MID-YEAR 2019

PROGRESS REPORT

↑ 16.1%	Global stocks are up double digits year-to-date with the most strength coming from U.S. stocks and REITs.
↑ 6.1%	With a flight to quality taking place, intermediate-term bonds have also rallied in 2019, driving yields lower.
3.6%	Unemployment is at a half century low.
120	Length of current U.S. economic expansion (number of months), the longest expansion on record. There may be room to continue as the level of growth has only been about half that of other expansions.
12 bps	The yield curve inverted for the first time since 2007, meaning the 3-month T-Bill yield is higher than the 10-year Treasury by about 0.12%, or 12 basis points. Yield curve inversion can be a signal of future recession; however, it is not a flawless indicator. Other fundamentals do not indicate a near-term recession is imminent.

ON THE POSITIVE SIDE

- The U.S. Federal Reserve is cautiously navigating from a rate hike environment to being on hold or a rate cut to avert recession.
- U.S. unemployment is very low (3.6%), despite some recent slowing of job growth.
- Global inflation is under control.
- Leading economic indicators such as the Chicago National Financial Conditions Index and the Leading Economic Indicators Index reflect a supportive economic backdrop.

AREAS OF POTENTIAL CONCERN

- Trade uncertainty and tariffs may impact the global growth outlook due to supply chain disruption and may hold back markets from larger higher movements this year.
- Global growth is expected to ease in 2019 and 2020 with global manufacturing as one downward trend.
- The outlook for the U.K. and its exit from the EU is constantly changing.

PROGRESS SUMMARY

Financial markets have provided solid returns for investors year-to-date as of 6/30/19. As always, we do not attempt to predict short-term returns given the high level of uncertainty. The mid-year returns may or may not be illustrative of the annual outcome, especially in more volatile markets such as stocks. However, if markets ended the year with similar year-to-date returns, it would be a pleasing outcome. Our longstanding philosophy is that diversification across many asset classes is a solid approach to weathering different economic and market conditions, including allocating to some often overlooked asset classes such as international small cap that can be great diversifiers for long-term investors.

Sources: Morningstar Direct, The Conference Board, Federal Reserve Bank of Chicago and St. Louis, U.S. Bureau of Labor Statistics, and National Bureau of Economic Research