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June 2019

Market Update
(all values as of 05.31.2019)

Stock Indices:

Dow Jones	24,815
S&P 500	2,752
Nasdaq	7,453

Bond Sector Yields:

2 Yr Treasury	1.95%
10 Yr Treasury	2.14%
10 Yr Municipal	1.65%
High Yield	6.60%

YTD Market Returns:

Dow Jones	6.4%
S&P 500	9.8%
Nasdaq	12.3%
MSCI-EAFE	5.67%
MSCI-Europe	6.25%
MSCI-Pacific	4.76%
MSCI-Emg Mkt	3.34%
US Agg Bond	5.12%
US Corp Bond	7.57%
US Gov't Bond	5.72%

Commodity Prices:

Gold	1,305
Silver	14.57
Oil (WTI)	53.50

Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.26
Yen / Dollar	109.65
Dollar / Canadian	0.74

Macro Overview

The ongoing trade dispute between the U.S. and China escalated in May as the U.S. signaled that it had not finalized a deal yet with China. The lack of a deal led to the U.S. announcing an increase in tariffs from 10 percent to 25 percent on $200 billion of Chinese imports.

The U.S. Department of Commerce began assessing Chinese imports arriving at U.S. ports with a 25% tariff at 12:01 AM on June 1st. The tariff increase affects a broad range of imported products, including modems, routers, furniture, and vacuum cleaners. Additional tariffs were also proposed by The Office of the United States Trade Representative on essentially all remaining imports from China, valued at about $300 billion.

The proposed tariff increases by the United States caused China to retaliate against the U.S. with its own tariff proposals on U.S. goods including alcohol, swimsuits, and liquefied natural gas (LNG). The Chinese government may apply additional tariffs to more impactful products including food, energy and aircraft products from the U.S.

The recent market downturn has primarily been due to the uncertainty of the trade disputes and the effects of tariffs on the U.S. and international economies. Analysts believe that the equity market pullback along with the pending trade disputes have raised the possibility of an interest rate cut by the Federal Reserve later this year.

Longer term U.S. Treasury bond yields fell to their lowest levels since 2017. Combined pressures from the trade disputes to the pending Brexit turmoil in Europe has fostered increasing demand for U.S. Treasury bonds, which has resulted in higher bond prices.

The fixed income market is looking at the probability that economic weakness will lead to the Federal Reserve to actually cut interest rates sometime this year in order to bolster the U.S. economy. Many believe that the Fed needs to move quickly in order to shore up growth at the first sign of any economic contraction.

Mortgage rates fell below 4% for the first time since early last year helping to stabilize housing market activity. The average mortgage rate on a 30-year fixed conforming loan was 3.99% at the end of May, as tracked by Freddie Mac, the lowest since January 2018. Falling mortgage rates tend to entice buyers to sell their homes and trade up to larger homes with bigger mortgage balances, a boom for the housing market.

The most recent unemployment data revealed that unemployment unexpectedly fell to a 50 year low this past month to 3.6 percent, the lowest since 1969. Historically, a low unemployment rate tends to drive consumer confidence higher and act as a buffer during economic uncertainty.

Canada, Mexico, and the United States introduced legislation that would replace the North American Free Trade Agreement (NAFTA) and establish a new trade treaty among the three countries to be referred as the U.S.-Mexico-Canada Agreement (USMCA). Existing tariffs on steel and aluminum imports from Canada would be eradicated. Canada is the second largest foreign supplier of steel and aluminum to the United States.

Sources: Dept. of Commerce, Treasury Dept., Freddie Mac, IMF

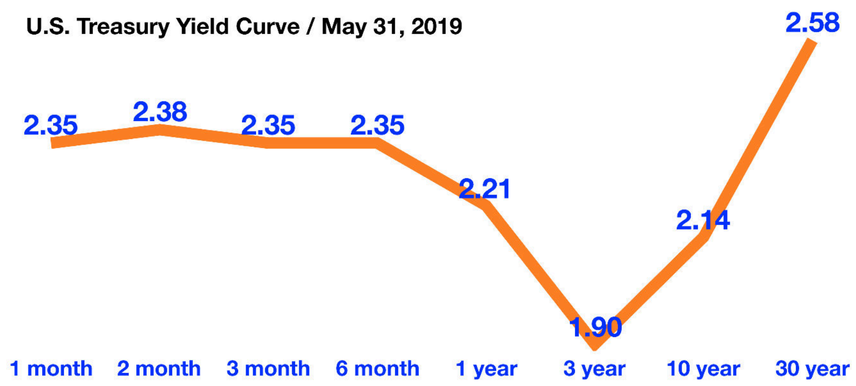
TRADITION ADVISERS

$10.6 TRILLION WORTH OF GLOBAL DEBT IS NOW IN NEGATIVE YIELDING TERRITORY

Rates Drop Rapidly Amid Inverted Yield Curve – Fixed Income Update

Markets tend to look at the yield curve in order to find clues as to what the expectations are about future economic growth and inflation. The yield curve is essentially the current yield on government Treasury bonds from 3-month maturities to 30-year maturities. At the end of May, the 1, 2, 3, 6 month and 1-year notes all yielded more than the benchmark 10-year bond. When shorter term bonds are yielding more than longer term bonds, it is known as an inversion or inverted yield curve.

