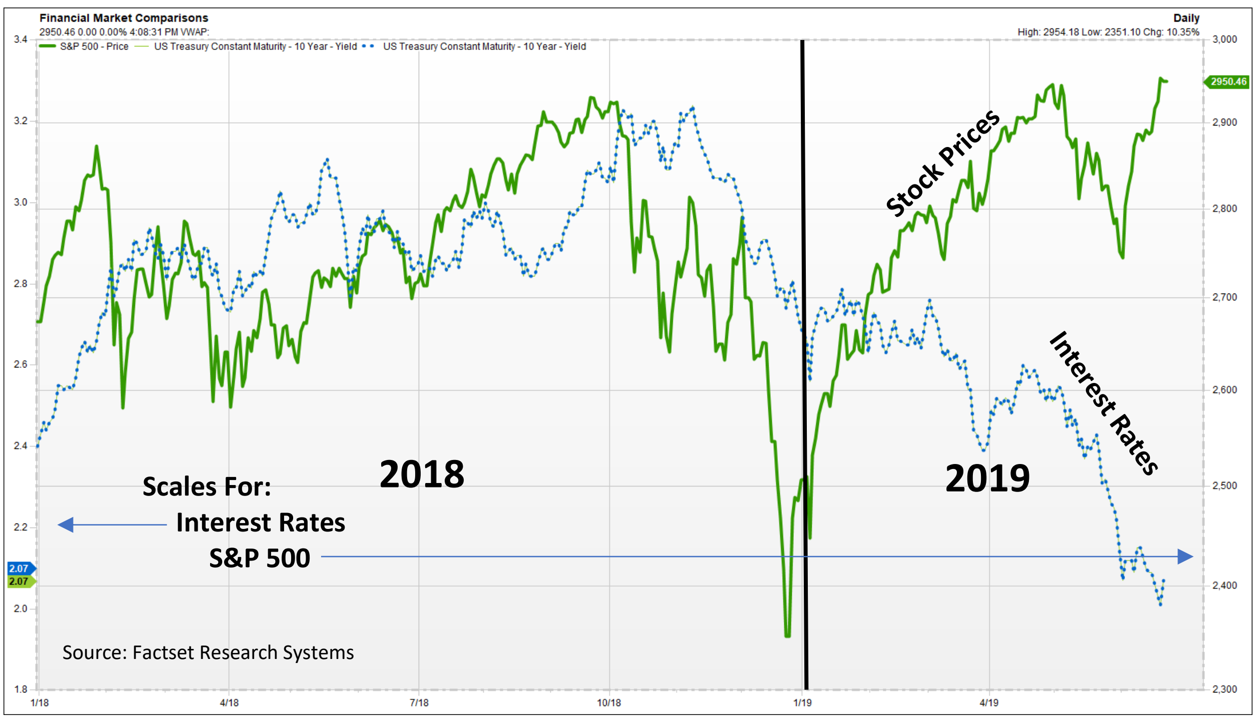
ECONOMIC & FINANCIAL MARKET UPDATE – June 2019

Milestones & Reflections On 2019's First -Half

Reflections

With the first six months of 2019, have come the tenth anniversary of the second longest[i] bull market in history, a new high (2850.46)[ii] for the S&P 500 and, in one-week (June 30th), the U.S. will celebrate ten years of positive economic (GDP) growth and the ***longest economic expansion in history[iii].*** That last fact assumes (we do) that the second calendar quarter was a positive one. Credit for much of the recovery from the challenges of the "great recession" and for the recent positive performance is attributed to the fact that the past ten years have been a period of rapid corporate earnings and dividend growth, low inflation, low interest rates, and rapidly rising employment. Those factors remain in place and have resulted in quite a reversal for those who had money invested and/or whose business/employment was challenged during the difficult days of 2008/2009. The chart below though focuses on the direction of the financial markets (stock prices and interest rates) during the past year and the, almost, first six months of 2019.

