



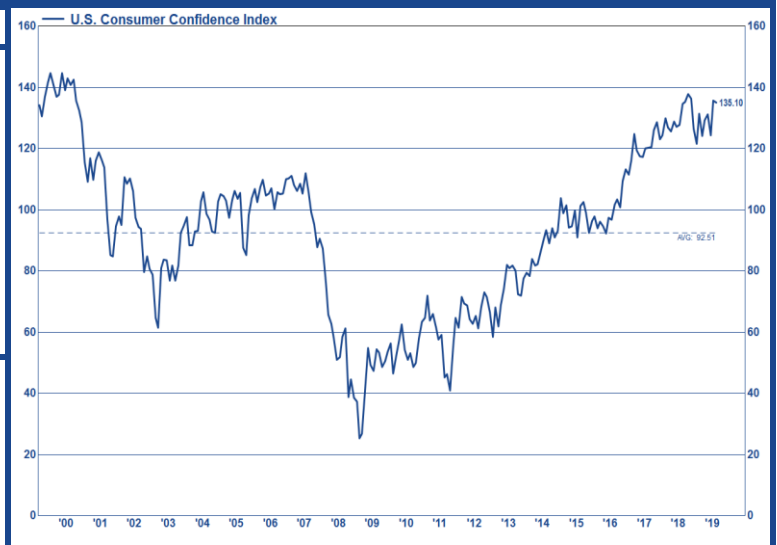
Economic & Market Commentary

The escalating trade war between the U.S. and China dominated the headlines in August. The uncertainty related to the intensifying trade war heightened market volatility. Stocks finished modestly to sharply lower for the month and bond yields reached historic lows as the 30-year treasury bond crashed through its previous low of 2.08% and settled at 1.95% at the close last Friday. Additionally, the yield curve inverted between the 10-year treasury bond and the 2-year treasury bond which rattled the market as this spread has historically been a reliable harbinger of economic recession. It is clear this uncharted tariff period has unsettled investors and is one where the Federal Reserve lacks policy experience. In a recent speech, Federal Reserve Chair Powell wrote, "There are, however, no recent precedents to guide any policy response to the current situation. Moreover, while monetary policy is a powerful tool that works to support consumer spending, business investment, and public confidence, it cannot provide a settled rulebook for international trade." Essentially, the Fed will monitor how the trade war is impacting the economy and will react accordingly. So far, the U.S. economy has weathered the trade storm well but some clouds have formed. The labor market remains strong with a 3.7% unemployment rate, positive monthly job gains, rising wage growth and continued low weekly initial jobless claims. The strong labor market has propelled consumer confidence and spending. Consumer confidence in August posted a level of 135.1, which is well above the historical avg. of 92.5, and core retail sales in July posted a level of 1% crushing the expected 0.4%. Areas of the economy that are weakening/slowing include manufacturing, business investment, and despite much lower mortgage rates, home sales and home prices.

Total Returns - August 30, 2019

| | 1-Wk | YTD | 1-Yr |
|----------------------------------|-------|-------|--------|
| NASDAQ | 2.74 | 20.89 | -0.72 |
| S&P 500 | 2.83 | 18.34 | 2.92 |
| Dow Jones | 3.14 | 15.14 | 4.12 |
| S&P 400 | 2.47 | 14.37 | -6.43 |
| Russell 2000 | 2.46 | 11.85 | -12.89 |
| MSCI-Developed | 0.91 | 9.66 | -3.26 |
| MSCI-Emerging | 1.15 | 3.90 | -4.36 |
| Barclay's U.S. Bond Index | | | |
| High Yield | 0.49 | 11.00 | 6.56 |
| Aggregate | 0.21 | 9.10 | 10.17 |
| Municipal | 0.13 | 7.61 | 8.72 |
| Int. Gov. Credit | 0.09 | 6.79 | 8.12 |
| 5-year Muni | -0.07 | 5.26 | 6.34 |

The Conference Board - Consumer Confidence



U.S. Treasury Yields

| Treasury Yields | Latest Close | Week Ago | 1-Year Ago |
|-----------------|--------------|----------|------------|
| U.S. 1-Yr | 1.77 | 1.73 | 2.46 |
| U.S. 2-Yr | 1.50 | 1.53 | 2.65 |
| U.S. 3-Yr | 1.42 | 1.45 | 2.72 |
| U.S. 5-Yr | 1.39 | 1.41 | 2.76 |
| U.S. 10-Yr | 1.50 | 1.52 | 2.86 |
| U.S. 30-Yr | 1.96 | 2.02 | 3.00 |

S&P 500 - Sector Total Returns - August 30, 2019

| Sector | 1-Wk | YTD | 1-Yr |
|------------------------|------|-------|--------|
| Real Estate | 1.81 | 28.49 | 20.81 |
| Info Tech | 3.13 | 29.41 | 6.75 |
| Consumer Staples | 1.65 | 21.23 | 16.12 |
| Consumer Discretionary | 2.69 | 21.42 | 2.97 |
| Utilities | 1.84 | 20.28 | 20.64 |
| Communication Services | 3.44 | 21.22 | 9.26 |
| Industrials | 3.69 | 18.99 | 0.62 |
| Financials | 3.25 | 14.30 | -2.97 |
| Materials | 3.30 | 13.52 | -2.76 |
| Health Care | 2.16 | 5.82 | -0.57 |
| Energy | 2.78 | 2.15 | -20.72 |

Municipal Yields - Bloomberg/Barclays Index

| Issue Type | Latest Close | Week Ago | 1-Year Ago |
|----------------|--------------|----------|------------|
| U.S. AAA | 1.45 | 1.44 | 2.43 |
| U.S. AA | 1.52 | 1.52 | 2.54 |
| U.S. A | 1.80 | 1.81 | 2.87 |
| U.S. Baa | 2.38 | 2.41 | 3.44 |
| U.S. Municipal | 1.65 | 1.66 | 2.68 |
| Michigan | 1.72 | 1.75 | 2.80 |

| Index Characteristics | P/E NTM | P/E NTM 10yr-Avg. | Dividend Yield |
|-----------------------|---------|-------------------|----------------|
| S&P 500 - Large Cap | 16.66 | 14.89 | 1.89 |
| S&P 400 - Mid Cap | 15.65 | 15.57 | 1.64 |
| S&P 600 - Small Cap | 17.12 | 15.64 | 1.61 |