Economically sensitive copper and oil prices fell in May, perhaps signaling weaker global growth activity. Such dynamics in the commodities market tends to push yields lower internationally. Some analysts believe that a continued escalation of trade disputes with countries in addition to China will crimp global economic growth and force the Federal Reserve to lower interest rates.



Total global debt as of the end of 2017 was $184 trillion, as monitored by the International Monetary Fund (IMF). Global bond yields fell in May with an estimated $10.6 trillion worth of debt now in negative yielding territory, the highest since 2016.

Some fixed income analysts are projecting lower yields later this year due to slowing economic expansion, continued demand for U.S. government debt, and an increasing probability that the Fed will eventually lower rates. (Sources including charts: IMF, Treasury Dept., Federal Reserve)

Equities Give Up Early Gains – Equity Market Update

In stark contrast to the strong performance during the first four months of 2019, U.S. equities faltered in May as continued trade disputes hindered economic growth expectations. All sectors of the S&P 500 Index fell in May, with the exception of Real Estate. Technology and financial stocks experienced the brunt of the pullback in May.

May was the worst month since December 2018, when markets reacted to heightening trade fears and a possible rate hike by the Federal Reserve. Ironically, some analysts are expecting a reduction in rates by the Fed later this year in response to tariff reverberations and slowing economic global growth. A rate decrease by the Fed might lure equities higher as loan costs and capital remain inexpensive, thus buffering profit margins for U.S. companies.

Should a continued drop in rates persist, economists note that the U.S. dollar may weaken, thus boosting U.S. multi-national company earnings, which primarily operate internationally.

Global inflation expectations have eased considerably over the past month, prompting central banks in various countries to consider lowering rates, also known as growth stimulus efforts. (Sources: S&P, Bloomberg, Federal Reserve)

THE USPS DELIVERED MORE THAN 146.4 BILLION PIECES OF MAIL IN 2018

Changes Proposed For 401k Plans & IRAs – Retirement Planning

This past month the House of Representatives passed the SECURE Act, which will introduce various changes to retirement plans including IRAs and 401k plans. The act was approved by the House in May and is expected to be approved by the Senate and become law relatively soon.

One of the most significant revisions to IRAs introduced by the legislation is repealing the prohibition on contributions to a traditional IRA by an individual who has attained age 70 1/2. The legislation doesn't propose a revised maximum contribution age, yet states that more Americans continue working beyond traditional retirement age. So essentially, there will no longer be an age limit on IRA contributions.

A modification to 401k plans that will affect eligibility requirements for part-time workers is a major change. Longer term part-time employees will no longer be excluded from 401k plans, allowing part-time workers the ability to save and accumulate savings towards retirement.

Annuity payments will become an option for retirees when leaving their job and taking their retirement savings. In addition to opting for a rollover of retirement assets to an IRA or other qualified plan, retirees will be able to choose annuity payments as well.

The Required Minimum Distribution (RMD) age for IRAs will increase from age 70 ½ to 72. This is beneficial for those retirees that don't need the income from their IRAs or rollover IRAs until later, thus minimizing the tax liability on distributions that would have been required at age 70 1/2.

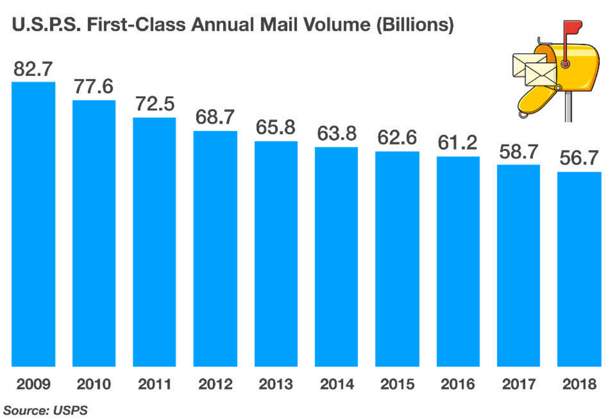
Safe Harbor provisions will be simplified for 401k employer plans in order to facilitate plan administration as well as allowing greater flexibility to employers and employees. Such changes will eventually increase participation in employer sponsored retirement plans, an objective of the SECURE Act. (Source: House Committee on Ways & Means; https://waysandmeans.house.gov)

USPS Considers 5 Day Delivery Due To Low First Class Volume – Government

For years, Americans have relied on the United States Postal Service (USPS) to deliver mail six days a week, Monday through Saturday. Due to financial constraints because of a continued decline in mail volume, Saturday deliveries may be eliminated by the USPS in order to reduce costs. The USPS remains an integral part of the economy and the country's infrastructure even as the popularity of electronic payments and digital transactions have dramatically reduced the volume of mail processed by the USPS.

