

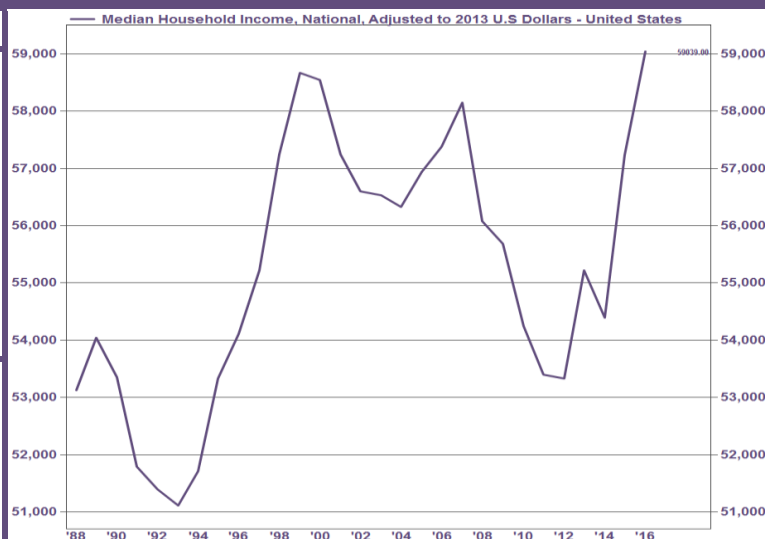
Economic & Market Commentary

Stocks and bonds finished higher last week with the exception of the Russell 2000 stock index. Economic data released last week continued to reflect a solid economy as consumer credit expanded, small business optimism remained elevated, and the number of available job openings continued to outpace the total number of unemployed. The interesting developments last week were related to the bond market and inflation. The yield curve flattened further last week, and while I'm writing this on Monday morning, the spread between 2's and 10's tightened further to a mere 24 basis points. Citing a recent Federal Reserve Bank of St. Louis report, Recession Signals: The Yield Curve vs. Unemployment Rate Troughs, "Economists have known for quite some time that yield curve inversions tend to be reliable predictors of business contractions." The curve has been flattening for some time and is now starting to get more market attention. The Fed has been raising short-term rates not due to the usual inflation concerns, or an over-heating economy, but to "normalize" short-term rates. Due to the Great Recession, the Fed held short-term rates historically low for an extended period to promote economic growth. As the short-end of the curve rises with each rate increase, the long-end of the curve has not moved higher in a similar fashion, as inflation has not spiked significantly. The U.S. Bureau of Labor Statistics released the June Consumer Price Index (CPI) report last Thursday which showed inflation rose 0.1% for the month and 2.9% over the past year. Excluding volatile food and energy prices, core inflation rose 0.2% in June and 2.3% over the past year. With a very tight labor market, many economists expect wage growth to accelerate but this has not been the case as wages have grown 2.7% over the past year. Over the past 28 years, real median annual incomes have risen cumulatively just 11.13% and .40% on an annualized basis.

Total Returns - July 13, 2018

Stock Index	1-Wk	YTD	1-Yr
NASDAQ	1.79	14.00	26.05
Russell 2000	-0.39	10.58	19.85
S&P 400	0.37	5.89	15.26
S&P 500	1.55	5.86	16.69
Dow Jones	2.32	2.41	18.75
MSCI-Developed	0.16	-2.05	6.38
MSCI-Emerging	1.67	-5.77	5.74
Barclay's U.S. Bond Index			
High Yield	0.49	0.67	3.02
5-year Muni	0.27	0.63	0.45
Municipal	0.21	0.10	1.83
Int. Gov. Credit	0.09	-0.78	-0.46
Aggregate	0.18	-1.20	0.05

U.S. Real Median Income



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	2.36	2.32	1.20
U.S. 2-Yr	2.57	2.53	1.35
U.S. 3-Yr	2.65	2.62	1.54
U.S. 5-Yr	2.73	2.72	1.88
U.S. 10-Yr	2.83	2.82	2.32
U.S. 30-Yr	2.93	2.93	2.88

S&P 500 - Sector Total Returns - July 13, 2018

Sector	1-Wk	YTD	1-Yr
Info Tech	2.32	16.10	32.90
Consumer Discretionary	2.11	14.97	27.02
Energy	0.79	7.29	21.20
Health Care	1.66	6.77	11.82
Real Estate	-0.79	1.79	7.13
Utilities	-1.18	1.55	5.31
Industrials	2.25	-1.84	7.04
Materials	0.30	-2.17	8.59
Financials	1.15	-2.60	9.79
Consumer Staples	0.98	-6.33	-0.42
Telecom Services	-0.29	-6.63	5.64

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.36	2.39	1.96
U.S. AA	2.48	2.51	2.08
U.S. A	2.83	2.87	2.58
U.S. Baa	3.45	3.50	3.46
U.S. Municipal	2.63	2.66	2.29
Michigan	2.75	2.78	2.41

Select Reference Source Websites

<https://www.census.gov/content/dam/Census/library/publicatic>