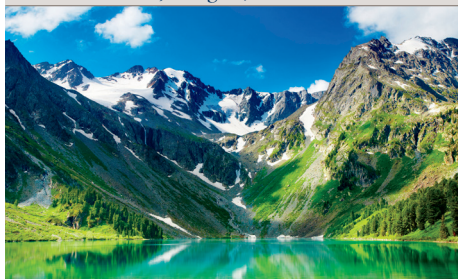


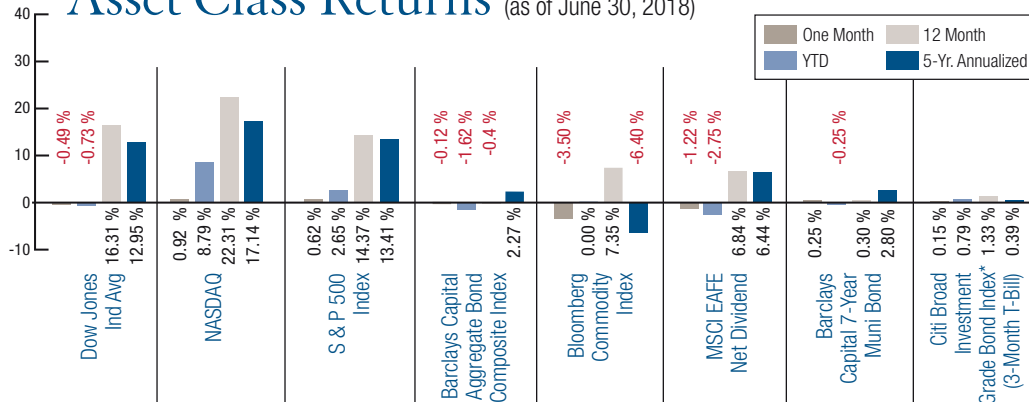
From the Office of
Jeff Sgroi, CFP®



"Failure is simply the opportunity to begin again, this time more intelligently."

-Henry Ford

Asset Class Returns (as of June 30, 2018)



Market/Economic Synopsis

- Upcoming earnings announcements are likely to provide a catalyst for market direction, as 80% of S&P 500 constituents are scheduled to report by early August.
- Divergence between growth and value stocks continues through first half of 2018.
- Oil prices dip over possibility of strategic petroleum reserve release and increased supply out of Saudi Arabia.
- Global trade war ramps up as U.S. administration pushes for tariffs on \$200B of Chinese goods.
- Ten-year U.S. Treasury yield hovers below 3%, while flattening yield curve has many economists concerned.
- Amazon website crashes on "Prime Day" due to record site visits and volume.
- France is victorious in the 2018 World Cup, winning the championship for the first time since 1998.

Raymond James 2018 National Conference Recap

Whenever I have the good fortune to attend the Raymond James National Conference, I sincerely consider it an extraordinary learning opportunity. Having worked in my office for 20 years, one of the most important lessons I have learned from these conferences is to never become complacent. There is always another opportunity to help a client, discover a new portfolio strategy, or consider a different investment or economic perspective. The 2018 RJ National Conference, held in Washington, D.C., was full of these opportunities. Below is a synopsis of particularly relevant and timely ideas from some very insightful minds.

Phil Orlando (Chief Equity Strategist/Federated)

- Expect a barbell year for equity performance in 2018. The year-end rally will begin on Labor Day, sending the market to new highs.
- There is no recession risk until 2020/2021.
- Expect small cap companies to outperform their large cap brethren.

Nick Lacy (Chief Portfolio Strategist/AMS)

- The yield curve is flattening; watch the slope of the yield curve in that it is often a predictor of economic slowdown.
- Expect the Fed Funds rate to move from 1.5%/1.75% to 3.0% within the next year.
- A bad bond market drops 4–5%. A bad stock market drops 25% (excellent perspective, in my opinion).

- Expect a crisis if we see the 10-year U.S. Treasury yield hit 4.5%.
- Spread between high yield bonds and U.S. Treasuries is at an all-time low.

