ADELL, HARRIMAN & CARPENTER, INC.

Investment Management & Financial Counsel

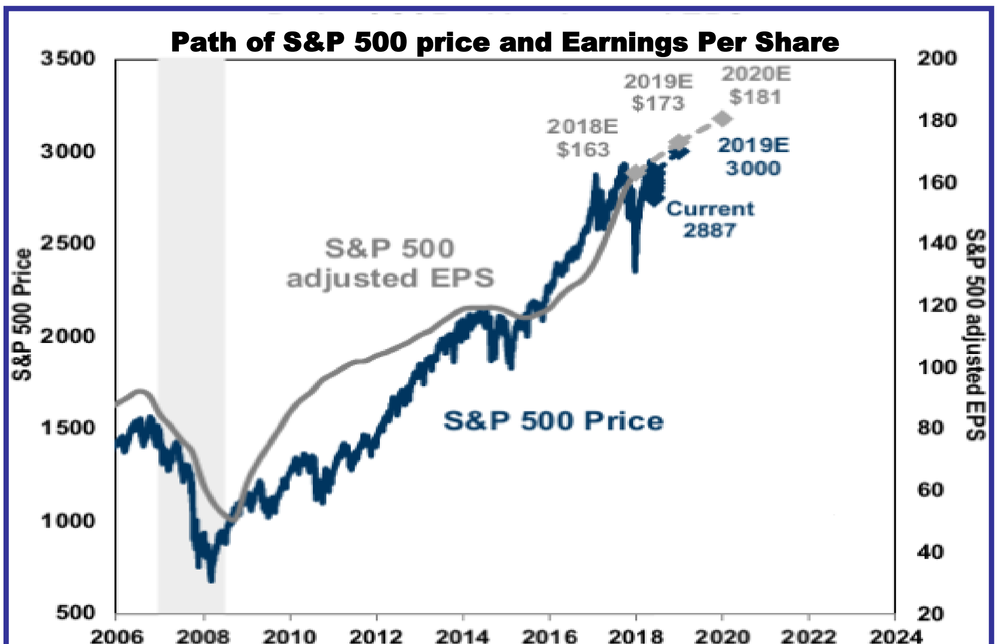
ECONOMIC UPDATE **SECOND QUARTER, 2019**

MARKET REVIEW

The second quarter of 2019 finished at record all time highs for stocks, despite a correction in May. Most major economic indicators, such as job growth, manufacturing, and consumer spending, continued to grow throughout the quarter. The market correction in May was the result of the realization the trade dispute between China and the U.S. may take longer than expected. The Fed, paying close attention, indicated a potential rate cut in 2019, to which the market responded favorably. The last weekend of June culminated with the G20 meeting, where China and the U.S. agreed to continue working toward a trade resolution. The Dow Jones Index gained 1.9%, and the S&P 500 gained 3.1% in the second quarter. Bonds gained 3% in aggregate. For the year-to-date, major stock indices have gained about 15%.

THE ECONOMY

The U.S. economy continues to show signs of growth and expansion, but two main factors remain in the headlines: the China trade issue and the Fed's next move with interest rates. The market expects the Fed to cut rates if the trade deliberations with China draw out. Continued economic expansion will be less likely if a resolution is not achieved. The U.S. job market maintains historically low unemployment. In fact, the June positive jobs news has diluted the case for at least a near term rate cut. Also, the leading manufacturing index, ISM (Institute for Supply Management), was 51.7% for June. Anything over 50% signals companies are expanding and not shrinking. The CPI (Consumer Price Index) rose slightly but well below inflation levels. Crude oil closed the quarter near $60. Global growth stalled in the second quarter, attributed primarily to China's economic slowdown. The global economy, including the U.S., seems poised for continued growth but at a slowing pace.



Source: Compustat, FactSet, Goldman Sachs Global Investment Research. As of June 10, 2019.

EQUITY MARKETS

The equity markets rebounded strongly in June after the correction in May to reach new all time highs. Solid reports reaffirmed corporate earnings strength, and stock prices reconnected and marched upward. Over time, stock pricing movement always aligns with earnings, as shown in the graph below. There was significant stock sector differentiation as technology, real estate, and consumer discretionary companies now lead market returns with commanding double digit gains. This is in line with typical late stage business cycle momentum. All other sectors, except for energy and healthcare, also have gains year-to-date.

LONG-TERM VIEW

China and the U.S. are each other's largest trading partners, so stakes are high for a trade deal to be made. There remains a remarkable trade imbalance between the two countries, which, in the long term, is not good for either side. With interest rates at painfully low levels, monies continue to flow into the equities markets as investors search for yield in places other than traditional bonds. Fundamental economic indicators remain solid. Tax reform is still freeing up corporate cash, and investors are rewarding those companies which pursue share buybacks and increased dividend programs. All said, a well diversified, balanced portfolio should continue to provide attractive returns.