

Economic and Capital Markets Commentary

Headlines and Headwinds...

The U.S. economy generated strong growth in 2018 and fundamentals remain relatively solid heading into the first half of 2019. Both employment growth and wage growth are healthy, consumer confidence remains high, and inflation is subdued. However, business confidence and manufacturing activity are beginning to weaken as a result of slowing global growth.

The stock market garners the headlines and after peaking at an all-time high in late September, U.S. stocks declined sharply in the final three months of the year and posted their first annual loss since 2008. Fourth quarter volatility – both intraday and day-to-day – was high, and served as a stark reminder, particularly after nine years of positive results, that investing in stocks requires a trade-off: higher potential long-term returns in exchange for significant short-term price swings and uncertainty.

The U.S. stock market is struggling with several headwinds, including slower earnings growth as the 2018 U.S. fiscal stimulus fades, slowing global growth, higher interest rates, the Trump Administration's trade policies, and the uncertainty surrounding Brexit. Given the unknowns, investors are trying to determine what U.S. corporations will earn and how much to pay for those future earnings.

When stock market volatility increases, the media barrages the public with tactical recommendations – buy, sell, shift, swap – independent of the specifics that make each investor's situation unique. In our collective experience, such short-term changes only benefit the brokers placing the trades. Mitchell Sinkler & Starr works continuously with our clients to fine-tune their long-term investment strategies. This includes preparing our clients for markets like those at the end of last year.

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A final note: Mitchell Sinkler & Starr would like to acknowledge the contributions of Nicholas Carper, who retired at year-end. Nick's twenty-four years at the Firm as a Principal and Portfolio Manager were invaluable and he will be missed. We wish him well.

– Mitchell Sinkler & Starr's Portfolio Managers

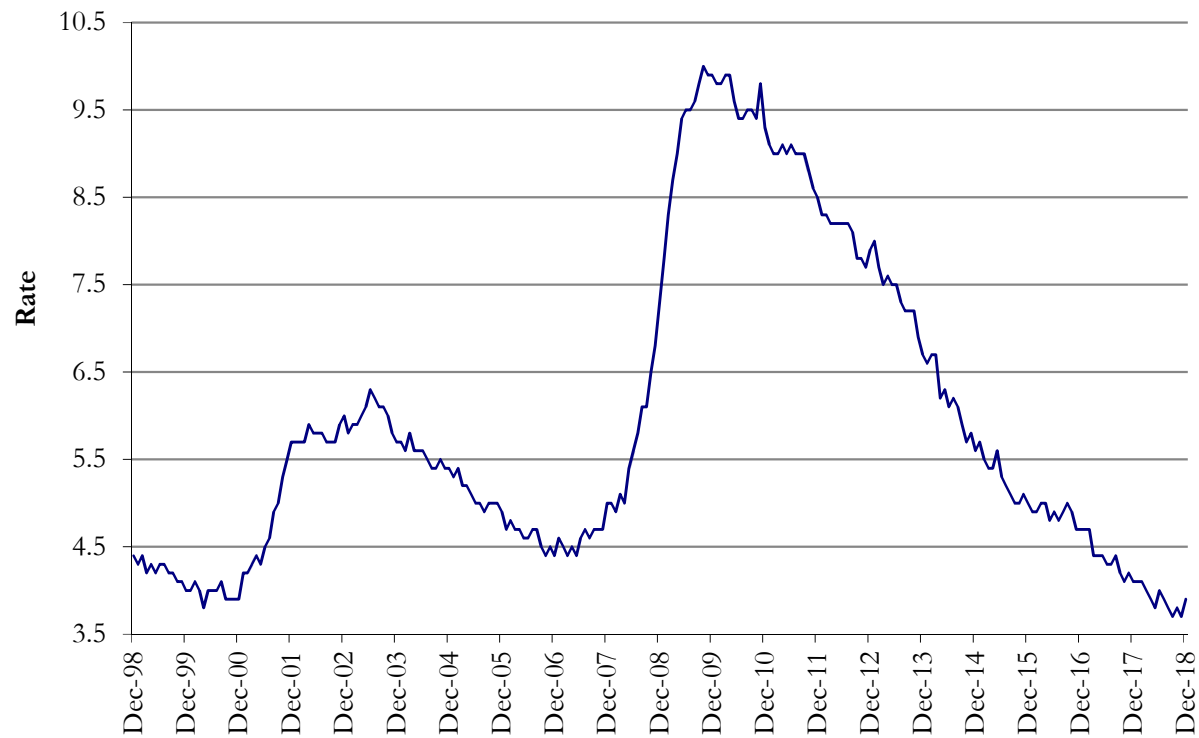
Economic and Capital Markets Data

	December 31, 2018	December 31, 2017	December 31, 2013
S&P 500 Index	2507	2674	1848
Price/Earnings Ratio	17.1x	21.7x	17.5x
Yield	2.15%	1.89%	1.89%
Federal Funds Rate	2.50%	1.50%	0.25%
10 Year U.S. Treasury Yield	2.69%	2.41%	3.03%
Gold	1282	1202	1303
Oil (Brent)	54	67	111
GDP (Annualized)*	3.4%	2.3%	3.2%
Unemployment	3.9%	4.1%	6.7%
Inflation (Annualized)	1.9%	2.1%	1.5%

