



# INVESTMENT & WEALTH MANAGEMENT UPDATE

JULY 13, 2017

## SECOND QUARTER IN REVIEW

### Overview

The second quarter proved to be a bit bumpy for equities, but each of the benchmarks listed here closed the quarter ahead of their first-quarter closing values.

April saw equities close the month ahead of March, buoyed by favorable corporate earnings reports, proposed tax cuts, and strong foreign economic advances. Nasdaq led the way posting monthly gains of 2.30%, followed by the Global Dow, which gained almost 1.50%. The large-cap Dow advanced 1.34%, ahead of the S&P 500, which increased close to 1.00% for the month. Even the small-cap Russell 2000, which has had some rough weeks, closed April 1.05% ahead of its March close.

May was a slower month as consumer spending and wage growth were relatively weak, with only 138,000 new jobs added in

May, compared with an average monthly gain of 181,000 over the prior 12 months. Nevertheless, only the Russell 2000 lost value, falling 2.16% from its April closing mark. Nasdaq continued to surge, ending May with a monthly gain of 2.50%.

June saw mixed results for the indexes listed here. The Nasdaq lost almost 1.00%, while the Russell 2000 made up for its May losses, advancing almost 4.00% over May. The Dow had a strong June, closing the month up 1.62%, while the S&P 500 and the Global Dow failed to advance 0.50% over May.

Long-term bond prices increased in the second quarter with the yield on 10-year Treasuries falling 8 basis points. The price of gold fell during the second quarter, closing June at \$1,241.40, down from its \$1,251.60 closing price at the end of the first quarter.

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Market/Index	2016 Close	As of June 30	Month Change	Quarter Change	YTD Change
DJIA	19762.60	21349.63	1.62%	3.32%	8.03%
NASDAQ	5383.12	6140.42	-0.94%	3.87%	14.07%
S&P 500	2238.83	2423.41	0.48%	2.57%	8.24%
Russell 2000	1357.13	1415.36	3.30%	2.12%	4.29%
Global Dow	2528.21	2769.39	0.38%	2.90%	9.54%
Fed. Funds	0.50%-0.75%	1.00%-1.25%	25 bps	25 bps	50 bps
10-year Treasuries	2.44%	2.30%	10 bps	-8 bps	-14 bps

### Employment

May's employment report showed unexpected weakness in the labor sector with 138,000 new jobs added in the month, on the heels of 174,000 new jobs added in April, revised. April and March were downwardly revised a combined 66,000, which, when coupled with the average gain of 181,000 over the prior 12 months, clearly shows that job growth is slowing.

For May, job gains occurred in health care, mining, and professional and business services. The unemployment rate dipped to 4.3% — down from 4.4% in April. There were 6.9 million unemployed persons in May. The labor participation rate inched down 0.2 percentage point to 62.7%. The average workweek was unchanged at 34.4 hours. Average hourly earnings increased by \$0.04 to \$26.22. Over the last 12 months ended in May, average hourly earnings have risen by \$0.63, or 2.5%.

### FOMC/Interest Rates

Following its meeting in June, the Federal Open Market Committee raised the target range for the federal funds rate by 25 basis points to 1.00%-1.25%. This is the second interest rate hike in 2017, with the first coming in March.

In support of its decision to raise interest rates, the Committee observed that economic activity has been rising moderately so far in 2017, business spending has continued to expand, and, while job gains have moderated, the unemployment rate has declined. Noting that inflation has slowed in the short term, the Committee expects inflation to stabilize around 2.0% over the medium term.

### GDP/Budget

Expansion of the U.S. economy slowed over the first three months of 2017. According to the Bureau of Economic Analysis, the first-quarter 2017 gross domestic product grew at an annualized



*The Trust Company's Investment Management team: Kurt Weber, Investment Officer & Portfolio Manager; Michal Emory, CFA, Vice President & Chief Investment Officer; and Eli Sallman, CFP® Assistant Vice President & Investment Officer – Portfolio Manager.*

rate of 1.4% compared to the fourth-quarter GDP, which grew at an annualized rate of 2.1%. Growth in the GDP was slowed by downturns in private inventory investment, a deceleration in consumer spending, and a slowing in state and local government spending that were

“The stock market generally has been steady through the first half of 2017, despite domestic and global turmoil.”

partly offset by an upturn in exports, an acceleration in nonresidential (commercial and business) fixed investment, and a deceleration in imports.

