301-770-9880
www.burtwealth.com

ECONOMY: Robust Growth for U.S. Economy in Q2

Q2 MEETS EXPECTATIONS

U.S. GDP grew at a solid 4.1% pace in Q2 quarter, its best pace since 2014. The number matched expectations from economists surveyed by Reuters and was boosted by an increase in consumer spending and business investment. Q2 marked the fastest rate of the expansion since the 4.9 % growth in Q3 2014 and the third-best growth rate since the Great Recession. In addition to the strong second quarter, the Commerce Department revised its first-quarter reading up from 2% to 2.2%.

FED HOLDS RATES

At its most recent meeting the Federal Reserve voted unanimously to hold interest rates steady for now. However, the Fed indicated that it plans two more rate hikes in 2018 and potentially three more in 2019 to keep the economy from overheating. In its official statement, the Fed noted that *"Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly."*

SMALL BIZ HIRING

The tight labor market continues to be the biggest problem facing small businesses, with 37% of owners reporting job openings they could not fill in the current period, a new survey high. The number of small businesses planning to create jobs across the country remains at record high levels in July, while owners added the largest number of workers in 12 years.

CONSUMER CONFIDENCE REBOUNDS

The Conference Board ***Consumer Confidence Index***® increased marginally in July, following a modest decline in June. *"Consumer confidence gained marginal ground in July, after a modest decline in June. Consumers' assessment of present-day conditions improved, suggesting that economic growth is still strong. However, while expectations continue to reflect optimism in the short-term economic outlook, back-to-back declines suggest consumers do not foresee growth accelerating."*

EU TRADE DEAL

President Trump and European Commission President Juncker reached a tentative trade deal in which the U.S. and European Union (EU) would work toward removing trade barriers and avoid implementing further tariffs. Trade tensions had risen significantly since early March, when the U.S. announced tariffs on imports of steel and aluminum for most trading partners. Tensions escalated further in early June when the U.S. hinted at the possibility of tariffs on EU auto imports.

EUROZONE GROWTH POSITIVE, BUT SLOWING

The European economy showed further signs of slowing, as Q2 GDP grew at an annualized rate of 1.4%. This is down from 1.5% in Q1, and marks the regions slowest rate of expansion in three years. This stands in stark contrast the robust 4.1% growth of the U.S. economy in Q2.

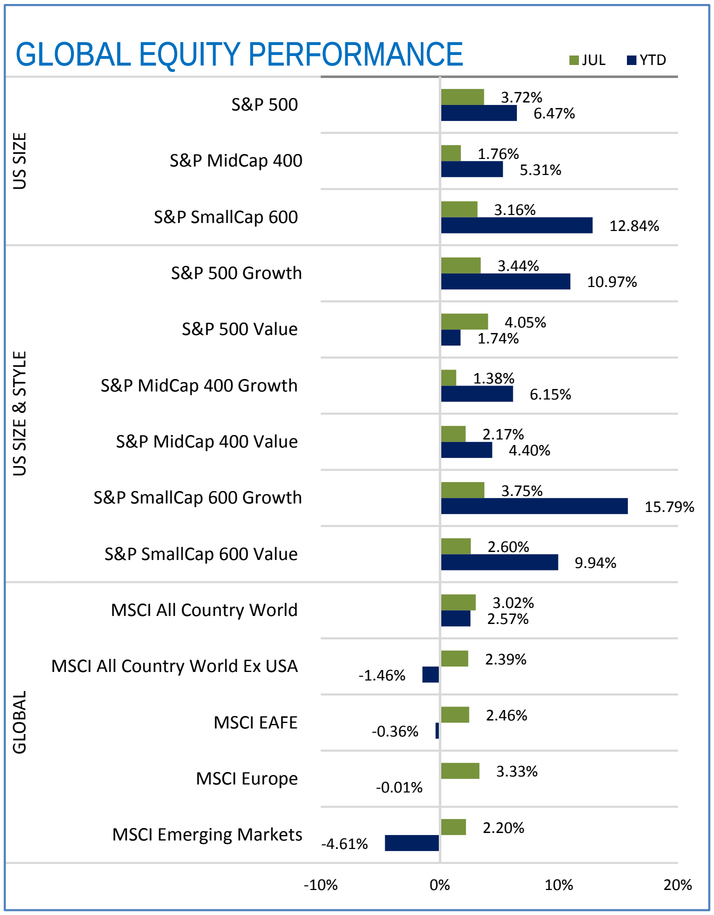
REMEMBER BREXIT?

