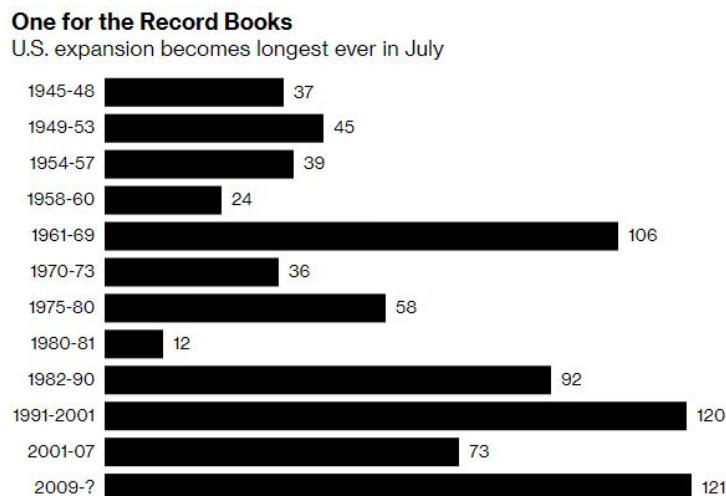


Economic and Capital Markets Commentary

And the award goes to...

As of July, the current U.S. economic expansion, as shown below, is the longest on record.



Number of months

Source: National Bureau of Economic Research. Note: NBER typically takes about a year to declare the start and end of expansions.

Courtesy of Bloomberg

Similarly, the U.S. stock market, as represented by the S&P 500 Index, ended the second quarter of 2019 close to the new all-time high set just days before. While stocks rallied, interest rates declined dramatically in the first half of the year, possibly foreshadowing slower global growth going forward. Accordingly, economists and investors are watching closely to determine what might derail either the expansion or the stock market.

The prior record holder, the 1991 – 2001 expansion, ended after the Tech Bubble burst and was followed by three years of declining stock prices. The consensus is that there are no current ‘bubbles’ – unsustainable financial conditions – threatening



Economic and Capital Markets Commentary

this expansion with the possible exception of corporate debt, which has grown to a record as a percentage of U.S. gross domestic product. If economic growth, and therefore corporate earnings growth, slows, servicing the rising level of debt may become more difficult for companies with weaker finances.

While we expect the expansion to continue throughout 2019 at a slower pace, the biggest risk may be a factor that is harder to quantify – confidence. Ongoing trade tensions between the U.S. and China have had a ripple effect across the globe and business activity is muted as investment is put on hold. The breadth of the dispute – first tariffs and trade and now technology, intellectual property, and national security – makes it difficult to resolve. The Federal Reserve, acknowledging trade uncertainty and slowing growth, has pledged to do what is necessary to continue the expansion and most Fed watchers expect interest rate cuts before year-end, implying that the yield on safe, liquid, cash reserves has peaked.

Second quarter corporate earnings and companies' forward guidance, to be released throughout July and early August, will be important data points for the stock market going forward. At the same time, upcoming economic data, comments from the Fed, and tweets regarding trade will be parsed and dissected for any change in direction or tone. In summary, slowing economic growth, stock market highs, and lower bond yields combine to make the rest of 2019 an interesting, and possibly challenging, time for investors.



Economic and Capital Markets Data

	June 30, 2019	June 30, 2018	June 30, 2014
S&P 500 Index	2942	2718	1960
Price / Earnings Ratio	19.3x	19.0x	17.8x
Yield	1.91%	1.93%	1.91%
Federal Funds Rate	2.50%	2.00%	0.25%
10 Year U.S. Treasury Yield	2.01%	2.86%	2.53%
Gold	1410	1253	1327
Oil (Brent)	67	79	112
GDP (Annualized)*	3.1%	4.2%	5.1%
Unemployment	3.7%	4.0%	6.1%
Inflation (Annualized)**	1.8%	2.9%	2.1%

