JUNE 30, 2019
ECONOMIC UPDATE

LANDMARK WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

Markets continued to rebound in the 2nd quarter driven by further signals from the Federal Reserve that they may cut interest rates. Fixed Income enjoyed strong returns buoyed by falling interest rates and US Equities posted strong results. Developed Market Equities and Infrastructure assets also produced positive returns during the quarter at 3.7% and 4.9% respectively.

Uncertainty remains the theme as we head into the second half of 2019. Moderating economic growth and ongoing trade discussions with China will be balanced against a Federal Reserve, which has recently signaled it may be more accommodative. As with all market cycles, opportunities for growth continue, but late-cycle market environments historically have been known to pair these growth opportunities with elevated levels of volatility.

Asset Class	2nd Quarter Return
Core Bonds	2.4%
Multisector Bonds	2.6%
US Large Cap	4.3%
US Mid Cap	3.1%
US Small Cap	1.9%
Developed International	3.7%
Emerging Markets	0.6%
Equity Alternatives	1.1%
Infrastructure	4.9%
Real Estate	1.0%
Commodities	-1.2%

FEDERAL RESERVE

The Federal Reserve kept interest rates at their current level coming out of their June meeting, but hinted at rate cuts in the future. More recently, during his testimony before Congress, Fed President Jerome Powell strongly implied that the Federal Reserve would cut the Federal Funds Rate at their July meeting. Most analysts expect additional cuts as we head into the second half of the year which is a positive for markets.

EMPLOYMENT

The US economy added 224,000 jobs in June, exceeding analysts' projections and marking a rebound from the disappointing reading of 72,000 jobs in May. The unemployment rate has remained steady at 3.7%, representing the 15th consecutive month that the rate has remained below 4.0%. Wages have grown at a strong rate of 3.1% over the last 12-months, which can in part be attributed to the tightness of the labor market.

GROSS DOMESTIC PRODUCT (GDP)

US GDP grew at a 3.1% rate in the 1st quarter, however the higher growth rate was partly influenced upwards by temporary measures. Looking out, growth is expected to moderate as we head into the second half of the year, although near-term probabilities of a recessionary event remain unlikely.

The US economy recently passed the 10-year expansion mark and has become the longest on record in terms of length. It is important to note that the pace of growth has been much lower than in prior expansions.

ON THE HORIZON

Trade talks between US and Chinese delegates, as well as Brexit negotiations, remain ongoing:

- US and Chinese trade tensions escalated in May before cooling coming out of the G20 summit at the end of June with a tentative agreement to restart trade talks.
- The UK's Prime Minister Theresa May will step down from her post in July after failing to move Brexit negotiations forward. Her replacement will be decided on July 23rd with the likely front-runner being Boris Johnson - a long-term supporter of Brexit - who could push for a no-deal exit. The UK has until October 31st to reach an agreement.

We are monitoring the development of these events and their impact on our clients and continue to emphasize investments with a focus on quality in this market environment.