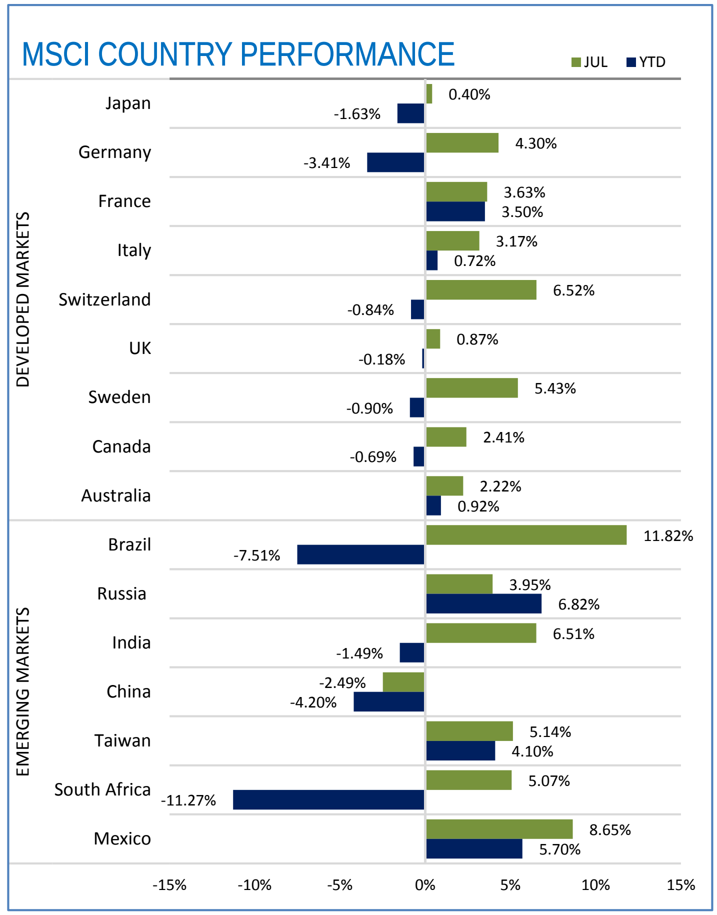
Despite ongoing negotiations, there remains a possibility that the U.K. will leave the EU without a working relationship, a so called "no deal" Brexit. If no deal is reached, Britain would withdraw from the EU on March 29, 2019 without any of the trade, customs and regulatory measures the government is currently negotiating to aid in the transition. At the end of August, the U.K. government will release detailed guidance to businesses on what will happen if the country exits the EU without a deal. Business and consumers are already concerned about border issues, citizen rights and potential food and medicine shortages.

CHINA FREES CAPITAL

China's central bank said it will cut the amount of cash that some banks must hold as reserves by 0.50%, releasing $108 billion in liquidity to accelerate the pace of lending and economic growth. The reserve reduction, the third by the central bank this year, had been anticipated by investors amid concerns over market liquidity and the potential economic impact from a prolonged trade dispute with the U.S.

