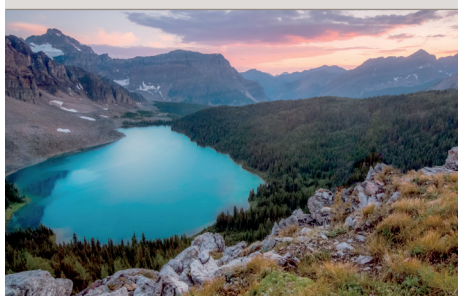


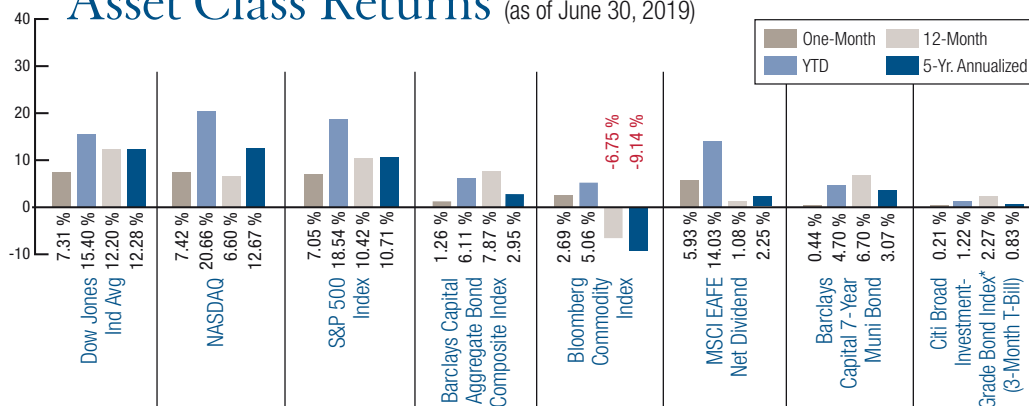
From the Office of Jeff Sgroi, CFP®



"Continuous improvement beats  
delayed perfection."

— Mark Twain

## Asset Class Returns (as of June 30, 2019)



## Market &amp; Economic Synopsis

- U.S. equity markets reach all-time highs, as the S&P 500 enjoys its best first half of the year since 1997.
- Global sovereign debt values soar as some Eurozone nation debt yields fall into negative territory and 10-year U.S. Treasury yields hover around 2%.
- Sentiment shifts at the Federal Reserve, as Jerome Powell indicates greater likelihood for Fed rate cuts in 2019.
- Mortgage rates fall to multiyear lows, as borrowers and homeowners seeking refinance opportunities benefit.
- On June 28, the Department of Energy announced 20 consecutive weeks of U.S. field production exceeding 12 million barrels per day, solidifying the United States' position as the largest oil-producing nation in the world.
- Facebook proposes plan to rollout a digital currency.

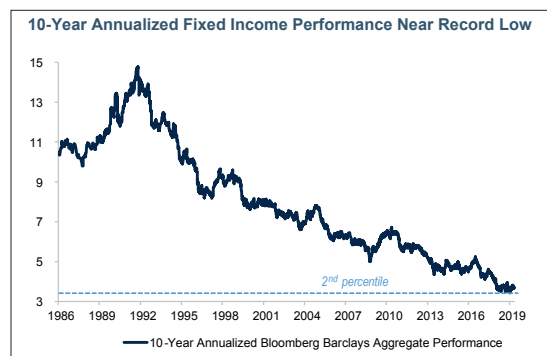
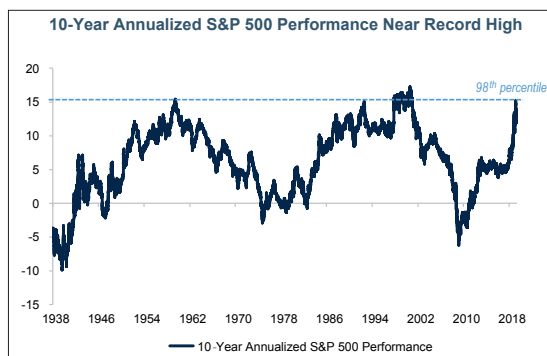
## Market Update

After a 50-year career in the financial services industry, 20 years of which were with Raymond James, Jeff Saut retired from the firm in April. Although we will sincerely miss his daily market commentary, his market expertise, and the wit and entertainment with which he provided his market prognostications, I believe his shoes have been amply filled.

