

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust Bank

Global economic activity has decelerated meaningfully over the past year. Most developed and emerging markets have experienced only modest gains. Growth has been subpar as headwinds, such as a shifting political landscape have helped to stall any economic momentum. Despite these difficulties, global economies should experience modest growth going forward with limited inflation levels. Moreover, global monetary policy is likely to become slightly more accommodative, although, these actions may not be enough to offset the political uncertainties.

Eurozone

Economic growth in the Eurozone has deaccelerated sharply from the 2.7% rate experienced in 2017. The region is facing many challenges, such as trade tensions, Brexit uncertainty, Italy's budget issues, and strikes in France, which have clearly weighed on sentiment. Eurozone Gross Domestic Product (GDP) should gain 0.7% in 2019, a sharp reduction from the 1.5% rate expected at the start of the year.

The expected economic recovery in 2019 has not materialized. Germany, the region's largest constituent, is close to experiencing a recession as business investment has slowed. The overall employment picture varies widely among the members of the EU with the average jobless rate forecasted to fall to 7.8%

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. LifeNeeds™ utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

this year. Also, inflation levels are below the European Central Banks (ECB) target rate. At the mid-September meeting, the ECB is expected to announce several initiatives aimed at supporting the sluggish Eurozone economy. Europe's exportation relationship with China makes Europe vulnerable to China's economic situation. Therefore, some of the policy actions may have limited impact if the Chinese economy continues to slow.

United Kingdom

The current deadline for the United Kingdom to leave the European Union is set for October 31st. Economic growth in the U.K. slowed in the most recent reporting period as many companies had accumulated inventory during the past few quarters in anticipation of the possible exit from the European Union. The U.K.'s GDP is expected to run at about a 1.0% this year, which represents a deceleration from last year's 1.4% rate. Continued uncertainty, over trading and financial relationships with the European Union, will likely depress or delay business investments.

Many variables remain to properly forecast the Brexit impact at this point. The Bank of England has signaled that it would make changes to its overnight interest rates based on the Bre-exit outcome. Generally, monetary policy in the U.K. remains accommodative. Fiscal policy is expected to be more stimulative as the government attempts to boost growth with public spending. Inflation was relatively high last year as a result of a tighter labor market but it is expected to decline in 2018 and 2019.

Japan

The Japanese economy was negatively impacted by the dramatic slowdown in global economic activity that began in mid 2018. Additionally, a series of natural disasters and adverse weather conditions contributed to a declining growth picture. The Bank of Japan has struggled to generate any meaningful inflation over the past few years. Modest improvements in household spending and private investments should help the inflation rate in Japan move to 1.0% in 2019. Although inflation levels still remain low compared with other developed nations.

Japan has only been able to achieve modest economic growth. Several attempts have been made to address the fiscal challenges that the country faces. The government implemented a consumption tax hike, outlined a wide-ranging structural reform package, and expanded its huge quantitative easing program. Despite these actions, the economy is likely to generate economic growth slightly above 1% over the next 2 years.

China

The Chinese economy has been slowing for the past 5 years and their GDP is expected to decrease to 5.9% this year, which is still a very healthy level but well below the rate achieved a few years ago. The primary driver of these changes has been a slowdown in public investment spending. The People's Bank of China (PBoC) faces many hurdles to boost economic activity in the coming years. A combination of regulatory measures to

curb capital outflows and fiscal stimulus to spur domestic investment has helped ease the fears of many investors that the yuan would suffer a large devaluation this year.

Consumer spending along with service related activity has experienced some gains, which has helped offset the decline in industrial activity. One unknown will be the impact of the current trade disputes with the United States. While a full scale “trade war” is unlikely, there is certain to be some negative impact from recent tariff talks.