As to the government's budget, the federal deficit for May was \$88.4 billion. Through the first eight months of the fiscal year, the deficit sits at \$432.9 billion, which is more than \$27 billion above the deficit over the same period last year.

### International Markets

Major elections during the month were held in France (Emmanuel Macron and his party were elected.), and the UK (Theresa May was reelected, but her

Conservative Party lost parliamentary seats.). Brexit negotiations began during the third week of June, although European markets had little reaction.

Japan's economic growth slowed in the first quarter on the heels of weaker consumer spending, softening what had been the country's longest run of economic expansion since 2006.

China has attempted to expand its financial markets and entice more foreign capital, which may help drive that country's GDP and stock markets.

### Eye on the Month Ahead

There are many economic indicators that could improve in July and for the remainder of the year. The stock market generally has been steady through the first half of 2017, despite domestic and global turmoil. Oil prices continue to tumble, driving down energy prices and inflation. The housing market, which had stalled after a strong 2016, may be gaining steam, at least as to increasing home prices.

The FOMC meets again in July following this year's second interest rate hike in June. If inflation and economic growth continue to show signs of slowing, it is likely the Fed will wait until it meets again in September to consider another rate increase.



### MANHATTAN MERCURY READERS VOTE THE TRUST COMPANY TOP INVESTMENT FIRM

This past May we were honored and delighted by the *Manhattan Mercury*'s announcement of The Trust Company as the 2017 Readers' Choice #1 Investment Company. We were pleased to be able to thank the readers via a story in the *Mercury*'s special edition, which announced all of the winners on May 31. Here are some excerpts from the text of our "story."

The Trust Company's founder, Mark Knackendoffel, has a favorite saying: "Not all of our friends are necessarily clients, but all of our clients are friends." That sentiment has been a mainstay of The Trust Company's culture from our very beginning, in 1992. We want everyone who comes into our offices to feel as comfortable as they would visiting a trusted friend. After all, we are in the business of helping people achieve their financial goals and dreams. That's a big responsibility, and we consider it a privilege.

This October we'll celebrate our 25th anniversary, and we couldn't be prouder of the company that we've become, or the community where we grew up. That's why



it is such an honor to be considered among community members as the number one investment company in Manhattan.

#### Who We Are

One of our sustaining beliefs is that encouraging our employees to live

community-based values—honesty, integrity, pride in helping others—benefits all of our stakeholders: employees, owners, clients, and the community alike. Thus, within our own company, we've developed leaders with strong ties to organizations that help define Manhattan as "The Little Apple"—our home. Active participation in the community, and volunteering for charitable and civic organizations, is just as much a part of our culture as our independence.

Thank you, *Manhattan Mercury* readers, for this vote of confidence. We welcome you to drop by our office at 800 Poyntz Avenue for a visit or just to say, "hello." We're always interested in meeting people and making new friends!

#### 25th Anniversary Celebration!

Mark your calendar!

On Friday, September 29, 2017, The Trust Company is hosting a 25th anniversary hog roast at our Manhattan office.

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Similar to our successful 20th anniversary event, we are inviting clients, friends, family, community members, and anyone who wants to come by—for good food, good conversation, and good hospitality, served up by our Trust Company team.

Mark Knackendoffel, CEO, has been roasting whole hogs for just about as long as he can remember, and he's excited to give it another go—preferably with an apprentice who is

willing to learn the trade and carry on the tradition long after Mark has roasted his final hog! Surely there is someone who is up to the task!

The party will take place in the parking lot of our 800 Poyntz Avenue home office in Manhattan, KS, from 3:30 to 7:00 p.m. on Friday, September 29. We truly hope to see you there!



## Columbia, MO Office Relocating

Later this month, our Columbia, MO office will get a new home!

Construction has been ongoing for the last several months at the new building, which is located at 4210 Philips Farm Road in Columbia. As the move date approaches, our team, shown at right, is getting excited about having a beautiful new space that's designed especially with the needs of their clients in mind.

Polly Reynolds, Vice President and Branch Manager, says, "I'm absolutely thrilled with the way it's turning out, and we can't wait to greet our clients and friends at our new



*Columbia, MO team: Kari Vogt, Polly Reynolds, and Greg Jones*

space. I know everyone is going to feel right at home."

A grand opening reception will take place on a date to be determined, later this summer. Stay tuned for an announcement!



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