Larry Adam joined Raymond James in 2018 as our chief investment strategist. Since joining Raymond James, Larry has provided the Quarterly Coordinates perspective on where the market stands and, more importantly, where he, along with the firm's Investment Strategy Group, expects it go next. Larry's most recent call, on July 16, covered five key topics.

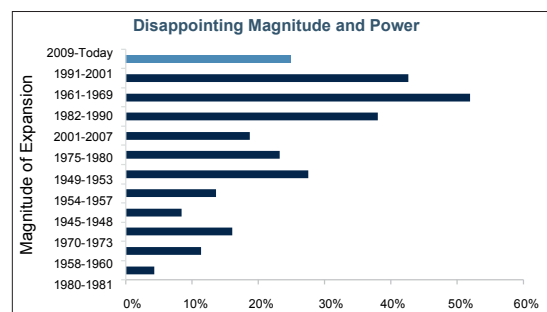
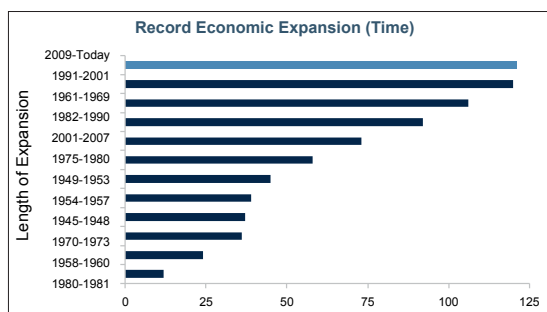
## 1. MARKET VOLATILITY

In a nutshell, expect market volatility to increase. Continued policy uncertainty is driving the concern of the unknown. Statistically speaking, we are currently in the 99th percentile of uncertainty, as measured by the Global Economic Policy Uncertainty Index. In addition, 10-year annualized performance for two major indices (S&P 500 and Bloomberg Barclays Aggregate Bond Index) are near extreme levels.



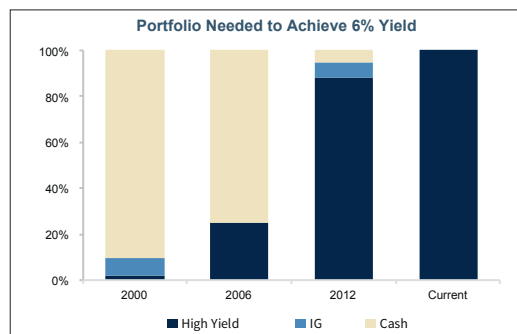
## 2. ECONOMY

Larry Adam and colleagues report that U.S. economic growth is expected to remain relatively robust (above trend) with only a small probability of recession. Fundamental activity is near or at record levels. Insurance Fed Fund cuts (likely two by year end) should help extend the longest expansion in the history of the U.S. Although we are in a period of record economic expansion as measured by time and length, the magnitude of economic growth over the past 10 years has been underwhelming.