GLOBAL EQUITIES: Strong Returns for Global Equities





Bull Market Continues

The S&P 500 posted a 3.72% gain in July, marking its fourth consecutive monthly gain. July's gains left the S&P 500 1.97% off its January 26, 2018, closing high, as the current bull markets is set to become the longest-running in history in late August. U.S. equities continue to benefit from positive earnings news, record profits, and increased dividends and buybacks at least partially attributable to tax reform. Mid and small cap U.S. equities also generated positive returns for the month, 1.76% and 3.16% respectively. July also brought a bit less volatility as the VIX fell 20% and there were no 1% swings for the S&P 500 during the month.

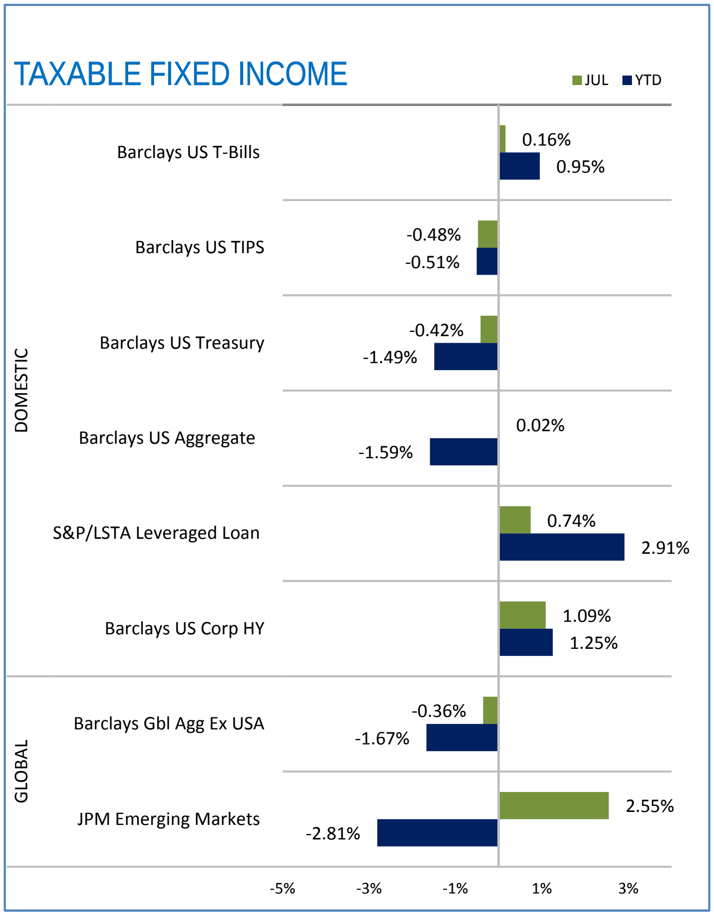
Trade Talks Spark European Rebound

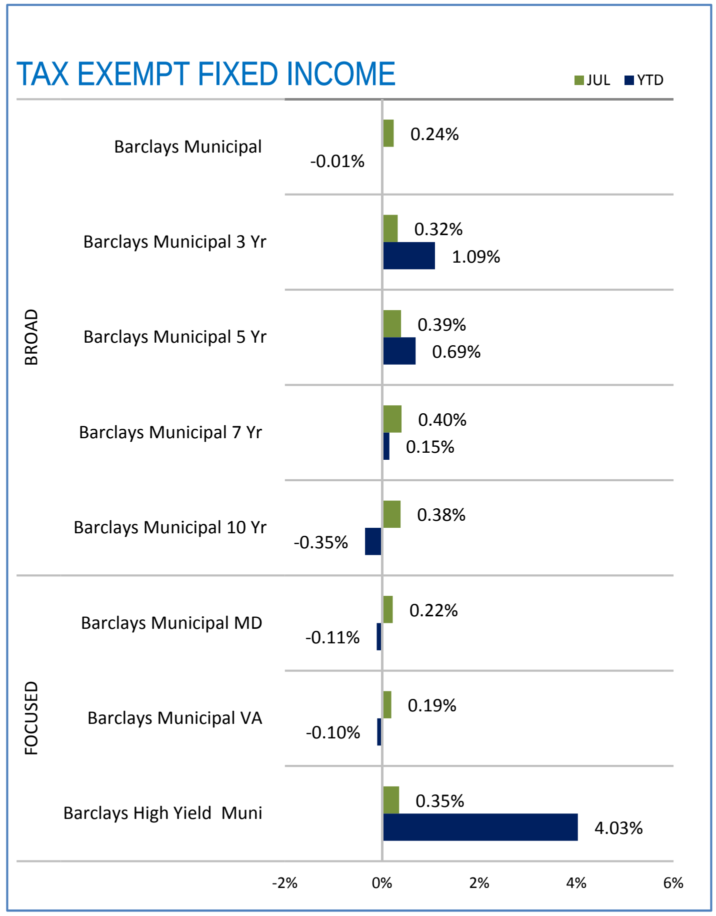
European stocks rose on solid corporate earnings reports and easing trade tensions between U.S. and European Union leaders. The MSCI Europe Index gained 3.33% in July, despite signs of slowing growth in the European economy, which appeared to be decelerating after a strong period of growth in 2017. Markets in Germany, France, Italy gained a little over 3% for the month while , Sweden and Switzerland gained more than 5%.