* As of September 30, 2018

U.S. Unemployment Rate

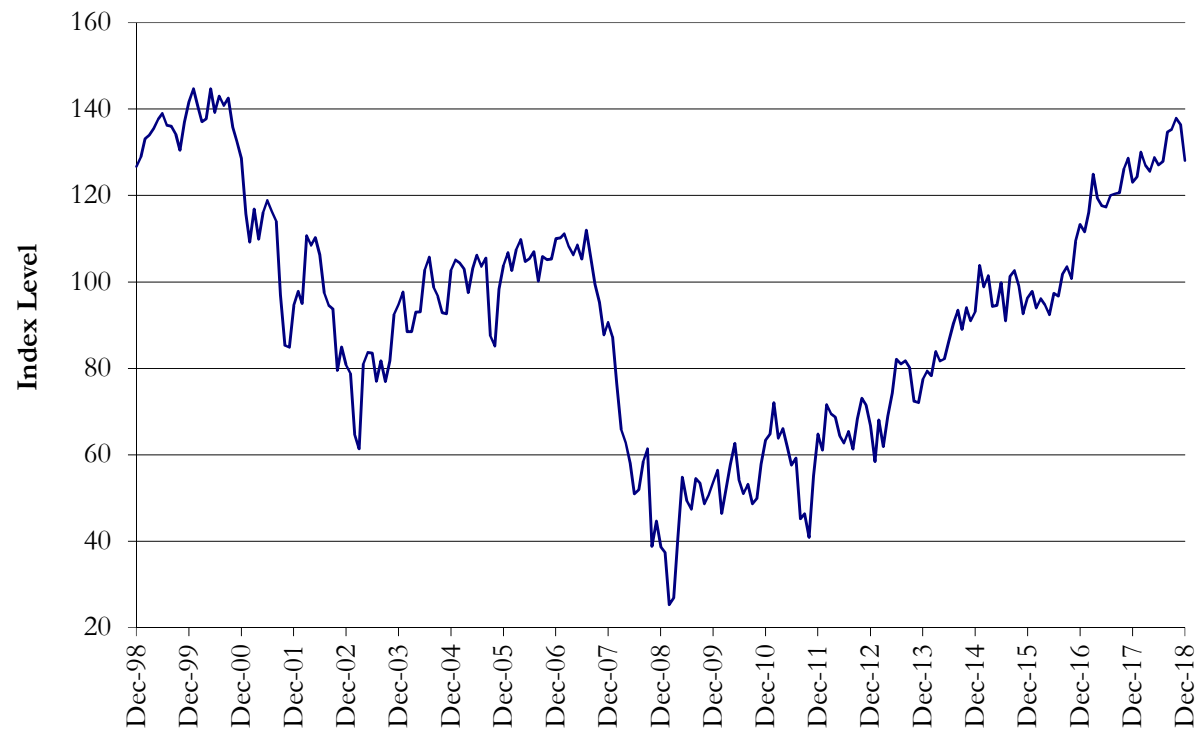
Twenty Years



Courtesy of Bloomberg

Consumer Confidence Index

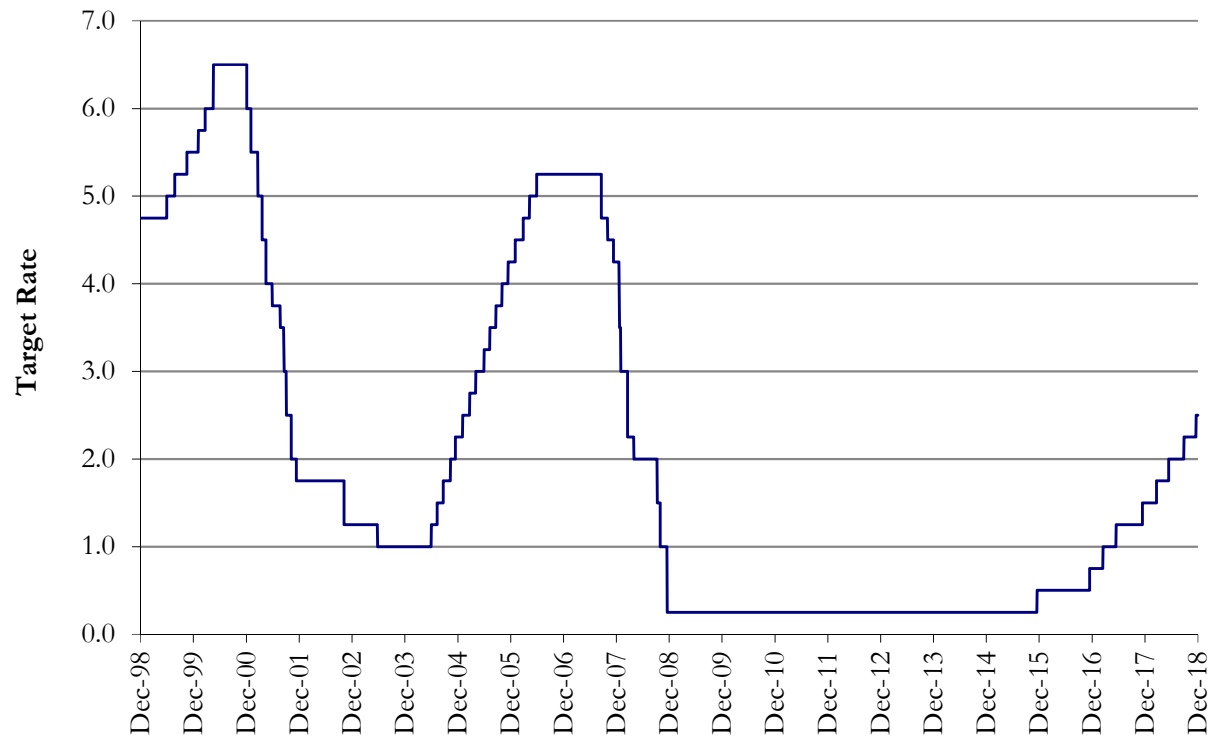
Twenty Years



Courtesy of Bloomberg

Federal Funds Target Rate

Twenty Years