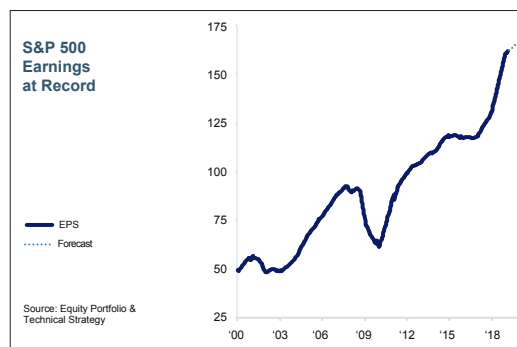
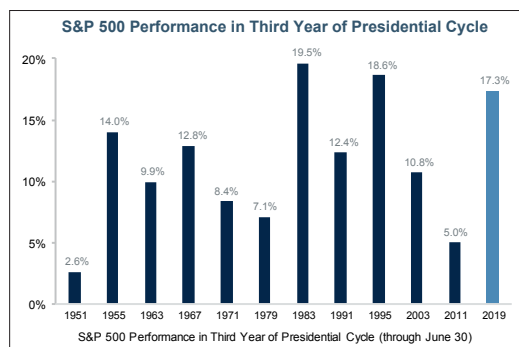
### 3. BOND MARKET

Raymond James' Investment Strategy Group believes that Treasury yields should remain well below 3% for 2019 on the back of declining inflation expectations, increasing global demand, and positive demographic conditions. Low rates continue to make yield and income generation a challenge. As the chart below demonstrates, investors must take on significantly more risk to generate a 6% yield now (by owning high-yield debt) than they did in 2000, when a 6% yield was achievable by owning mostly cash- and investment-grade debt.



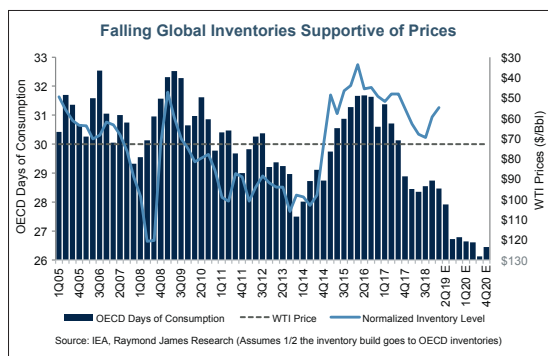
### 4. EQUITIES

The bull market that began over 10 years ago is showing no signs of letting up. A few reasons are continued economic expansion, solid corporate earnings, and low interest rates. Interestingly, the third year of presidential cycles tend to be strong ones for the S&P 500, which has certainly held true for the year to date (see chart beside). Additionally, and more importantly, S&P 500 earnings are at record levels.



### 5. ENERGY

On the energy side, although crude oil declined on trade uncertainty, strong global demand, continued OPEC production cuts, and new global emission standards for marine transportation should continue to place upward pressure on oil prices.



In summary, we continue to be optimistic for the foreseeable future. Excluding a monetary policy misstep, unforeseen domestic political event, geopolitical surprise, or the proverbial "black swan" (unpredictable) event, we expect the trend to maintain its current direction, albeit with increased volatility. In the meantime, we will remain vigilant to economic changes and continue to manage risk as best we can.

### From the Homefront

What a fantastic summer it has been! It is hard to believe that this time last year our focus was on evading the local wildfires and keeping our girls away from the thick smoke that blanketed the Basalt area. This summer, the girls have enjoyed tennis lessons, soccer camp, math camp (under the guise of Girls Adventure Week!), swimming, and too many playdates to count. It has been a blessing to enjoy it all outside.

Tracy and I enjoyed a friend's wedding celebration in June at the beautiful Dallenbach Ranch on the Fryingpan River in Basalt. It has been a few years since any of our friends were married, and fun to remember back to a time period when most summer weekends were spent at friends' weddings.

Since our last Market Letter, we have enjoyed weekends camping in Moab, Ouray (Colorado), Marble, and above Basalt. Having travelled through some previously unvisited sections of Wyoming last week, there are some new spots where I would love to spend more time, including the Wind River area as well as the Bighorn Mountains. The remoteness is attractive and the beauty stunning.

Stella had her first communion recently, which Tracy and I are so proud of her reaching. After the ceremony, she insisted on driving my 1978 Scout home!



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.

U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Commodities may be subject to greater volatility than investments in traditional securities. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company's board of directors. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.

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