Of the more than 146.4 billion pieces of mail delivered in 2018, the most widely used service of the USPS is its first class mail service. As the volume of all mail has been dwindling, so has first class mail, falling from over 103 billion pieces in 2000 to 56.7 billion pieces in 2018, nearly a 50% drop in 16 years.

As the volume has decreased, the number of postal employees has also declined. There were nearly 700,000 postal employees in 2006, falling to less than 500,000 in 2015, a sizable drop in a short period of time. (Source: USPS)

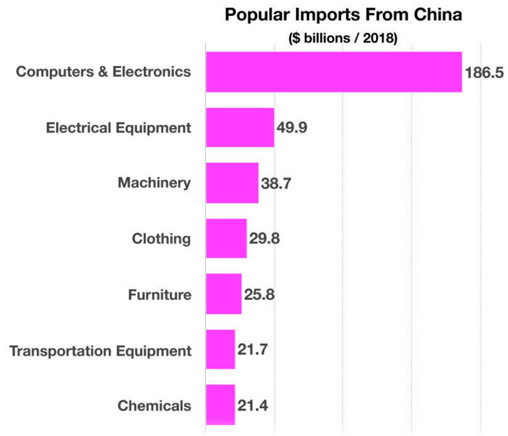


THE U.S. IMPORTED $93 BILLION WORTH OF VEHICLES FROM MEXICO IN 2018

Here's What The U.S. Buys The Most Of From China – Trade Overview

In the past twenty-plus years, China has evolved from a heavy equipment machinery exporter to a prominent leader in technology product exports. Large international conglomerates have established an enormous manufacturing presence throughout China, utilizing its cheap labor and quick turnaround times. China's manufacturing plants are among the most modern in the world, producing large capacities almost entirely for export.

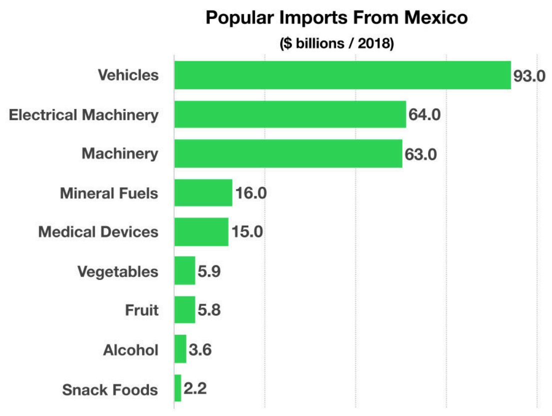
As the world's appetite for electronic devices has grown, so has China's ability to manufacture and export these devices. As a product exporter, China is able to manufacture and export finished products worldwide. In addition, China is also an exporter of components, which may be used in the manufacture and assembly of products in other countries, such as the United States. By exporting components in addition to finished products, China is able to hedge against tariff issues and labor costs should they become a factor. (Sources including charts: WTO, IMF, U.S. Dept. of Commerce)



What The U.S. Imports From Mexico – Trade Overview

The administration has proposed tariffs up to 25% on imported products from Mexico in order to stem illegal immigration from the country. Some argue that imposing such a tariff would make certain imported products more expensive for American consumers.

The U.S. imported $93 billion worth of vehicles from Mexico in 2018, with auto parts accounting for the single largest type of product imported from Mexico valued at over $51 billion in 2016, making the automotive industry an integral component of trade with Mexico. Interestingly enough, exports headed from the U.S. to Mexico are primarily for use in the automotive industry, with machinery, fuels, and plastics making up the largest portions.



Agricultural and food products imported from Mexico, such as vegetables, fruit, snack foods and alcohol, totaled over $17 billion in 2018. Mexico is currently the world's largest exporter of beer, exporting $3.6 billion of the alcohol to the U.S. in 2018. Proposed tariffs on Mexican imports are expected not to take effect until June 10th in order to give Mexico ample time to respond or negotiate terms. (Sources including charts: U.S. Dept. of Commerce, BLS, Office of the U.S. Trade Representative)