

# Investment Market Update



The U.S. equity market was volatile, but more resilient to the trade and tariff talk than most international markets in the second quarter. The gain can be attributed to the improved earnings and optimistic guidance for future quarters from most U.S. companies. The trade tariff talk suppressed further equity market gain and the longer the trade tensions proceed, the more likely it is they will reduce U.S. and global growth. The Trump Administration is internally divided on the issue, but is seeking “fair trade” agreements. It is also trying to prevent the buying or stealing of U.S. advanced technology patents in order to slow the “China 2025 Plan.” The aggressively-stated objective of this plan is to become the global leader in 10 broad-based areas including aerospace, electric vehicles, biotechnology and artificial intelligence. The demise of the economic relationship between the two largest trading partners in the world is a concern and any tariff escalation could reduce global stability and GDP growth.

Equity market volatility caused a flight to low-return U.S. Treasury bonds where prices strengthened and longer-term yields declined. Since short term rates are rising, the flattening yield curve is a concern for the Federal Reserve and its plan to raise rates twice more before year-end. Upcoming economic indicators will be monitored closely and if they weaken, it is unlikely the

Federal Reserve will continue to raise rates this year. The November election will favor Republicans based upon the economy’s strength, but this could also change if the economy weakens.

Equity market leadership has been concentrated in the consumer discretionary and information technology sectors. Small cap companies are performing well this year because they tend to not have as much exposure to U.S. dollar fluctuation or international trade. The energy sector had a strong quarter as crude oil prices rose

steadily on production and supply concerns. The price per barrel should remain in the \$60-\$75 range, which should keep retail gasoline prices under \$3 per gallon. Second quarter earnings for most companies will be

up 20%, so presently the equity market is fairly valued trading around 17x earnings. International markets are experiencing trade pressures, currency devaluations, populist political movements and financial stresses so we maintain our bias toward U.S. companies. China’s slowing domestic growth should bring them back to the negotiation table so the market’s trade concerns should ease over the next few weeks, providing more positive returns for the second half of the year.

Best,

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## Ten Fun Facts About Estate Planning

1. In 1829, James Smithson created the Smithsonian Institution through a bequest in his last will and testament: "I then bequeath the whole of my property ... to the United States of America, to found at Washington, under the name of the Smithsonian Institution, an Establishment for the increase & diffusion of knowledge among men." Curiously, Smithson had never visited the United States.
2. The longest will ever probated was 1,066 pages and 95,940 words. An English woman, Frederica Evelyn Stilwell Cook, holds this record. Her estate was only worth about \$100,000.
3. The shortest known wills are only three words long, reading, "all to son" and "all to wife."
4. A recent study indicates that approximately 11 percent of Britons have their internet passwords in their last will and testament.
5. In Alberta, Canada, your last will and testament remains valid when you get divorced, but it is automatically invalidated when you get married.
6. Famous Americans who died without a will include Sonny Bono, Kurt Cobain, John Denver, Chris Farley, Howard Hughes and Martin Luther King Jr.
7. Actor and comedian Del Close asked that his skull go to Chicago's Goodman Theatre so that he could be Yorick in Hamlet after his death. The executor of his estate couldn't find anyone willing to remove his head from the body, so he was eventually cremated intact. His executor then gave the Goodman another skull (purchased from a local science supply store), which was used in several plays.
8. The "will of Uah" is the oldest known will in existence, dating back to 2548 BC. It was found in a tomb in Egypt and leaves all Uah's property to his wife, Teta.
9. Historians found a power of attorney from 561 BC Mesopotamia. In it, a man authorizes his brother to conduct business on his behalf.
10. Living wills, which allow people to control their end-of-life medical treatment, are a recent estate planning mechanism. California became the first state to allow living wills in September 1976.

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