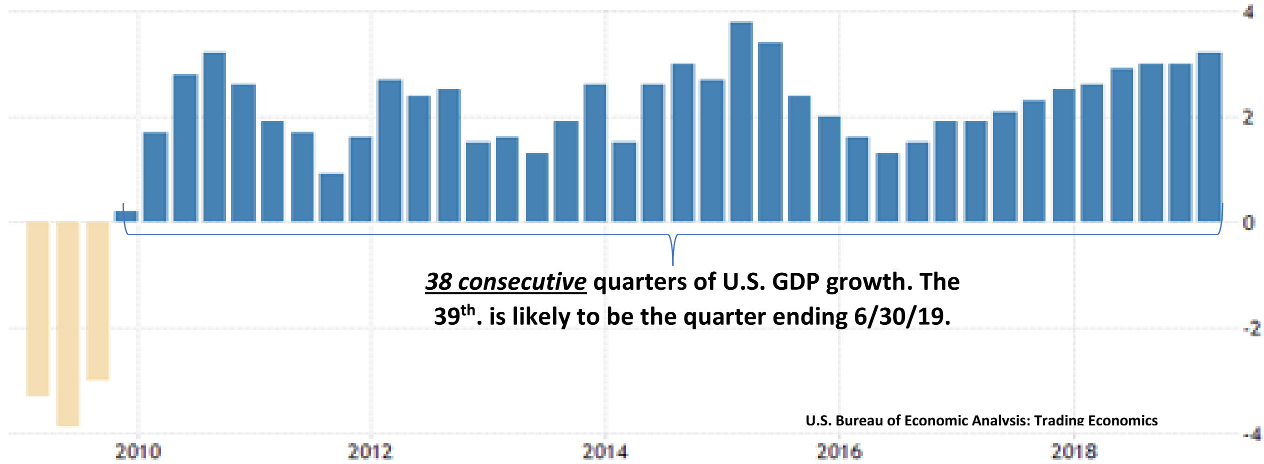


As one can see from the chart, the first six months of 2019 have been quite rewarding for stock market investors and have more than offset last year's modest decline (-6.6%)[iv] in the S&P 500. For the period 12/31/2018 through 6/21/2019 the S&P 500 rose 17.7%, while the yield on the benchmark, 10 yr. maturity U.S. Treasury Note fell from 2.69% to 2.09%[v]. Although they are not displayed on the chart, the price only, year-to-date returns for the Dow Jones Industrial Average and the NASDAQ were +14.54% and 21.05%[vi] respectively. Again, quite positive.

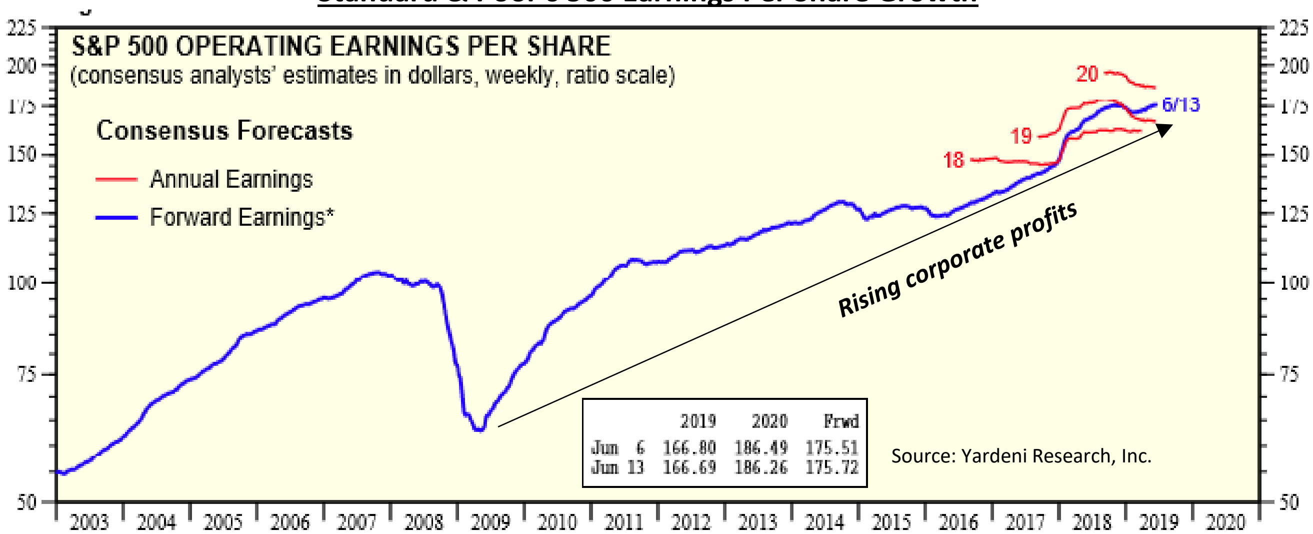
The additional charts, shown below, graphically display the positive elements that we have discussed in previous communications and mentioned above and that we believe are likely to continue to provide support for the U.S. economy and the equity markets.

