IdahoTrust

July 2017

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust

The global financial markets performed very well in the first half of this year. Moreover, volatility levels remained at very low levels. This seems at odds with a global political landscape that appears to be filled with uncertainties around the world. Most central banks are maintaining an accommodative policy outlook. The U.S. central bank has increased interest rates twice this year as the domestic economy appears to be on a better footing than most other major economies.

Interest Rates

At the mid-June meeting, the Federal Reserve Bank (Fed) raised interest rates for the fourth time in nearly a decade. By historical standards, interest rates remain low. The target range of the Fed funds is now 1.00% – 1.25%. The domestic economy has experienced some improvement over the past two years and the Fed members predicted that one more rate increase was likely this year with the possibility of three additional increases in 2018. Inflation levels are slightly below the Fed's stated goal.

First Half Recap

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, surged almost 15% so far this year. The Dow Jones Industrial Average and S&P 500, which each contain a broader composition

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process 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's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

of companies, registered a more modest but very respectable 9% gain. International stock indices, both developed and emerging, are outpacing the S&P 500 by a wide margin, thus far.

Market Returns

(First half of the year)

Broad Market Returns	
S&P 500	9.34%
Dow Jones Industrial Average	9.35%
Nasdaq	14.76%
Russell 2000 - small cap	4.98%
MSCI EAFE	13.81%
MSCI Emerging Markets	18.55%
US Bond Index	2.27%
Treasuries	1.88%
Corporate Bonds	3.80%
Municipal Bonds	3.26%
Foreign Bond Index	6.33%
Commodities	-5.26%

Domestic Stock Sectors	
Information Technology	17.23%
Financials	6.88%
Health Care	16.07%
Energy	-12.61%
Consumer Discretionary	11.00%
Consumer Staples	8.03%
Industrials	9.51%
Utilities	8.75%
Materials	9.21%
Telecommunication Services	-10.74%
Real Estate (REITs)	6.40%

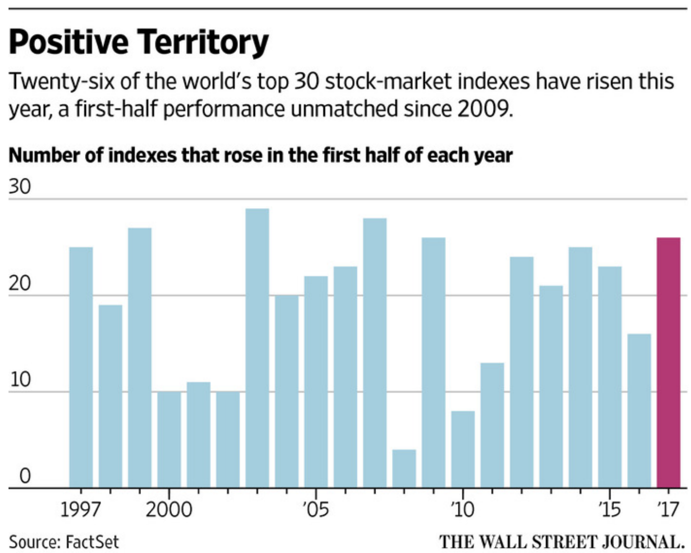
Looking at the global investment landscape, all but four of the 30 major indexes representing the world's biggest stock markets have risen this year, see chart on page 3. In the past 20 years, there have been only four instances with better widespread performance than the first half of 2017. Two of them preceded sharp market crashes, while two others came at the beginning of multiyear bull markets.

An improvement in the outlook for corporate profits is the primary culprit for the broad based rally in global equities. Another contributing factor is, in our opinion, continued support from most major central banks. Europe, in particular has been the beneficiary of surprisingly stronger-than-expected economic conditions. Many sentiment indicators (both business and consumer) have moved to pre financial crisis levels.

Despite President Donald Trump's challenges with parts of his agenda, and political worries in countries from Brazil to the U.K., stock markets have been unusually calm. Measures of volatility in the year's first half were at, or near multiyear lows not only in the U.S., but also in Europe and Asia. High stock valuations and low volatility have prompted concerns that investor complacency is too high. Federal Reserve Chairwoman Janet Yellen warned that asset valuations were "somewhat rich." The S&P 500 trades at about 18 times projected earnings, around its highest level in 13 years. Still, this valuation metric is well below its dot-com bubble's peak (of 26 times) in 2000. Valuations are more modest elsewhere around the globe. In Germany, the DAX trades at less than half its peak multiple in 2000. The Nikkei 225 fetches at 17 times forward earnings, around its average over the past five years.

Strong performance from Technology companies has been a major contributor to this strong performance. During the first half, the U.S Tech sector rose 17.2%. The Energy sector, on the other hand, was the biggest loser, declining 12.6%. A sharp decline in oil prices was a major factor in the group's poor showing and had a negative impact on the Dow Jones Industrial Average.

While the U.S. has raised short-term interest rates four times since the end of 2015, the ECB and Bank of Japan have mostly remained accommodative. Not every market has rallied. Russian stocks were among the world's worst-performing equity markets, dropping 14%. Oil's fall and the possibility of tighter sanctions negatively impacted those markets. Indexes in Israel, China and Canada were the other rare decliners in the first half.



Conclusion

The strong returns so far this year for the S&P 500 follow a 12% increase in 2016. Given the relatively healthy state of the domestic economy, the pace of Fed interest rate increases will certainly have an impact on the financial markets. Another important variable will be the changing political and fiscal policy environment, which has created many uncertainties; from infrastructure spending to the impact from changes in trade deals by the new administration. Uncertainty surrounding these issues could create volatility this year, but the underlying foundation of economic health remains strong.

S&P 500 Index

3 Month	3.25%
Year-to-Date	9.34%
1 Year	17.64%
3 Year	9.15%
5 Year	14.43%

MSCI EAFE Net Index

3 Month	6.53%
Year-to-Date	13.81%
1 Year	19.36%
3 Year	8.37%
5 Year	10.55%

Barclays Aggregate Bond Index

3 Month	1.18%
Year-to-Date	2.27%
1 Year	-0.52%
3 Year	2.70%
5 Year	2.18%

As of 6.30.2017

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. ActualLifeNeedsTM 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