



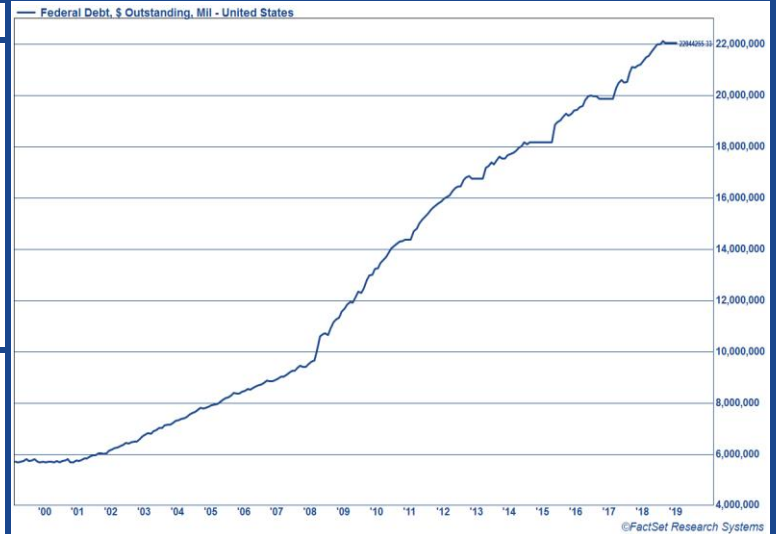
Economic & Market Commentary

Last Tuesday, the yield curve inverted between 2's and 10's and this sent stock markets into an absolute frenzy as this measure has historically been a reliable recession indicator. Additionally, the yield on the 30-year treasury bond reached an all-time low and briefly fell below 2.0% intraday. Intermediate and long-term treasury yields are at lows not seen since the Great Recession. Real yields, which are nominal yields less the rate of inflation, are negative!! The Bureau of Labor Statistics reported core inflation in July rose 2.2% over the past twelve months which surpasses absolute yields on the entire treasury yield curve. For those seasoned investors, this is a far cry from the yields of the early eighties. The question is whether these historic yield levels are warranted or have the doom-and-gloom zealots overreacted. It's the latter. Granted, the global economy is slowing down as this past week saw Germany post its first quarterly economic contraction (-0.1%) since 3Q18. China again posted weaker than expected industrial production and retail sales numbers, and several foreign manufacturing readings are at contractionary levels. Add in the uncertainty surrounding the trade war with China and you have an investor base bracing for economic disaster. However, the fundamentals don't bear this out. Like the global economy, the pace of the U.S. economy is slowing but not collapsing as evidenced by data released last week. Core retail sales in July surprised to the upside rising 1% and crushed the consensus expectation of 0.4%. Despite continued headwinds of higher costs and lack of skilled workers, home builder confidence rose in August to a level of 66 on lower mortgage rates and decent demand. U.S. worker productivity rose 2.3% in 2Q19 greatly surpassing the consensus of 1.2%. Finally, the labor market remains solid as weekly initial jobless claims continue to post levels consistent with a tight labor market. Enjoy the low rates while they last for what will ultimately crush interest rates will be our outstanding U.S. debt. The U.S. Gov't posted a deficit of \$120 billion in July and \$867 billion for the fiscal year so far. Total U.S. debt exceeds \$22 trillion with no end in sight.

Total Returns - August 16, 2019

Stock Index	1-Wk	YTD	1-Yr
NASDAQ	-0.74	19.83	2.26
S&P 500	-0.94	16.73	3.77
S&P 400	-1.43	13.81	-4.75
Dow Jones	-1.40	12.75	3.74
Russell 2000	-1.24	11.70	-10.13
MSCI-Developed	-1.45	7.75	-2.92
MSCI-Emerging	-1.03	2.34	-2.55
Barclay's U.S. Bond Index			
High Yield	-0.17	9.67	5.78
Aggregate	0.95	8.78	10.02
Municipal	0.50	7.61	8.79
Int. Gov. Credit	0.58	6.60	8.08
5-year Muni	0.21	5.55	6.59

U.S. Debt



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	1.71	1.79	2.47
U.S. 2-Yr	1.47	1.63	2.61
U.S. 3-Yr	1.43	1.56	2.68
U.S. 5-Yr	1.41	1.56	2.74
U.S. 10-Yr	1.54	1.73	2.87
U.S. 30-Yr	2.00	2.25	3.03

S&P 500 - Sector Total Returns - August 16, 2019

Sector	1-Wk	YTD	1-Yr
Info Tech	-0.23	27.28	9.02
Real Estate	0.44	26.53	19.37
Communication Services	-0.96	19.59	6.17
Consumer Discretionary	-1.88	18.06	3.78
Consumer Staples	1.60	20.60	13.76
Industrials	-1.47	16.61	0.25
Utilities	0.81	17.87	17.05
Materials	-1.97	13.35	-0.33
Financials	-2.14	12.81	-3.35
Health Care	-1.01	5.64	1.46
Energy	-3.34	1.32	-18.56

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	1.40	1.48	2.40
U.S. AA	1.48	1.56	2.52
U.S. A	1.79	1.87	2.85
U.S. Baa	2.40	2.50	3.41
U.S. Municipal	1.62	1.70	2.65
Michigan	1.72	1.81	2.77

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	16.50	14.89	1.91
S&P 400 - Mid Cap	15.58	15.57	1.65
S&P 600 - Small Cap	17.27	15.68	1.60