	2017	2018	2019F	2020F
United States				
Real GDP (Q4-Q4 % change)	2.5	3.0	2.3	1.7
Unemployment Rate, EOP (%)	4.1	3.8	3.7	3.9
Inflation (CPI, Q4-Q4, %)	2.1	2.2	2.1	2.0
Policy Rate (Top), EOP (%)	1.50	2.50	2.00	2.00
Eurozone				
Real GDP (Q4-Q4 % change)	2.7	1.2	0.7	1.0
Unemployment Rate EOP (%)	8.7	7.9	7.8	8.0
Inflation (CPI, Q4-Q4, %)	1.4	1.9	1.0	1.1
Policy Rate, EOP (%)	0.00	0.00	0.00	0.00
Deposit Rate, EOP (%)	-0.40	-0.40	-0.50	-0.50
United Kingdom				
Real GDP (Q4-Q4 % change)	1.6	1.4	1.0	1.2
Unemployment Rate EOP (%)	4.4	4.0	3.9	3.8
Inflation (CPI, Q4-Q4, %)	3.0	2.3	1.7	1.7
Policy Rate, EOP (%)	0.50	0.75	0.75	0.75
Japan				
Real GDP (Q4-Q4 % change)	2.4	0.2	0.5	0.8
Unemployment Rate EOP (%)	2.7	2.4	2.4	2.3
Inflation (CPI, Q4-Q4, %)	0.6	0.9	1.0	0.4
Policy Rate, EOP (%)	-0.10	-0.10	-0.10	-0.10
China				
Real GDP (Q4-Q4 % change)	6.8	6.4	5.9	5.6
Unemployment Rate EOP (%)	3.9	3.8	4.0	4.0
Inflation (CPI, Q4-Q4, %)	1.8	2.2	2.6	2.5
Policy Rate, EOP (%)	4.35	4.35	4.35	4.35
Exchange rates (EOP)				
	Sep-2019F	Dec-2019F	Mar-2020F	Jun-2020F
EUR/USD	1.11	1.12	1.14	1.15
GBP/USD	1.22	1.25	1.27	1.29
USD/JPY	105.0	107.0	105.0	104.0
USD/CNY	7.10	7.15	7.15	7.15

F: Forecast

EOP: End of period

S&P 500 Index

3 Month	6.87%
Year-to-Date	18.34%
1 Year	2.92%
3 Year	12.69%
5 Year	10.10%

MSCI EAFE Net Index

3 Month	1.88%
Year-to-Date	9.66%
1 Year	-3.26%
3 Year	5.91%
5 Year	1.89%

Barclays Aggregate Bond Index

3 Month	4.11%
Year-to-Date	9.10%
1 Year	10.17%
3 Year	3.09%
5 Year	3.35%

As of 8.31.2019

Boise Branch

888 W. Broad St.
Boise, Idaho
208.373.6500

Coeur d'Alene Branch

622 E. Sherman Ave.
Coeur d'Alene, Idaho
208.664.6448

Las Vegas Trust Office

2850 W. Horizon
Ridge PKWY, Ste 200
Henderson, Nevada
702.430.4747

Info@IdahoTrust.com
www.IdahoTrust.com

1. Consult an Idaho Trust Bank financial consultant for more details. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIP. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Investment accounts generally under \$300,000; Insurance and Annuities of all sizes.
2. Please see the Idaho Trust Bank Schedule for Fees. Investment accounts generally over \$300,000.
3. Please see the Idaho Trust Bank Schedule of Fees. Investment accounts generally over \$500,000. Certain products may be provided by a Financial Consultant of Idaho Trust Financial is utilized: (1) Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC; (2) Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial; and, (3) Idaho Trust Bank is a separate company from LPL Financial, Idaho Trust Bank does not provide tax or legal advice. Overlay Asset Management utilizes external and/or internal managers selected by Idaho Trust Bank.
4. Certain products may be provided by a Financial Consultant of Idaho Trust Financial. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Idaho Trust Bank does not provide tax or legal advice.
5. Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, and differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fee before you invest.
6. Portfolios are illustrative only. ActualLifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest. Past performance is no guarantee of future results.

Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. For more information about performance of Idaho Trust Strategies and our performance calculation methodology, please contact us. Actual client performance may vary from the performance of model portfolios and/or any strategy. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest.

Portfolios are illustrative only. Actual LifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. The Idaho Trust investment strategies will vary from time to time as determined by Idaho Trust Bank. The information and analysis expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Information contained herein has been obtained by sources we consider reliable, but is not guaranteed. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice.

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK • MAY GO DOWN IN VALUE

Rev. 8.31.19 ©Idaho Trust Bank, 2019. All Rights Reserved.