

WealthManagement

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Market Insights

A periodic newsletter from Idaho Trust

A major force contributing to the healthy performance from the financial markets so far this year has been a pickup in growth that has occurred in almost every major economy across the globe. The fact that this is occurring simultaneously is an unusual development and along with a relatively stable financial system has allowed the market to look past the geopolitical uncertainties, at least for now.

Global Growth

For the first time since the financial crisis in 2008-2009, the world's major economies are all experiencing economic growth at the same time. The underlying backdrop of low-interest-rates, central bank stimulus, and the fading fears of the debt crisis has helped to encourage an environment of better worldwide economic activity.

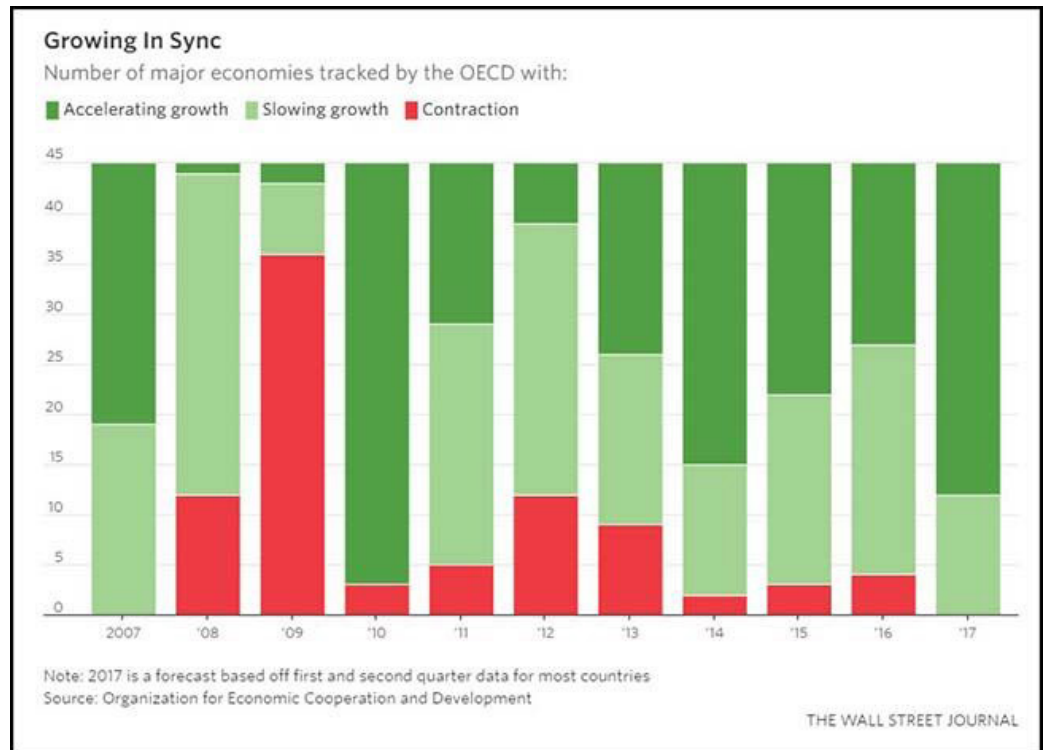
The International Monetary Fund projected that global economic output would grow 3.5% this year and 3.6% in 2018, up from 3.2% growth in 2016. This is in sharp contrast to the past few years when global growth was hurt by a slowdown in emerging markets as well as fears of a deflationary environment.

All 45 countries tracked by the Organization for Economic Cooperation and Development (OECD) are expected to grow this year, and 33 of them are poised

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.

to accelerate from a year ago (see chart below). The last time such a high percentage of OECD economies had an acceleration in economic activity was 2010, when many nations experienced a snapback from the global financial crisis.