Brazil & Mexico Help EM

After heightened volatility in recent months, emerging markets gained 2.2% in July as Brazil and Mexico rebounded. Shares of banks and commodities companies were the top gainers in Brazil as front runners emerged for Brazil's presidential election in October. Brazil gained 11.82% for the month. In Mexico, equities gained following the presidential election and investor sentiment was boosted by renewed hopes that a deal could be reached on a revised North American Free Trade Agreement. Mexican equities rallied 8.65%.

FIXED INCOME: Strong Growth Pushes Rates Higher





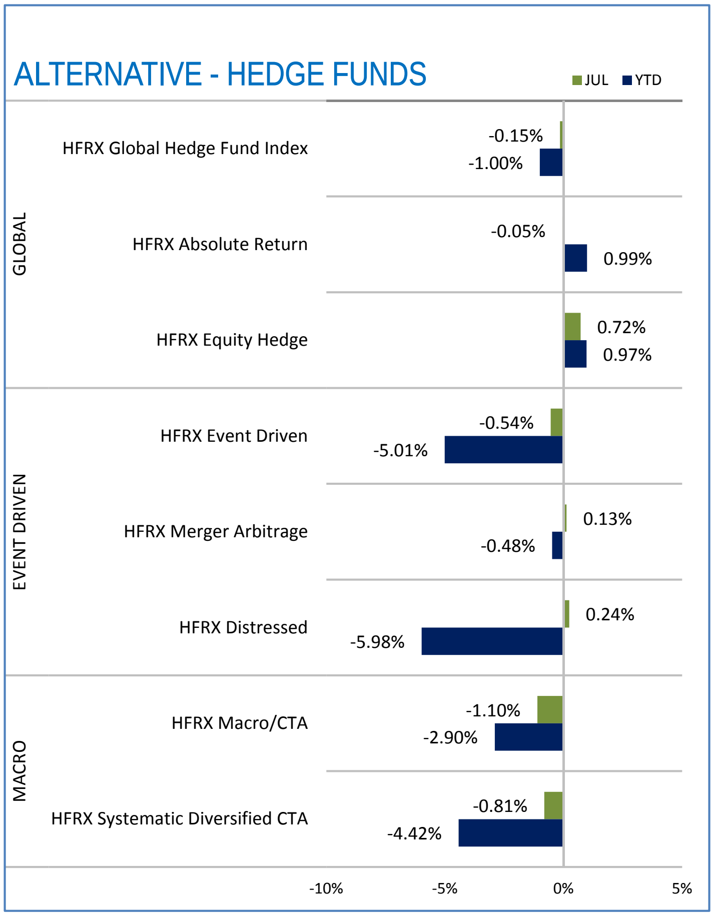
STRONG GROWTH, HIGHER RATES & LOWER SPREADS