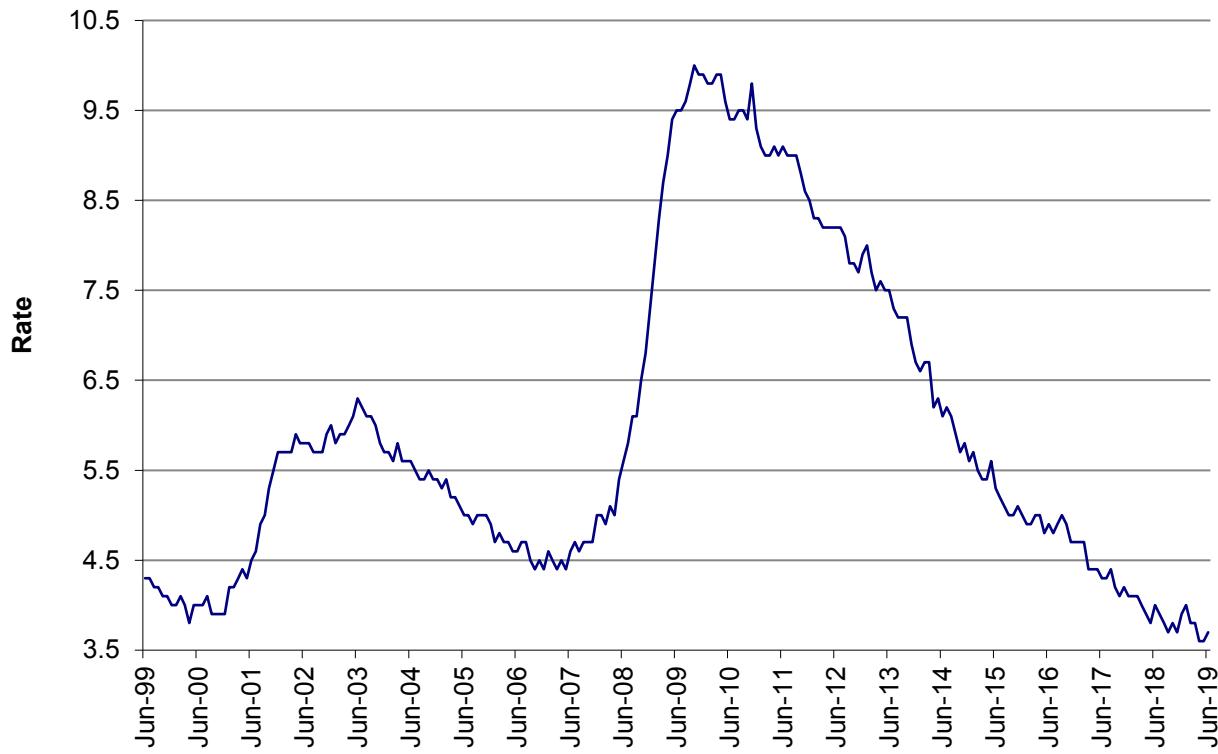
* As of 3/31/19

** As of 5/31/2019



U.S. Unemployment Rate

Twenty Years



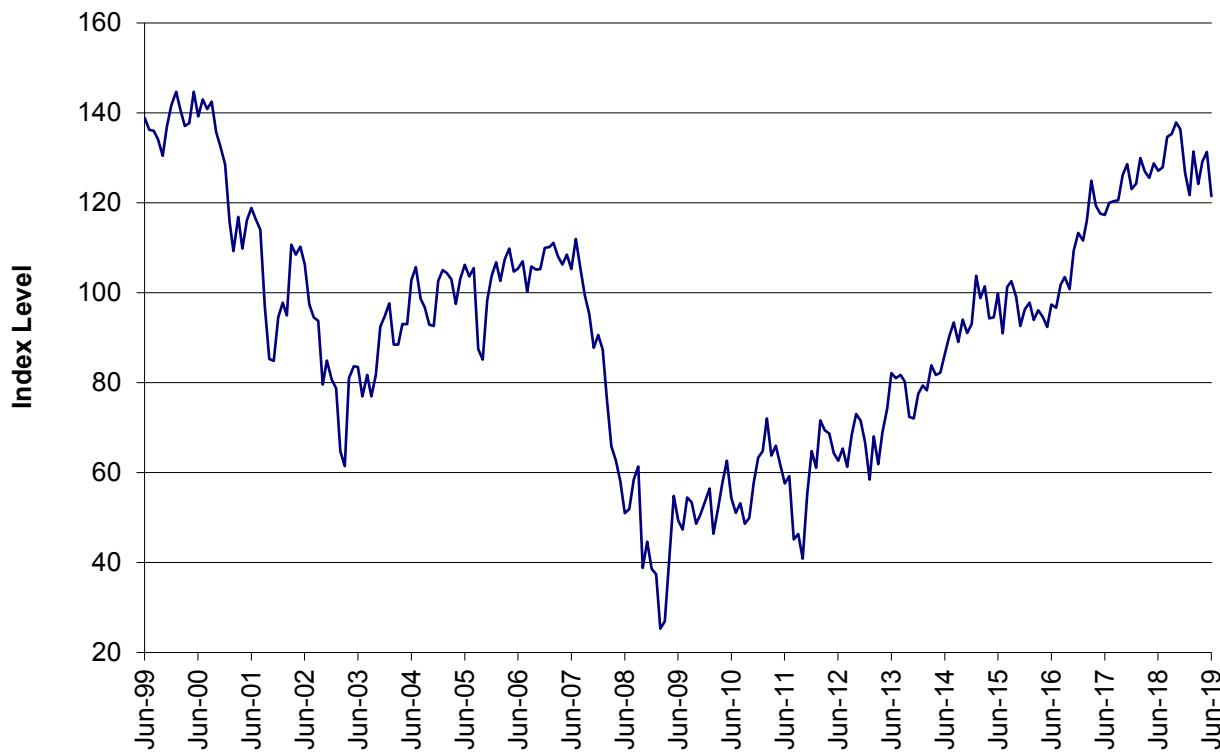
Courtesy of Bloomberg



Third Quarter 2019

Consumer Confidence Index

Twenty Years



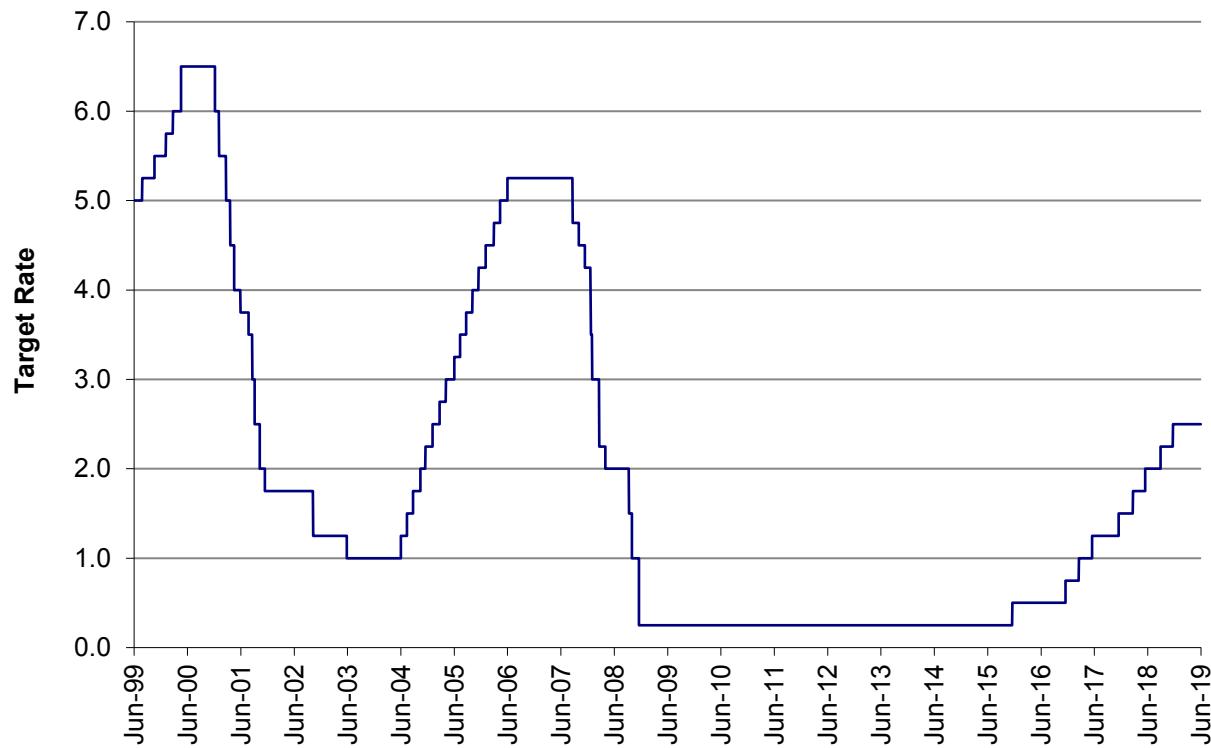
