Trustmark Investment Advisors, Inc.

ECONOMIC HIGHLIGHTS

Durable Goods Orders were up 1.2% for December 2018, which masked weakness in business investment. Existing home sales were down 1.2% for January, and down 8.5% year-over-year. The Index of Leading Economic Indicators was down 0.1% for January, after having been down slightly in December.

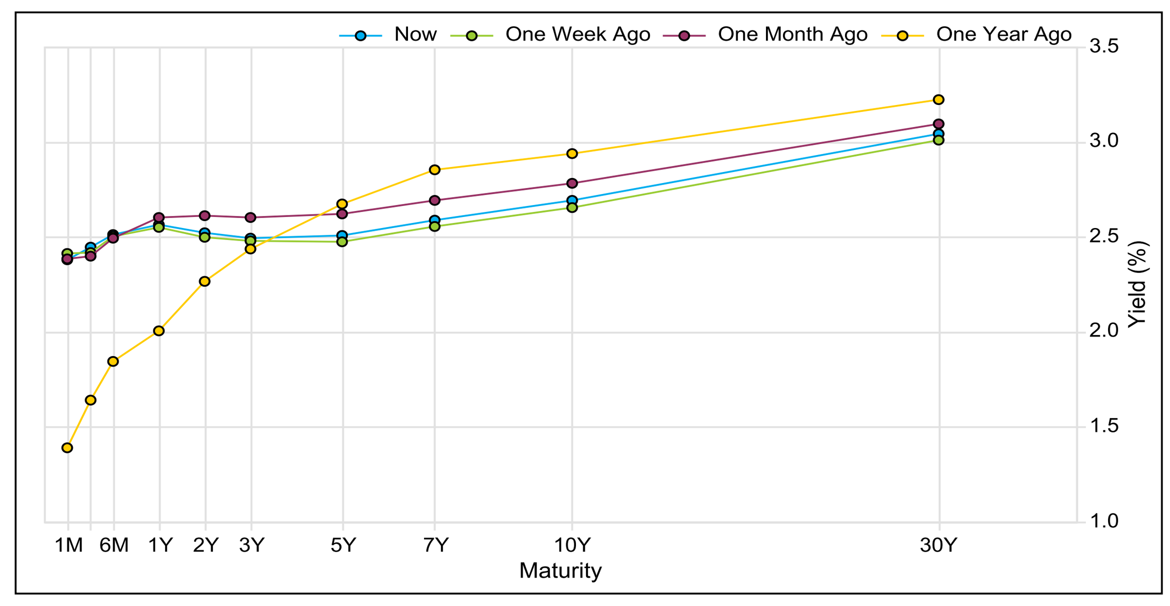
FIXED INCOME

Traders in the world's largest bond market likely wished for some calmer trading conditions after the volatility that came towards the end of 2018. Ten-year Treasury yields plummeted 70 basis points from early November to the start of 2019 and investors stormed to fixed income investments to flee the carnage of the stock market plunge. Over the past month or so, traders are beginning to worry that the $15.6 trillion market may be a little too calm. Bank of America Corp's MOVE Index, which originated in 1988 and measures price volatility in U.S. Treasury options, came within a hair of a record low last week. The index fell to 44.5 last Wednesday, close to the all-time low of 44 in November 2017. In the month after that record low was reached, volatility returned with a vengeance. The reason being that the Trump administration's tax plan had begun to boost the economic landscape, pushing Treasury yields higher and leading to some experts declaring that the decades long bull market in bonds was over. The difference this time around is that the Federal Reserve no longer has raising interest rates on the front burner as they have made it clear they will be "patient" with policy decisions for the time being. Chairman Powell's pivot after the last FOMC meeting of 2018 has left Treasuries largely range-bound and trendless. The main risks for now in the fixed income market are geopolitical risks from Brexit to U.S. China trade talks. At some point the calm in the market will turn, the hard part is nailing down what will trigger the return of volatility. Mark Kiesel, Chief Investment Officer of Global Credit at Pacific Investment Management Company said last Thursday in a Bloomberg TV interview, "The market has priced in a lot of good news but should be set for more volatility ahead." No one can pretend to know exactly when market events could lead to higher volatility, but it seems a bit early to expect the end of the Treasury market's listless trading, whether based on pure technical analysis or just a reading of the market tea leaves. At some point, something will break the Treasury markets peace. But it won't be an overnight adjustment of overall rates and which direction of movement will be the new trend.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.44%	3 mo	2.44%	3 mo	2.58%	3 mo	1.61%
6 mo	2.50%	6 mo	2.29%	6 mo	2.62%	6 mo	1.63%
1 yr	2.53%	1 yr	2.32%	1 yr	2.67%	1 yr	1.66%
2 yr	2.50%	2 yr	2.53%	2 yr	2.76%	2 yr	1.69%
5 yr	2.47%	5 yr	2.53%	5 yr	2.98%	5 yr	1.80%
10 yr	2.65%	10 yr	3.04%	10 yr	3.43%	10 yr	2.30%
30 yr	3.02%	30 yr		30 yr	4.03%	30 yr	3.30%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.59%	12.02%
S&P 500 (Large Cap)	0.65%	11.74%
S&P 400 (Mid Cap)	1.05%	16.50%
Russell 2000 (Small Cap)	1.34%	18.06%
NASDAQ Composite	0.78%	13.63%
MSCI EAFE (International)	0.79%	9.08%
iShares Real Estate	0.07%	13.41%