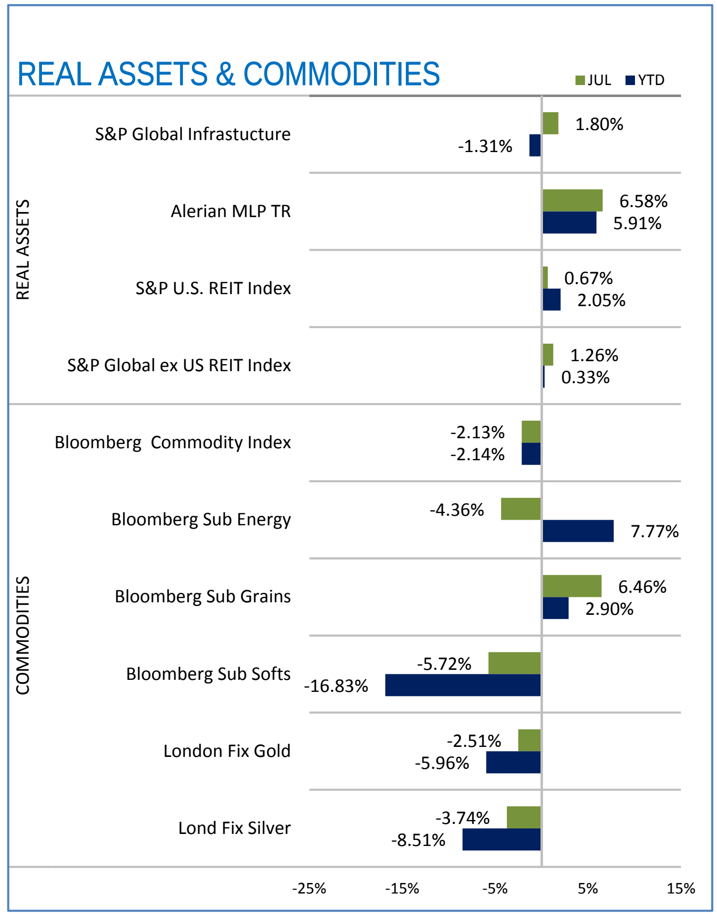
Stronger economic growth helped push interest rates higher in July and the yield curve flattened modestly as both the 2-year Treasury and 10-year yields rose, leaving the spread at only 0.29%. Improved consumer and business spending, strong job growth, and modest inflation pained a rosy picture of the U.S. economy and helped to push rates higher. The market fully anticipates the Fed will raise the fed funds target range 0.25% to 2.00%-2.25% at the September meeting.

MUNIS BUCK THE TREND AGAIN

For the second straight month, the municipal market has not followed the Treasury market. Municipal yields were steady in July despite increasing rates in the taxable market. Tax-free returns were positive in July led by the short and intermediate maturity segments of the curve. The lower quality investment grade (BBB) and high yield segments provided the best relative returns in July. The Barclays Municipal Bond Index closed July with a 0.22% gain.

ALTERNATIVES: MLPs Take The Top Spot In July





EQUITY HEDGE FOLLOWS MARKETS HIGHER

Hedge funds posted mixed performance for July, with the HFRX Global Hedge Fund Index declining -0.15% for the month. Performance for the month was led by Equity Hedge strategies, which gained 0.72%, as equity markets gained for the month despite earnings-specific volatility across some widely held equity positions. Event driven strategies were mixed as gains in merger arbitrage and distressed were offset by declines in special situations strategies. Macro strategies continued to struggle in July, declining 1.1% and 0.81% respectively.

GROWING EXPORTS FUEL MLPS

Master limited partnerships (MLPs), as measured by the Alerian MLP Index (AMZ), gained 6.5% in July despite WTI crude oil prices falling 7.3%. The best performing MLP subsector for July was the Natural Gas Pipeline group. As energy production and exports continue to rise, growth for midstream sector participants should continue to benefit.