ECONOMIC & FINANCIAL MARKET UPDATE – June 2019
Milestones & Reflections On 2019's First -Half

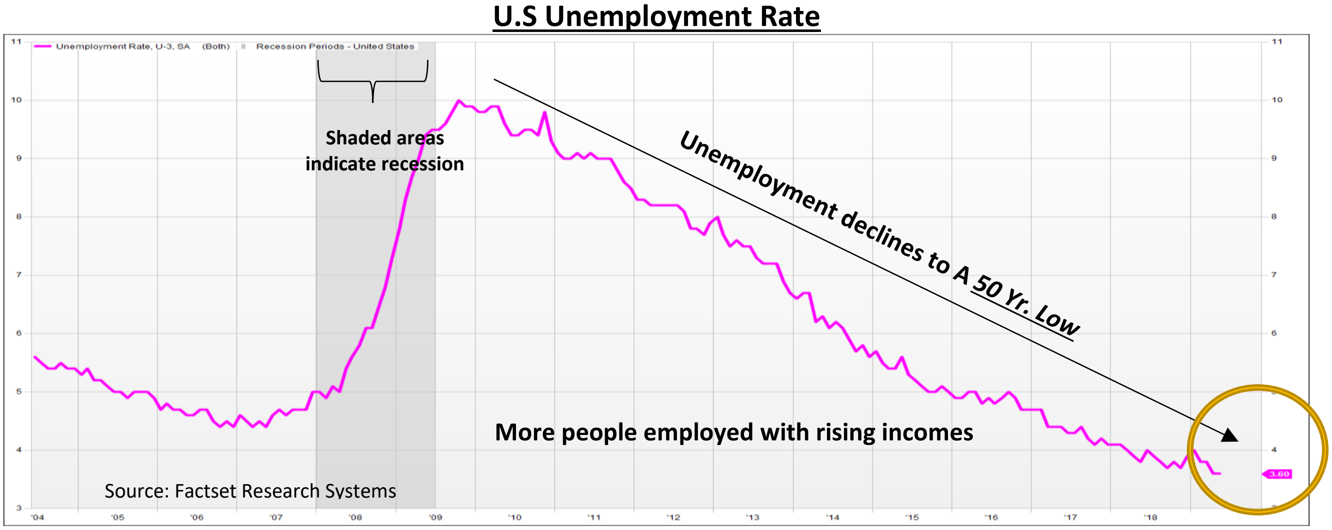
U.S. Economic (GDP) Growth



Standard & Poor's 500 Earnings Per Share Growth



U.S Unemployment Rate



ECONOMIC & FINANCIAL MARKET UPDATE – June 2019
Milestones & Reflections On 2019's First -Half

The strong first-half equity returns have occurred despite a number of continuing economic and geopolitical challenges. Those challenges include the difficulty that the U.S. and China have had in reaching an accord on trade issues, Middle East tensions, volatile oil prices, evidence of global economic slowing, lack of a coherent Brexit policy and the chaotic activities that sometimes take place in Washington and which escalate as the general election draws near.

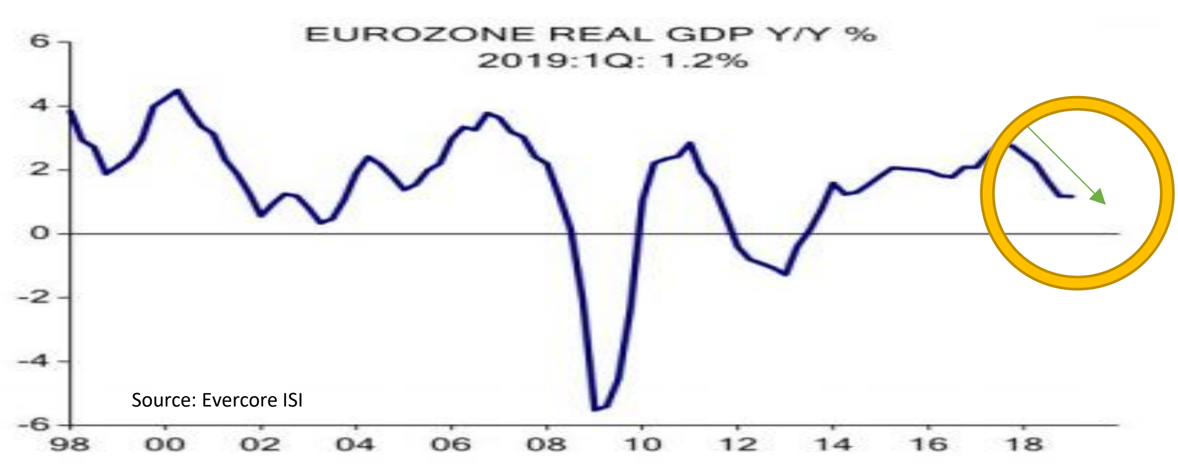
Currently there is a delicate balance between indications that trade issues may lead to slower global economic growth and optimism that a trade deal will be reached in the near future. The likelihood that central banks, not just the U.S. Fed, will step in and reduce rates to bolster economic growth appears to "tilt" that balance toward the positive.

