



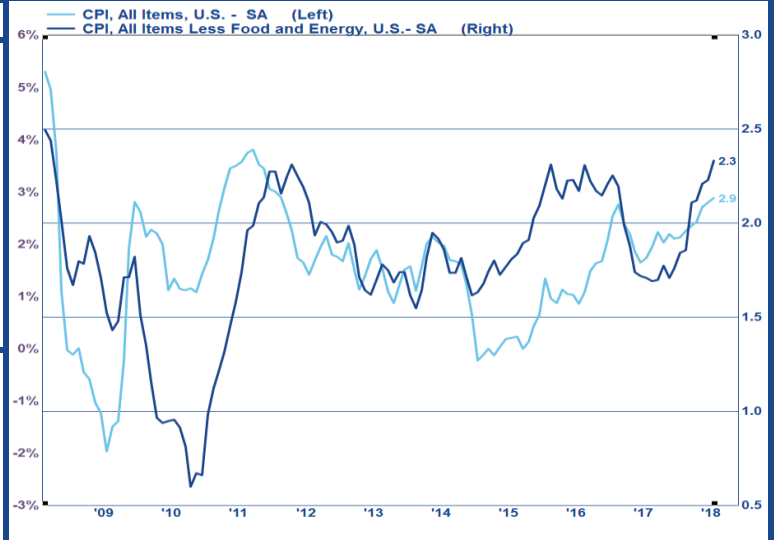
**Economic & Market Commentary**

While inflation has trended higher, it has not accelerated as overall inflation remains in-line with the Federal Reserve's long-term 2.0% inflation target. A look at some of the recent underlying trends and gauges suggests inflation is inclined to move higher. First up, wages. Despite a very tight labor market, average hourly earnings growth y/y has remained range bound so far this year at +2.6% to +2.8%, however, recent surveys from the NFIB, ISM and the Fed reflect a shortage of qualified labor and rising compensation, which suggests wage growth is likely to drift higher as companies battle to attract and retain workers. Now let's look at production costs. The Producer Price Index (PPI), which measures final production prices paid, in July was flat from June but is up 3.3% y/y as the cost to produce goods is on the rise in the earlier phases of production. The PPI also measures prices paid throughout the various stages of intermediate production. Stage 1 (earliest phase of production) prices rose +7.3% y/y, Stage 2 +6.9% y/y, Stage 3 +5.6% y/y and Stage 4 +3.7% y/y. Energy, raw materials, and transportation/freight are the main drivers of higher intermediate costs. These price pressures in the production pipeline could lead to broader inflation if prices are passed up the chain. In 2Q18 earning reports, industrial and consumer staple companies have highlighted these increasing costs and instituted price realization to maintain margins. Next up, consumer prices. The Consumer Price Index (CPI) rose +0.2% in July and is up +2.9% y/y. Excluding volatile food & energy prices, CPI rose +0.2% in July and is up +2.3% y/y. Energy, shelter (rent), and transportation costs drove the CPI higher y/y. Last up, other measures. TIPS point to an inflation range of 2.0% - 2.3%, the Federal Reserve Bank of New York's July Underlying Inflation Gauge (UIG) estimates an inflation range of 2.3%-3.3%, the Personal Consumption Expenditure (PCE) index has been rising since late 2015 and rose to 2.2% in June y/y, which is the highest reading since March 2012. Inflation is on the rise and is expected to drift higher.

**Total Returns - August 10, 2018**

Stock Index	1-Wk	YTD	1-Yr
NASDAQ	0.40	14.27	27.42
Russell 2000	0.82	10.63	24.47
S&P 500	-0.18	7.21	18.47
S&P 400	-0.16	5.98	18.73
Dow Jones	-0.44	3.82	18.52
MSCI-Developed	-1.46	-2.98	3.95
MSCI-Emerging	-0.99	-6.72	2.93
<b>Barclay's U.S. Bond Index</b>			
High Yield	0.12	1.54	3.53
5-year Muni	0.04	0.64	-0.50
Municipal	0.16	0.05	0.60
Int. Gov. Credit	0.31	-0.51	-0.75
Aggregate	0.42	-1.08	-0.62

**Consumer Price Index**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	2.42	2.42	1.22
U.S. 2-Yr	2.60	2.64	1.34
U.S. 3-Yr	2.68	2.73	1.50
U.S. 5-Yr	2.73	2.82	1.81
U.S. 10-Yr	2.86	2.95	2.25
U.S. 30-Yr	3.02	3.09	2.82

**S&P 500 - Sector Total Returns - August 10, 2018**

Sector	1-Wk	YTD	1-Yr
Info Tech	0.44	16.75	33.41
Consumer Discretionary	0.81	15.08	27.87
Health Care	-0.20	9.47	16.43
Energy	-0.07	5.78	20.65
Utilities	-0.53	2.41	1.50
Real Estate	-1.80	1.55	5.92
Financials	-0.49	1.10	14.71
Industrials	-0.92	-0.01	11.23
Materials	-0.85	-1.85	11.71
Telecom Services	0.69	-4.58	1.00
Consumer Staples	-1.87	-5.32	-0.66

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.41	2.43	1.78
U.S. AA	2.53	2.55	1.90
U.S. A	2.86	2.89	2.40
U.S. Baa	3.43	3.46	3.22
U.S. Municipal	2.67	2.69	2.10
Michigan	2.79	2.79	2.21

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	16.59	14.46	1.77
S&P 400 - Mid Cap	16.57	15.21	1.43
S&P 600 - Small Cap	17.78	15.10	1.24