The much anticipated G-20 meeting between Trump and President Xi commenced last night, with discussions back on track after a derailment two months ago. China has resumed its seat at the negotiating table, accomplished by mutual agreement that the US hold off on the impending 300 billion of new tariffs, while China agrees to buy more US farm products. Huawei Technologies Co. remains a stumbling block, along with intellectual property issues. In a positive development, Huawei can now resume technology equipment purchases from the US, limited to equipment/ technologies that do not threaten US national security. This side arrangement is a very broad and undefined agreement. Most believe technology/ equipment can be utilized to compromise national security, regardless of country - and so this understanding appears to be a general placeholder for future clarification. The primary area of concern is broadband networks. Hawks from both sides of the aisle are squawking i.e. twittering: Trump is giving up too much by reversing his own warnings of the threat Huawei imposes on US security. Ultimately, a comprehensive trade deal is unlikely in the near term.

US Banking institutions rallied yesterday, as the Fed had no objection for the capital plans of 18 firms, allowing them to increase dividends/ share repurchase programs. This continues a solid trend for banking stability/ a well capitalized financial system. A solid quarter for equities, capping a strong first half.

The markets general belief that a rate cut will result from the July 30-31 FOMC meeting was supported by no real change in year over year PCE Price Index, nor the non-core (excludes food and energy) PCE Price Index. Conversely, the Chicago PMI (purchasing managers index) fell into contraction territory in June with a reading of 49.7 vs. May 54.2. A reading below 50 denotes a contraction. Are rates cuts going to be enough to right a generally weakening economy? Without a trade solution, it is improbable that executives will be confident enough to expand capital spending. Earnings growth estimates for the next two quarters are near zero. Any positive news on trade or consumer confidence should benefit equity prices.

On the geopolitical front, tensions are high between the US and Iran. This may pose yet another threat to a vulnerable global economy. History points out that missile strikes outside of declared war - while worrisome to global markets, not to mention the human toll - have tended to create market impacts that are short in duration. In a perfect world, military escalation would be avoided. When the news headlines tend toward grim, investors should remember that geopolitical and a multitude of other risks are a regular part of investing. History shows that a well diversified portfolio will assist in buffering the short term market moves that are typically associated with shocks to financial assets. Investors should keep focused on their long term goals and objectives, and avoid overreacting.

As one assesses mid-year 2019 and what the 2nd half may bring, it is important to note the last 18 months have produced a lot of volatility, but in the end, little in the way of returns. Dividends offer some comfort while prices fluctuate. Fed policy and trade persist as primary drivers for stocks. In addition to China, new trade uncertainties have ignited with Canada, Mexico, India and the Euro zone. For the moment the effects are muted and simmering beneath the surface. The 2Q earnings season will provide a more complete picture.

General note: Please be aware of increased phishing attempts via text message - known as smishing. Individuals receive a fraudulent text that appear to be from a legitimate source - typically a financial provider. The text attempts to lure the recipient to provide account details. Typically, will state a credit card has been blocked, or account access blocked. The text provides a link to take corrective action. Recipient is then directed to a fake website requesting account credentials, which fraudsters can then use to gain access to funds. Please use caution when responding to texts, emails or phone calls from unknown sources, including clicking attachments and links. When in doubt, call your financial institution to verify any request for account credentials. Suggest deleting any suspicious texts or emails on receipt.

The 2nd half of 2019 will provide an opportunity to focus on sector allocation in front of the 2020 elections, while considering a multitude of other factors that will likely impact sector preferences. May place a higher weight on the health care sector, which has struggled in the 1st half of 2019. Thank you.

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