As we have mentioned previously, we take each of these concerns quite seriously, yet at the same time, we weigh other factors that, of late, have led us to maintain a more confident stance. Our more optimistic outlook is, and has been, based on the fundamentals of a strong consumer e.g., robust employment, growing wages, and low inflation as well as continuing corporate earnings growth and reasonable equity valuations. We also think that the importance of global trade will be recognized by all of the conflicted parties and that a resolution to the "tariff wars" will be reached and, as previously mentioned, that the U.S. Fed is prepared to cut rates, for the first time in a decade.

Being more optimistic than many though has not kept us from taking investment action. While we remain committed to the value of focusing on the longer-term, not short-term trading, we will act during periods of opportunity as we did late last summer when equity positions were modestly reduced as the S&P 500 was near a record high, and then increased equity positions during the market "swoon" in late December. We will continue to be opportunistic as prospects present themselves, but only to the degree that we can also be as tax-efficient as possible.

<u>Looking Ahead</u>

We still do not anticipate a recession beginning in 2019 and likely not beginning until late 2020, if then. As we have discussed previously the global economy has continued to slow (see below) and the domestic economy, while in some ways quite strong, e.g., employment, household net worth, low debt to asset ratio, and low inflation, etc., there are also factors that have weakened such as housing, auto sales, and manufacturing. These last factors require close attention.



ECONOMIC & FINANCIAL MARKET UPDATE – June 2019
Milestones & Reflections On 2019's First -Half

You will note that the **Positive** and **Concerning** factors that we monitor carefully, when considering our outlook and actions, have not changed materially from those described in our previous (3/31/19) update**.** After a thorough review of those and other factors we remain optimistic in our short and intermediate viewpoint, but would not hesitate to modify that position quickly if conditions warranted.

Positive Factors	**Concerning Factors**
The domestic economy (GDP) continues to grow.	Increasingly weak global economic data.
Federal Reserve actions likely to be stimulative.	Heightened geopolitical tension (Iran/China).
Consumer Sentiment rebounds strongly.	One indicator has yield curve inverted.
Domestic & global inflation at/near record lows.	Weak housing starts and auto sales.
Corporate earnings at record highs.	U.S. Leading Economic Indicators "flat".
U.S. Hourly Wages increase.	2020 presidential race approaching.
U.S. unemployment at 50 year low.	
Stock valuations modest.	
Equity market technicals remain positive.	
Credit spreads have narrowed.	

Portfolio Strategy

In managing client assets our primary goal is to know as much about you and your objectives as possible. And with that, to focus on longer-term results, avoid reacting to short-term "noise", to maintain a well-diversified/balanced portfolio and to always be aware of your need for cash flow and liquidity. Obviously, endeavoring to optimize capital growth in as tax-efficient manner as possible is paramount as well.

Currently we "tilt" equity portfolios to emphasize the Health Care, Technology, and Industrial sectors that are so important to continued domestic and global economic growth, but also where innovation that improves people's lives but also grows capital is at the forefront.

With respect to fixed-income (bond) investments, we have recently, where possible, begun to modestly lengthen the maturity of bond portfolios to offset the recent decline in yield on short-maturity obligations.

Thank you very much for the opportunity to serve you. We value highly our relationship with you and would appreciate any questions, comments or critique' that you would like to share with us and we look forward to meeting with you in the near future.

---

[i] Current bull market 3/9/09 to 6/20/19; 3,755 days; longest bull market 4,494 days between 12/4/97 – 3/24/00 Bespoke Report 6/21/19

[ii] Factset Research Systems 6/21/2019

[iii] National Bureau of Economic Research, 6/2009 – 7/2019, 121 months

[iv] Yahoo Business 6/25/2019

[v] Barron's Market Laboratory 6/24/19

[vi] Barron's Market Laboratory 6/24/19