U.S. Stocks ended the week on a positive note, marking new highs for the month of February. Technology, communication services, and healthcare are among the market leaders, while financials are lagging and consumer staples are the notable decliner. The dollar has remained relatively the same, while gold and oil are up 0.6% and 0.7%, respectively.

The main catalyst for the higher prices included a steady optimism on a trade deal with China regarding news of the President Trump and Chinese Premier Liu meeting. President Trump and China's top trade negotiator, Vice Premier Liu He, are schedule to meet to potentially discuss avoiding an increase in tariffs on Chinese imports.

The Federal Reserve said it will stick to its "patient" approach towards guiding the U.S. economy. Worries of the economy ignited a December meltdown; however, the Fed states that there is little to be alarmed about. The labor market is strong and should encourage spending by consumers, borrowing has "risen roughly in line with household incomes," and the recent lows of interest rates should help home buyers and boost the housing market. The Fed expects inflation to remain at or under 2% in the next year or so, as they continue their "wait and see" mentality.

Notable market movers: Kraft Heinz Co. (-27.3%) is under immense pressure following a plethora of disappointing updates. Q4 EBITDA missed on lower cost savings, weaker pricing and higher inflation. Their FY19 EBITDA was 14% below the consensus, as well as, an announcement of a $15B impairment charge, cutting its dividend by 36%, and a disclosed subpoena that ended in a $25M increase in cost of goods sold. Other notable movers include Dropbox (DBX) -8.5%, Stamps.com (STMP) -56.8%, Wayfair (W) +28.9%, and Universal Display (OLED) +21.8%.

According to data from SentimenTrader, economic surprises have turned decidedly negative in recent weeks. The index Bloomberg uses to calculate Economic surprises is now the lowest since 2016. SentimenTrader also believes the market to be currently overbought, as more than a quarter of all S&P500 stocks had a relative strength above 70.

The S&P500 had a relatively flat week until news of the Trump/Liu meeting tipped the scale positively. The index seems to continue climbing after the December trading woes, but it seems it will soon face resistance at around the 2800 mark. The S&P 500 closed at 2792.

ASSET ALLOCATION

CURRENT SENTIMENT	
Cash	Neutral
Short Fixed Income	Neutral
Intermediate Fixed Income	Neutral
Inflation-Adjusted Fixed Income	Unfavorable
High Yield Fixed Income	Neutral
International Fixed Income	Unfavorable
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Neutral
Real Estate	Neutral
Commodities	Unfavorable

Below is a summary of our current stance on most asset classes:

Cash - Neutral weighting now that Fed Funds rate is above 2%. Any exposure is for defensive positioning or liquidity needs.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in floating rate securities.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened considerably and do not warrant exposure to unnecessary credit risk when compared to Treasuries.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains an attractive market capitalization. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provides a headwind for EM in the near term.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continue to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.