Courtesy of Bloomberg

U.S. Treasury Ten Year Bond Yield

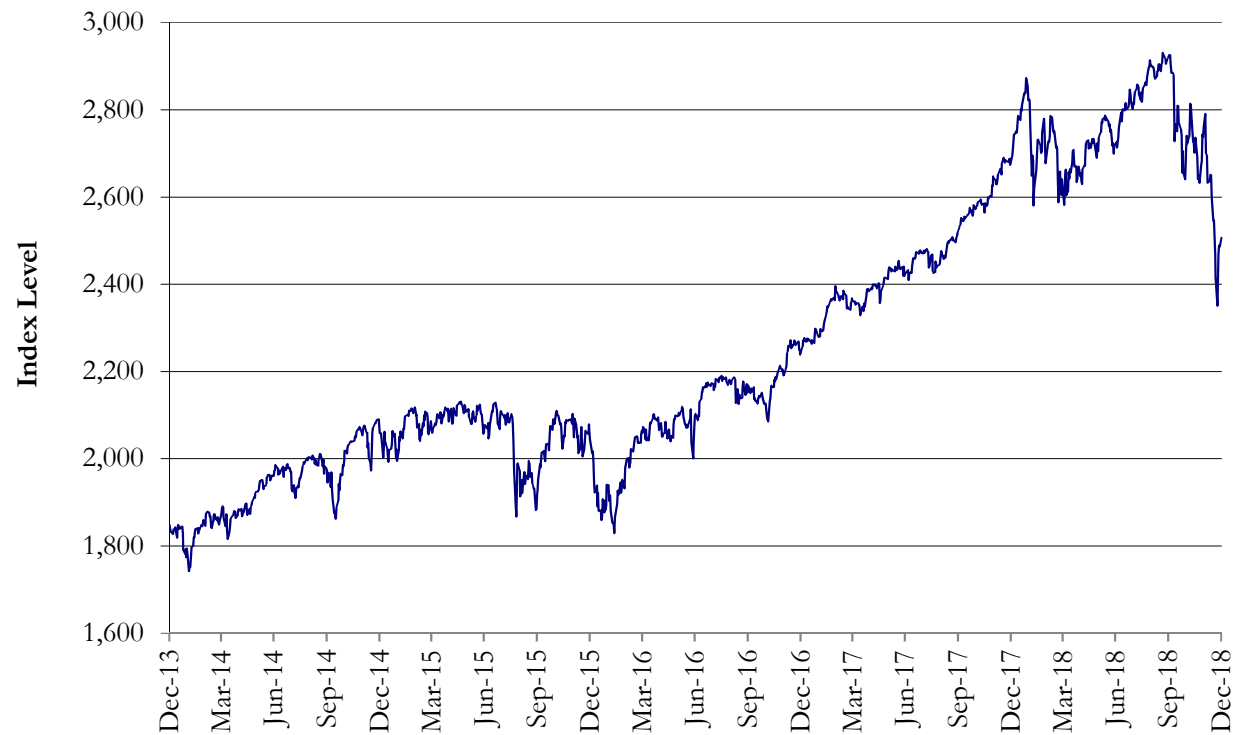
Twenty Years



Courtesy of Bloomberg

Standard & Poor's 500 Index

Five Years



Courtesy of Bloomberg

Standard & Poor's 500 Index

Twenty Five Years



Courtesy of Bloomberg