Andy Friedman (The Washington Update)

- Expect an explosion of U.S. debt in coming years.
- In 2018 elections, there is no guarantee that Democrats pick up the majority in the U.S. Senate. Democrats are more likely to take the House, but it is still too early to call.
- Supreme Court scheduled to vote on constitutionality of gerrymandering around June 2018. Very significant in determining (and manipulating) boundaries of an electoral constituency.
- Bundle charitable contributions into one year for tax benefits (i.e., consider a donor-advised fund as a tax efficient gifting mechanism).

Bob Rice (Rice Partners)

- Exchange traded funds (ETFs) are momentum plays. Beware of overconcentration.
- The Federal Reserve is moving from a quantitative easing strategy to a quantitative tightening strategy.
- Consider alternative strategies to manage risk.

Ed Mills, Mike Gibbs, James Camp (members of the Raymond James Investment Policy Committee)

- All eyes are on the labor market. Watch inflation through labor data.
- Trump will appoint six of the seven Federal Reserve members for 14-year terms. New appointees will be more hawkish regarding monetary policy.
- We cannot make enough money (i.e., return) in fixed income for retirees to not outlive it (James Camp implies there needs to be an equity and growth component to retirement assets).
- Bigger federal deficit is going to create slower economic growth in the future.
- We are off the deflation scare from summer 2016, where concern was negative absolute/real rates.

Jeff Saut (Chief Investment Strategist/Raymond James)

- Bottoms went into the equity markets on February 6 and February 9, 2018.

Again, these are tidbits of much broader and in-depth presentations. Nonetheless, many of these ideas play into our portfolio management decisions and recommendations. Overall, the theme was upbeat and optimistic for the remainder of 2018. I expect that to be the case as we enter the heart of earnings season and work through the markets summer doldrums over the next month. As always, please let us know if you would like to discuss an idea noted above or ideas of your own.

From the Officefront

As promised in our May Market Letter, we are excited to have initiated the rollout of Riskalyze. As a reminder, Riskalyze is a risk-management tool that allows you to quantify the level of risk you are comfortable taking in your portfolio and, at the same time, apply an actual risk score to your current portfolio. We plan to introduce Riskalyze in phases over the next few months and expect to be in contact with you in the near future to begin this process (if we have not yet already contacted you!). We believe Riskalyze will help provide confirmation of the strategies we have established in your portfolios, at the same time, we are keeping an open mind to any recommendations and adjustments based on the information you provide us. Additionally, we genuinely appreciate the time you take to complete the questionnaire and welcome any feedback.

Riskalyze is an independent third party service provider and is not affiliated with Raymond James.

From the Homefront

As with much of the West, the Colorado mountains have seen heavy fire activity this summer. It has been close to home the past two weeks, as a fire started within a mile of downtown Basalt on July 3 and continues to burn. After enjoying the Independence Day parade on July 4th in Redstone (with the belief that the fire was under control), we rushed home upon hearing of a mandatory evacuation of the neighborhood adjacent to us. Sure enough, the fire was creeping down the mountainside threatening a number of friends' homes, as well as the power supply to the entire valley.

Although three homes were lost in this local fire, it could have been much worse (as those of you who witnessed it know). The firefighters on the scene somehow managed to save hundreds of homes and likely many lives that night. We are indebted to them for their service and efforts.

As trite as it may sound, during the pre-evacuation of our home on July 4th, it was difficult to identify anything of tangible importance other than a few photo albums and family keepsakes. Knowing that my girls and wife were miles away from the fire, and safe at a friend's home, was really all that mattered at the moment. It was an amazing sense of clarity amidst an exceptionally chaotic evening.

One of my prouder moments as a parent was this past weekend when Stella, our 8-year-old, suggested opening a lemonade stand to raise money for the local firefighters, one of whom lost his home in the fire on July 4th. Here is a picture of Stella and her sisters making noise to bring in the neighbors and anyone driving by. Again, many thanks to the men and women who took extraordinary risks to keep our families and our homes safe.



Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is diversified index measuring approximately 6,000 investment grade, fixed rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the US & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets. There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

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