

Investment Market Update

March 31, 2018



The equity market experienced severe price volatility due to a potential trade war, a rise in interest rates, inconsistent economic indicators and White House unpredictability. The S&P 500 Index ended the quarter on a weak note, but with first quarter corporate earnings being released in the next few weeks, stability should return to the markets.

While the revolving door for White House staff keeps spinning, the concern is that the president is consolidating his cabinet to only those who think like him, resulting in little internal policy debate. With recent successful South Korean and Mexican trade discussions, the president appears emboldened, which raised concern that there may be new proclamations of tariffs and fines, particularly on China. This may invite escalating tariff retaliation and an unwinnable trade war. Fair trade involves a friendly, interdependence and partnership. President Trump is targeting China as a competitor and a looming threat. In the meantime, recent economic indicators have not accelerated, as expected during the first quarter, with housing, industrial production and employment remaining flat.

The Federal Reserve's recent 0.25% interest rate increase continues the path of normalizing monetary policy despite the core Consumer Price Index only growing at 1.5% year-over-year. Interest rate increases are expected to continue at a gradual pace, rising as much as 0.75% this year as long as economic activity

and inflation also grow normally. The slow and cautious withdrawal of the monetary stimulus program as the economy strengthens is causing asset class fluctuations and correlations to move inconsistently. The fixed-income yield curve flattening, in the face of the Federal Reserve's recent commentary, demonstrates a deep skepticism of any acceleration in economic growth.

Despite the volatility, the best performing sectors of the market were information technology and consumer discretionary. Energy and consumer staples stocks performed the worst. Facebook underperformed due to questions about selling targeted user information to political and business entities. Sharing and using information openly is the basis of their business model, and other than media-intensive Washington hearings, it is unlikely

there will be significant regulatory action imposed. As the year progresses, the tax cuts and fiscal stimulus will accelerate corporate earnings growth between 10% and 20%. Therefore, despite the extreme volatility, we remain positive on the equity market. International and emerging markets, like the U.S., are also experiencing volatility due political populism, currency fluctuations, interest rate challenges and potential trade protectionism. As a result, we retain our bias towards better-managed, higher-quality U.S.-based multinationals.

Best Always,

Michael Aloian - President, Trust & Investment Management Services, Chief Investment Officer

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Is Your Estate Plan Up to Date?

Kerry Hunter
Trust Business Development Officer

Many of us were taught at a young age that it is not polite to talk about money or beneficiaries. However, proper planning and communication is of utmost importance when it comes to transferring wealth to future generations.

Perhaps you planned your estate several years ago or longer. Ideally, estate plans, asset titles, and beneficiary designations should be reviewed every two years. This spring may be a good time to talk with your trust professional to make certain your estate plan reflects your most current wishes and your investment portfolio is positioned properly for your stage of life.

Some things you may wish to discuss regarding your estate plan include:

- **Your beneficiaries.** Have they matured emotionally and financially? Have they married or divorced? Do they now have children and/or grandchildren? What would happen to their inheritance if they die or become incapacitated? Who are their beneficiaries and is that where you want your estate to go?
- **If your agent listed in your power of attorney** is not your spouse and then the bank, ask yourself how well they have handled their own finances and investments since you originally named them. Do you continue to trust them to handle yours? Are they still willing, available, and able to handle your estate? Who is monitoring their decisions? How will records be kept? What will the costs be?
- **Your investments.** Have they increased in value equal to the appropriate benchmark? Did your 100% stock portfolio grow at 19.4% like the S & P 500 did last year? If health and other obligations have depleted your holdings, have you asked your future corporate fiduciary to run an analysis of how long the assets will last with a properly managed portfolio? Would a complimentary analysis of your portfolio to examine risk, costs and performance by your future trust team be helpful?

If you have questions about your estate plan and/or investment portfolio, we'll be happy to review either or both in a confidential setting with no obligation to you. We'll discuss your objectives, then review your documents and investments to make certain that they match your objectives.

While these are private issues, and we take that seriously, it is important for you to discuss these vital topics to ensure that your wishes are followed. To schedule a conference, please contact Kerry Hunter at (941) 473-3629 or khunter@ebtfl.com

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