in 2019.** *Too early to call.* The Consumer Price Index (CPI) numbers for May 2019 came in with a 1.8% year over year increase. This is slightly below 2018 inflation numbers.
6.	**The Federal Reserve will raise rates less than expected.** *Anything can happen, but we are confident this should be correct.* While coming into 2019 the Federal Reserve was setting the tone for two potential rate hikes in 2019. We believed strongly that the Fed would have a hard time making the case for more than one rate hike, and we saw potentially no hikes. Coming under a great deal of pressure from the President, and a slowing economy, the Federal Reserve has taken a more dovish tone. We don't foresee a hike in rates through the rest of the year, and would not be surprised to see a cut.
7.	**The Federal Deficit will rise.** *Too close to call, but we are confident this should be correct.* The Federal deficit has risen on tax cuts and neither political party has shown much interest in reigning in spending. As of the most recent estimates from the Congressional Budget Office the deficit is closing in on $900billion (more than $100billion more than last year).
8.	**The United States and China will reach a trade agreement.** *Too early to call, but on track (or so it seems).* Trade talks have been dramatic at best resulting in a tennis match of escalating tariffs. The United States and China have (again) agreed to a break in the imposition of any new tarrifs and Mnunchin has indicated that a deal is "close." While anything can happen, and China could conceivably attempt to wait out the results of the Presidential elections, we continue to believe that the completion of, or break down in negotiations, will be a catalyst for markets to take direction.
9.	**International markets could outperform domestic equities.** *Too early to call, but headed in the wrong direction.* A few things needed to fall into place for this to take shape. We did expect global growth to pick up more than it has and the dollar has also been stronger than expected. US equity market growth has outpaced international (the Standard and Poor's 500 Index is up 18.5% while MSCI World Index ex-US is up 15.1%). If the Fed cuts rates though, the dollar would likely weaken which could help international markets.
10.	**Volatility will persist, but domestic equities will push higher.** *Too early to call, but firmly on track.* While we haven't (thankfully) seen the wild gyrations of the Fourth Quarter of 2018 this year, we have seen a largely bumpy and range bound ride in the markets after a strong First Quarter.

We will revisit these predictions again at year-end

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Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. JPMorgan Guide to the Markets, June 30, 2019