Trustmark Investment Advisors, Inc.

ECONOMIC HIGHLIGHTS

U.S. New Single-Family Home Sales came in at an annualized rate of 646,000 units in June, versus 658,000 expected. Durable Goods Orders were up 2.0% in June, better-than-expected, with Core CapEx Orders up 1.9%. Finally, U.S. Real GDP growth for the second quarter of 2019 was +2.1%, a bit better-than-expected, yet slower than the first quarter of 2019.

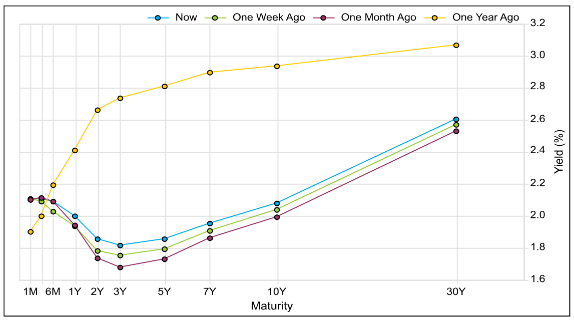
FIXED INCOME

The U.S. economy slowed in the second quarter of the year even as consumers stepped up their spending. The gross domestic product, the economy's total output of goods and service, grew at a 2.1% annual rate for the April to June period, down from a 3.1% gain in the first quarter, the Commerce Department estimated on Friday. However, consumer spending, which accounts for about 70% of economic activity, spiked to an impressive 4.3% growth rate after a lackluster 1.1% annual gain in the first quarter of the year, boosted in particular by auto sales. The resurgent growth in household spending was offset by a widening of the trade deficit and slower business inventory rebuilding. Economists also noted that business capital investment fell in the second quarter for the first time in three years. That weakness likely reflects some reluctance by businesses to commit to projects because of uncertainty surrounding the current trade situation with China. Global economic weakness is a key reason why the Federal Reserve is widely expected to cut interest rates this week at its two-day meeting that ends on Wednesday. This would be the first rate cut by the Fed in over a decade and could be the precursor for more rate cuts to come later in the year if the gloomy global growth predictions come to pass. Fed funds futures, used by investors to place bets on central bank policy, showed on Friday an 81% chance of a 25 basis point cut this week, up from about 76% the previous week, according to CME Group data. Bets the Fed will cut rates by 50 basis points have dwindled to 19% from 24%. Many economists remain divided about how much more the Fed will want to cut interest rates for the remainder of the year. While Fed officials have also said they are concerned about the potential for tensions regarding trade to drag on the current economic expansion, the GDP numbers show growth at a fairly steady pace. After the release of the numbers last Friday, ten-year Treasury yields briefly spiked to almost 2.10%, the highest almost two weeks, before ending the day at 2.07%. For the week, the yield curve was slightly higher across most maturities while yields on municipals continue to grind lower.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	2.11%	3 mo	2.11%	3 mo	2.24%	3 mo	1.11%
6 mo	2.09%	6 mo	2.01%	6 mo	2.21%	6 mo	1.13%
1 yr	1.99%	1 yr	1.95%	1 yr	2.19%	1 yr	1.14%
2 yr	1.85%	2 yr	1.94%	2 yr	2.12%	2 yr	1.16%
5 yr	1.85%	5 yr	1.88%	5 yr	2.27%	5 yr	1.27%
10 yr	2.07%	10 yr	2.30%	10 yr	2.69%	10 yr	1.74%
30 yr	2.59%	30 yr		30 yr	3.46%	30 yr	2.63%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.10%	18.15%
S&P 500 (Large Cap)	1.43%	22.13%
S&P 400 (Mid Cap)	2.56%	20.44%
Russell 2000 (Small Cap)	2.37%	18.12%
NASDAQ Composite	1.60%	26.37%
MSCI EAFE (International)	0.02%	14.00%
iShares Real Estate	1.15%	20.19%

U.S. Equity finished strong as the S&P 500 index gained (+1.39%). The Q2 earnings season finished fairly strong, which largely helped sentiment. Financials and Industrials (both +1.45%) are the market leaders while Utilities (-0.83%) is the biggest laggard. Gold finished down (-0.65%) while WTI Crude settled st (-0.04%).

As reported by FactSet, July's IHS Markit flash manufacturing PMI fell 0.6 points m/m to 50.0 (est. 51.0), the lowest since Sep-09, in which the production level decline is the greatest since Aug-09. The decrease in employment is the first contraction in six years. The report cited automotive downturn and heightened global economic uncertainty. Noted export sales particularly subdued, with new work from abroad falling at the fastest pace since April 16th. Flash services PMI of 52.2 is up 0.7 points m/m (est. 51.9), the strongest rise in output for three months, though expectations for next 12 months are the lowest since the index began in Oct-09. June new home sales are up 7.0% m/m to a 646K SAAR (est. 658.5K). Prior month revised down 22K to 604K.

DoJ announced a review into "whether and how market-leading online platforms have achieved market power and are engaging in practices that have reduced competition, stifled innovation, or otherwise harmed consumers" as reported by Factset. Review will consider concerns that consumers, businesses, and entrepreneurs have expressed about search, social media, and some retail services online. The WSJ mentioned Apple, Facebook, Amazon, and Google as companies under threat from the DoJ review. Back in early June, multiple reports noted DOJ and FTC reached a deal to divvy up competition oversight of the four companies. WSJ said the DOJ's review is designed to go above and beyond that plan for scrutinizing tech.

Bloomberg reported Dish Network has agreed to pay $5B for wireless assets in a deal with T-Mobile and Sprint, in which the merger was approved on Friday. It included ~$1B for the prepaid mobile business and ~$3.5B for spectrum. Dish cannot sell assets or give control of the agreement to a third party for three years. T-Mobile is expected to point out that its estimate that the Sprint deal would generate $43B in savings would not be affected by the divestiture to Dish.

According to FactSet, over 25% of the S&P 500 has now reported Q2 results. Beat rates remain elevated with just under 78% of reporters exceeding consensus earnings estimates, which is ahead of the better than the 76% one-year average and the 72% five-year average. In terms of high-level takeaways, the US demand backdrop remains fairly resilient. Consumer and credit are among the bright spots. Industrial results are still leaning to the softer side, but this comes as no surprise and guidance seems better than feared.

According to the BEA release and Bloomberg, Q2's GDP is up 2.1% q/q (beating the consensus of 1.8%), although the report is down from Q1's 3.1%. Consumer spending is up 4.3%, which stands to be the strongest personal consumer in over four years. Government spending also saw a hike at 5% annualized, while inventories, exports, and non-residential fixed investments are down overall. The Core PCE is up 1.8% (falling short of the consensus of 2.0%).

The S&P 500 index made new highs this week as it broke its recent ~3017 mark, which may provide small support in the future if the large cap index stays above this

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.