

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust Bank

The global financial markets have experienced very strong performance in the first half of the year, especially in the U.S. A slowdown in global economic activity had clearly begun to impact the investment environment at the end of last year as concerns developed that the economy was not strong enough to withstand tighter monetary policy, but a shift in Federal Reserve Bank policy seems to have alleviated these worries.

Interest Rates

At the most recent meeting, the Federal Reserve Bank (Fed) decided to keep interest rates unchanged, despite growing pressure to lower rates. However, the Fed appears to be more open to cutting rates in the future. In fact, one member, St. Louis Fed President James Bullard, voted to cut rates.

In their policy statement, the Fed noted the current strength in the domestic economy. Importantly, the Fed removed a key sentence. The words “In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal-funds rate may be appropriate to support these outcomes” were removed from the most recent statement. Previously, the “patience” referred to the need to raise or at least maintain interest rate levels.

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.

The statement contained this sentence: “The Committee continues to view sustained expansion of economic activity, strong labor-market conditions and inflation near the Committee’s symmetric 2 percent objective as the



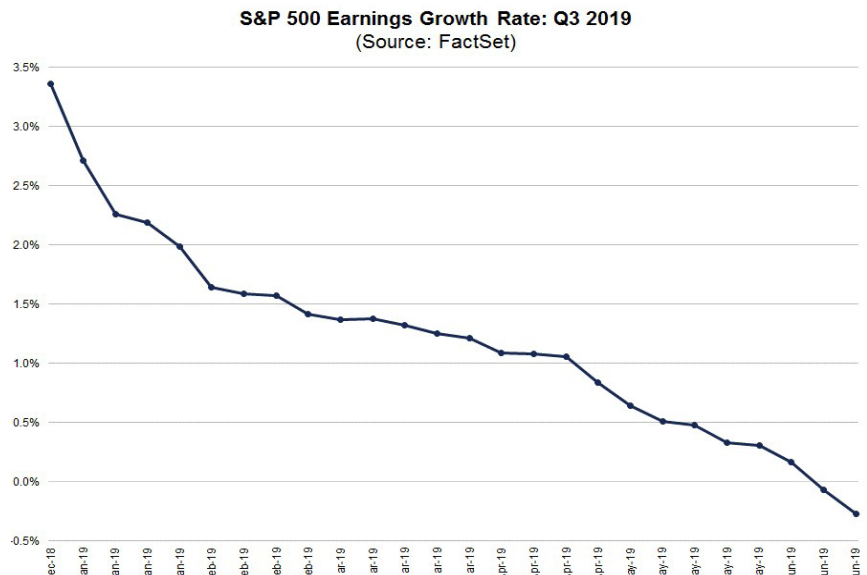
most likely outcomes.” But, it added: “but uncertainties about this outlook have increased.” These new statements suggest that there are clearly other Fed members in addition to Bullard that would like to see a decline in interest rates in the coming months.

The bond market has begun to price in these rate decreases. The yield on the 10-year Treasury dipped slightly below 2% and is now back to where it was before President Trump was elected more than two-and-a-half years ago. In the last seven months, the yield has dropped 120 basis points. (see above).

Corporate Earnings

Earnings for the S&P 500 are estimated to decline in the second quarter by (2.6%). If estimates are correct, it will mark the first time the index has reported two straight quarters of year-over-year declines in earnings since 2016. Looking ahead, earnings are expected to post a modest decline in the third quarter.

Expectations for earnings growth for 3Q19 have been falling over the past few months. At the start of the year, the estimated earnings growth rate for 3Q was 3.4%. (See chart to the right)



Interestingly, two of the eleven sectors are projected to report a year-over-year decrease in 3Q earnings: Energy (-13%) and Information Technology (-9%). These two sectors rank first (Information Technology) and fourth (Energy) in terms of sectors with the highest international revenue exposure. Consequently, activity levels overseas seem to be the primary source of earnings pressure.

First-Quarter Recap

During the first half of 2019, the U.S. indices experienced very strong equity market gains. The S&P 500 index rose 18.54% from January through the end of June. Many factors likely contributed to the shift in investment sentiment; such as, the perception of a more accommodative Fed policy position and hopes that there would be a resolution to the tariff conflict between the U.S. and China.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had the strongest returns in the first quarter. The Dow Jones Industrial Average and S&P 500, each containing a broader composition of companies, registered solid gains as investors anticipated that a slowdown in corporate profit growth was temporary. International stock indices experienced solid gains although not as strong as the U.S. equities so far this year.

2019 Market Returns

(Year to Date)

as of June 30, 2019

Broad Market Returns	
S&P 500	18.54%
Dow Jones Industrial Average	15.40%
Nasdaq	21.34%
Russell 2000 - small cap	16.97%
MSCI EAFE	14.03%
MSCI Emerging Markets	10.58%
US Bond Index	6.11%
Treasuries	5.18%
Corporate Bonds	9.85%
Municipal Bonds	5.09%
Foreign Bond Index	5.31%
Commodities	5.06%

Domestic Stock Sectors	
Information Technology	27.13%
Financials	17.24%
Health Care	8.07%
Energy	13.13%
Consumer Discretionary	21.84%
Consumer Staples	16.18%
Industrials	21.38%
Utilities	14.70%
Materials	17.26%
Telecommunication Services	19.09%
Real Estate (REITs)	20.42%

S&P 500 Index

3 Month	4.30%
Year-to-Date	18.54%
1 Year	10.41%
3 Year	14.18%
5 Year	10.70%

MSCI EAFE Net Index

3 Month	3.68%
Year-to-Date	14.03%
1 Year	1.08%
3 Year	9.11%
5 Year	2.25%

Barclays Aggregate Bond Index

3 Month	3.08%
Year-to-Date	6.11%
1 Year	7.87%
3 Year	2.31%
5 Year	2.95%

As of 6.30.2019

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. 6.30.19 ©Idaho Trust Bank, 2019. All Rights Reserved.