Courtesy of Bloomberg



Third Quarter 2019

Federal Funds Target Rate

Twenty Years



Courtesy of Bloomberg



U.S. Treasury Ten-Year Bond Yield

Five Years



Courtesy of Bloomberg



Third Quarter 2019

U.S. Treasury Ten-Year Bond Yield

Twenty Five Years



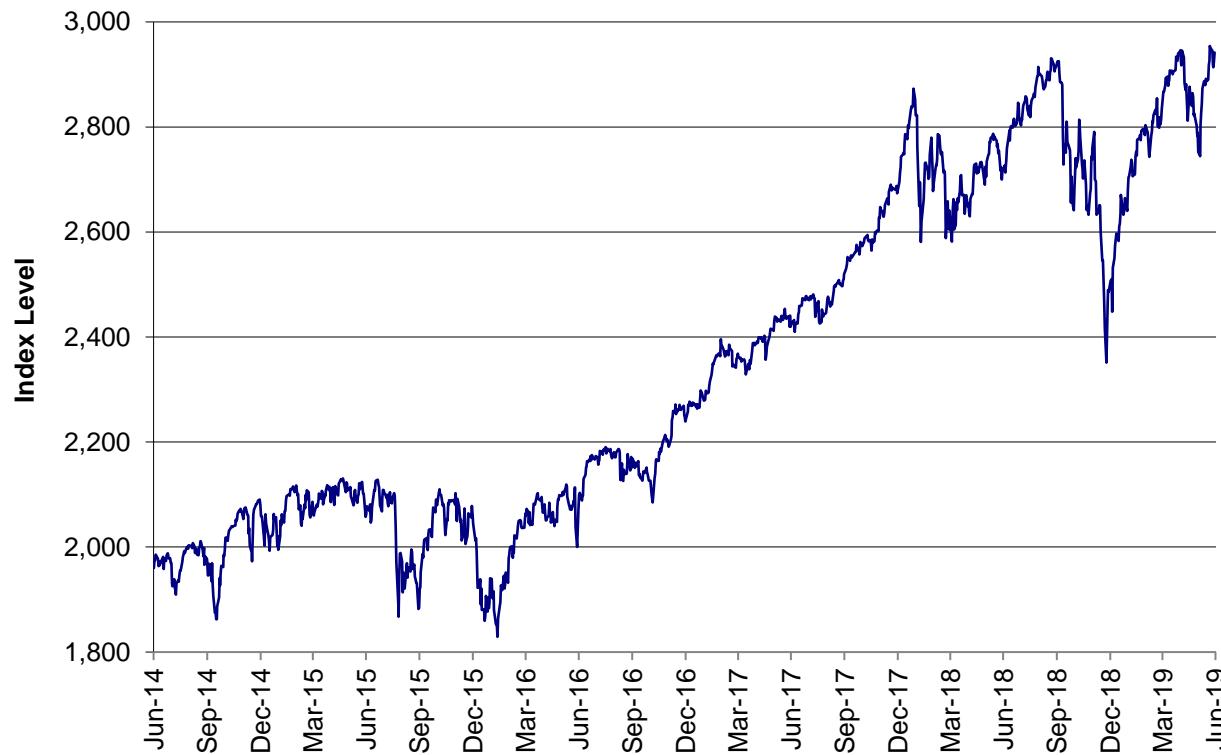
Courtesy of Bloomberg



Third Quarter 2019

Standard & Poor's 500 Index

Five Years



Courtesy of Bloomberg



Third Quarter 2019

Standard & Poor's 500 Index

Twenty Five Years



Courtesy of Bloomberg



Third Quarter 2019