

WealthManagement

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Market Insights

A periodic newsletter from Idaho Trust Bank

The U.S. economy is currently experiencing healthy economic growth. Although not a serious concern at this stage, signs of inflation have begun to emerge. The U.S. dollar has strengthened due to higher domestic interest rates as well as uncertainty that has emerged in several international markets due to the possibility of trade related conflicts as well as recent political turmoil in Europe.

Employment Report

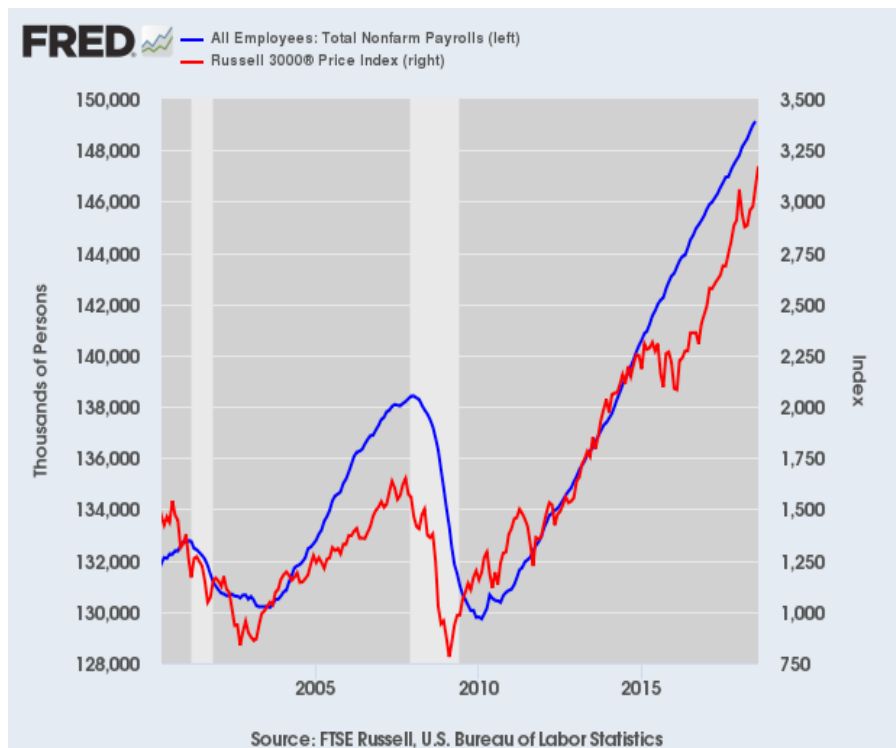
Recent U.S. Government employment figures have shown a very healthy labor market. The unemployment rate is near a multi-decade low. Recent reports have shown some signs of wage growth, which is good news for workers and likely suggests that the Federal Reserve Bank (Fed) will continue on its path of moderate interest rate increases. In August, the workforce expanded by 201,000 jobs. These results were in line with expectations but the increase in average hourly wages at 0.4% was above forecasts. On an annualized basis, wages grew at a 2.9% pace at the most recent reading.

The Fed is expected to raise rates at the end of September and possibly at the December meeting, although the year-end increase is not set in stone at this point. Wage growth has been a missing element in the current economic expansion and has likely been a major factor in the sluggish inflation reading in recent years.

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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.

However, core inflation has just recently begun to run slightly above the Fed's 2% target. This is an important variable to watch as it will certainly dictate the path of future interest rate increases.



The unemployment rate remained at 3.9% in August. The participation rate dropped 0.2 to 62.7%, the lowest level in 15 months, possibly due to the impact of retiring workers. One important component to the improved labor environment was that a majority of the 'professional and business services' sector hires in recent months have been permanent positions, as opposed to temporary. During the economic recovery, temporary workers have accounted for nearly half of staff additions.

Autonomous Driving Possible Impacts

Several studies have suggested that autonomous driving technology could have a major impact on long-distance truck drivers over the next two decades. The implementation of autonomous technology is likely to significantly reshape freight-industry employment, possibly eliminating some of the highest-paid positions in the industry, which are typically held by the long distance truck drivers. Using autonomous vehicles for long-haul cargo runs is the most obvious initial implementation of autonomous technology. The changes would likely boost demand for local delivery and trucking jobs, which tend to be lower-paid.

Long-haul truckload drivers often work in difficult conditions and move cargo over hundreds of miles but perform few specialized non-driving tasks, such as unloading freight, coupling trailers or inspection and maintenance. Many experts agree that long-distance trucking is a significant market for autonomous-vehicle technology, in part because long-distance highway

driving is less complicated than navigating local city streets. Trucking companies are interested in the technology because it could help them address high driver turnover rates and safety regulations that limit the number of hours that drivers spend behind the wheel.



Proponents of autonomous technology say self-

driving trucks could lower freight costs, while boosting productivity and improving safety. Driverless vehicles are currently being used in controlled industrial settings, such as mining operations. Several companies have tested the use of self-driving trucks to haul freight on public roads.

Mass adoption of autonomous driving technology remains subject to a host of regulatory and other hurdles. Recent fatalities involving autonomous passenger cars have put a spotlight on problems with the technology. New investment in equipment and infrastructure to support self-driving vehicles, such as wireless communications networks for roads, is also needed. The primary challenge to implementation remains public perception and the challenge of finding space for facilities such as depots where trailers can be swapped between human drivers and autonomous trucks.

Conclusion

Given the relatively healthy state of the domestic economy, the Fed is likely to increase interest rates another one or two times this year. The improvement in Americans' income points to a brighter economic picture, although still not to levels experienced almost a decade ago. Inflationary pressures could force the Fed to become more aggressive in 2019 and beyond, although we do not see this as a big concern as of yet. Therefore, we expect that the Fed will continue to implement monetary policy that will result in an environment of slowly rising interest rates in the foreseeable future.

S&P 500 Index

3 Month	7.76%
Year-to-Date	9.94%
1 Year	19.65%
3 Year	16.10%
5 Year	14.50%

MSCI EAFE Net Index

3 Month	-0.74%
Year-to-Date	-2.28%
1 Year	4.39%
3 Year	7.04%
5 Year	5.73%

Barclays Aggregate Bond Index

3 Month	0.54%
Year-to-Date	-0.96%
1 Year	-1.05%
3 Year	1.76%
5 Year	2.48%

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