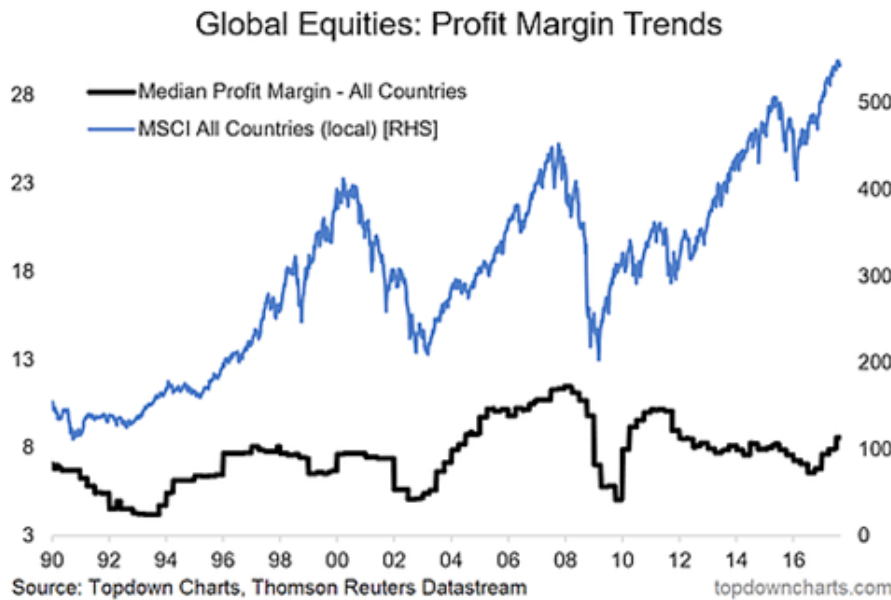
Looking back over the past 50 years, simultaneous growth among all the OECD-tracked countries has been rare. Prior to happening last decade, just before the financial crisis ensued, it happened in the late 1980s, and for a few years before the 1973 oil crisis. The development comes as nationalist movements have begun to emerge, due to renewed suspicion over global trade and finance. U.S. exports grew at almost a 6% annual rate in the first half of this year, the best two-quarter performance since the end of 2013 and outpaced the average of the previous decade.

A major risk to the current economic situation is if modest growth transforms into “overheating.” For now, though, the global upturn appears on track, in part because inflation is low and central bankers remain accommodative with only modest changes to their policy positions.

In late August, both the Federal Reserve Bank (Fed) Chairwoman Janet Yellen and the European Central Bank (ECB) President, Mario Draghi, spoke in Jackson Hole Wyoming suggested that the global economic backdrop helped justify plans to gradually reduce stimulus programs. The U.S. Fed is expected to begin shrinking its \$4.5 trillion bond holdings this fall. The balance sheet was expanded over the past decade to help drive down interest rates and boost risk-taking by investors, households and business. Additionally, the ECB is nearing the end of its own bond-purchase program.

Many factors are contributing to this global upturn. The Eurozone economies which have long struggled to experience any significant growth have begun to improve. Even Greece, which has experienced many challenges, has shown signs of finally turning a corner. The OECD expects that Greece will experience growth of 1% this year, which would be the best rate in the past decade. The country last month successfully returned to the international bond market after having been locked out since 2014.

An interesting development is that Eurozone economic growth has begun to outpace the U.S. in the first half of this year. Economic confidence is at its highest level in a decade, and unemployment has fallen to an eight-year low of 9.1%. Growth has broadened beyond traditional powerhouses like Germany and the Netherlands. Spain experienced its best growth performance in nearly two years in the second quarter. France and Portugal are both posting solid growth.



In many advanced economies, including the U.S., the effects of the financial crisis are finally fading. American households have stopped paring back their debt exposures and started returning to normal spending patterns. The fiscal stance in many advanced economies has shifted from austerity to ease. And although the Fed has begun to raise its target interest rate, most interest rates around the world remain low and below inflation rates.

Conclusion

We expect that the global economy will continue to advance at a slow and moderate pace in the coming years; as scarce demand prevents significant growth. One positive outcome could be that lack of excessive investment will likely limit economic overcapacity, which typically is the precursor to a recession.

S&P 500 Index

3 Month	2.22%
Year-to-Date	11.93%
1 Year	16.28%
3 Year	9.51%
5 Year	14.32%

MSCI EAFE Net Index

3 Month	2.38%
Year-to-Date	17.05%
1 Year	17.06%
3 Year	2.82%
5 Year	8.47%

Barclays Aggregate Bond Index

3 Month	1.32%
Year-to-Date	3.63%
1 Year	0.51%
3 Year	2.64%
5 Year	2.19%

As of 8.31.2017

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

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