



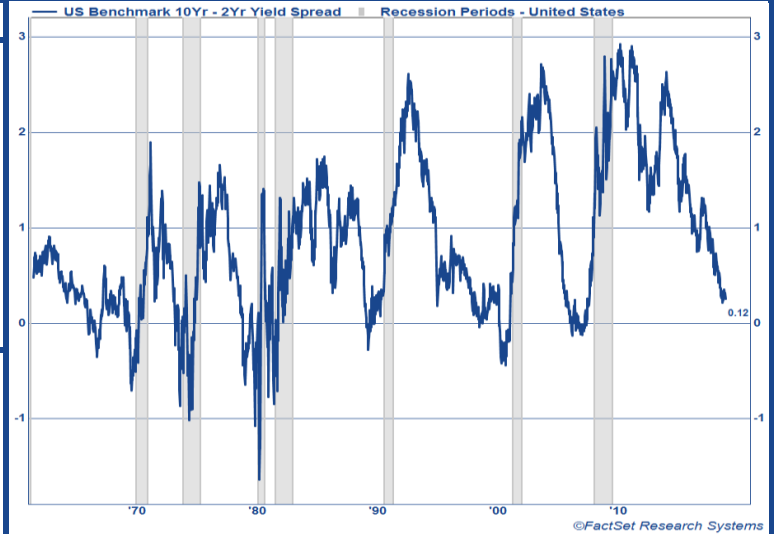
Economic & Market Commentary

After rising sharply roughly 5% two weeks ago, major U.S. stock indices declined sharply last week driven lower by continued trade and tariff concerns as well as the flattening of the yield curve. The Federal Reserve released the Beige Book last Wednesday which cited the following in the national summary sections, "Districts reported that their economies expanded at a modest or moderate pace from mid-October through late November; On balance consumer spending held steady; Most Districts reported that firms remained positive, however, optimism has waned in some as contacts cited increased uncertainty from the impact of tariffs, rising interest rates, and labor market constraints; Tariffs remained a concern for manufacturers; Labor markets tightened further across a broad range of occupations; Sometimes capacity expansion had been constrained by an inability to attract and retain qualified workers; Districts reported that wage growth tended to the higher side of a modest or moderate pace. On balance, prices rose at a modest pace in most Districts and nearly all reported that input costs rose faster than final goods prices; Reports of tariff-induced cost increases have spread more broadly from manufacturers and contractors to retailers and restaurants." There are some key takeaways from this report. 1. Tariffs are having some impact on earnings and optimism. 2. Regarding higher input costs, this report is consistent with what we have been seeing with many company earnings reports over the past two quarters that higher raw material, freight and transportation, and labor costs are pressuring margins. 3. The tight labor market and lack of qualified workers is to some degree constraining economic growth. Finally, and most importantly, the economy continues to expand at a modest to moderate pace! Presently, the consensus estimate for 2019 U.S. GDP growth is 2.5%. All eyes will be on the December 19th Fed FOMC projections.

Total Returns - December 7, 2018

Stock Index	1-Wk	YTD	1-Yr
NASDAQ	-4.90	1.98	3.38
Dow Jones	-4.44	0.90	3.08
S&P 500	-4.55	0.32	1.81
Russell 2000	-5.53	-4.60	-3.53
S&P 400	-5.18	-4.93	-3.96
MSCI-Developed	-2.26	-11.44	-9.02
MSCI-Emerging	-1.33	-13.41	-8.66
Barclay's U.S. Bond Index			
5-year Muni	0.47	1.18	0.98
Municipal	0.73	0.81	0.54
Int. Gov. Credit	0.50	0.05	0.07
High Yield	-0.14	-0.08	0.19
Aggregate	0.85	-0.95	-0.77

U.S. Treasury - 2's to 10's Yield Spread



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	2.70	2.70	1.68
U.S. 2-Yr	2.70	2.82	1.81
U.S. 3-Yr	2.71	2.84	1.92
U.S. 5-Yr	2.69	2.85	2.13
U.S. 10-Yr	2.85	3.01	2.34
U.S. 30-Yr	3.14	3.31	2.73

S&P 500 - Sector Total Returns - December 7, 2018

Sector	1-Wk	YTD	1-Yr
Health Care	-4.62	11.12	12.28
Utilities	1.48	10.08	5.03
Real Estate	0.27	5.89	6.43
Consumer Discretionary	-4.18	5.44	7.82
Info Tech	-5.05	3.43	4.39
Consumer Staples	-2.94	-2.16	-0.70
Financials	-7.00	-8.84	-8.12
Industrials	-6.27	-8.99	-7.07
Energy	-2.99	-9.02	-3.93
Communication Services	-4.05	-9.48	-3.45
Materials	-5.12	-13.08	-11.19

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.48	2.61	2.02
U.S. AA	2.59	2.71	2.10
U.S. A	2.97	3.08	2.48
U.S. Baa	3.61	3.69	3.10
U.S. Municipal	2.75	2.87	2.26
Michigan	2.83	2.93	2.38

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	15.08	14.64	1.95
S&P 400 - Mid Cap	14.35	15.38	1.63
S&P 600 - Small Cap	15.13	15.42	1.54