Economic Perspectives

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ARE WE DUE FOR A RECESSION? YES. BUT THAT DOESN'T MEAN WE'LL GET ONE.

Last month, the United States entered its ninth year of economic expansion. According to the National Bureau of Economic Research, the 'Great Recession' began in December 2007 and ended June 2009. This makes the US economy's current expansion the third longest of the modern era (since 1900).

Such milestones elicit many people to ask if we are "due" for a recession. Indeed, if we count the double-dip recession of the early 1980's as a singular event, then the average length of expansions over the last 37 years has been seven and a half years. So, it could be said that, yes, we are due. But are we likely to actually see one?

No, not in our view. Fortunately, recessions do not come and go based on the calendar. Over long periods of history, especially since the industrial revolution, recessions were often caused by inventory fluctuations. The widespread use of computers and "just-in-time" inventory management techniques has not eliminated this issue, but it has materially reduced its incidence and influence.

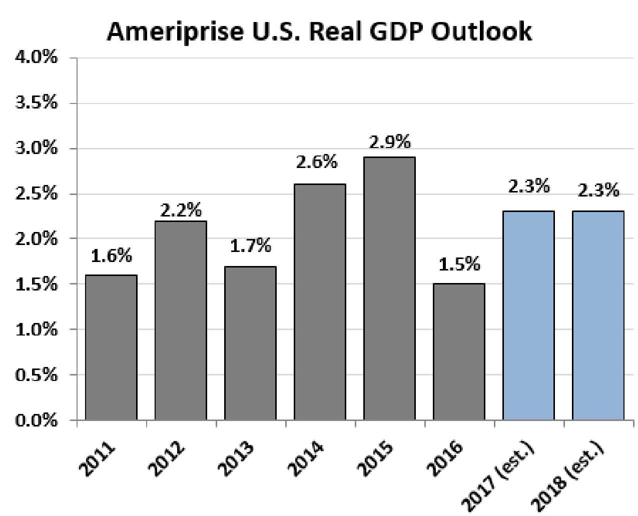
Today, the most significant factor in economic expansions and recessions is leverage, i.e. debt. When consumers (or businesses) over-spend their means, they accumulate debt and accelerate economic activity. Eventually, people end up needing to allocate more of their income to servicing their debts, thus crowding out current spending. When this phenomenon hits the consumer population in aggregate, a downturn in economic activity, i.e. recession, is often the result.

Currently, however, consumer debt burdens remain quite low. We've mentioned this fact many times over the last few years, and it remains the case today, in our view. The psychological influence of the Great Recession appears to have left many with a more conservative view on spending; a development that results in a slower pace of current expansion, yet one that is able to endure much longer as well.

Corporate balance sheets also remain in strong condition, in our view. Corporate debt issuance has increased over recent quarters, but in general, this has been due to expectations of lower tax rates on re-patriated earnings in the future. Corporate net debt (debt relative to offsetting corporate cash) remains strong, in our opinion.

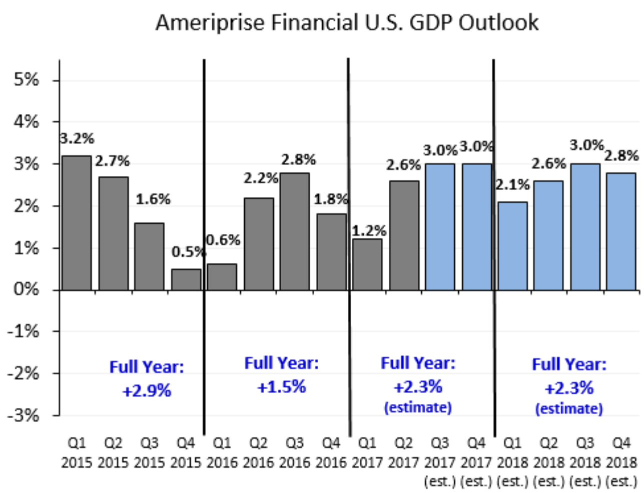
The government sector is the clear outlier when we look at balance sheet health across the American economy. Federal government debt is at dangerously high levels and is projected to go much higher in the decades ahead, unless changes to tax and spending patterns are enacted. This does not present a near-term threat to economic activity, in our view, but it is a serious longer-term risk that must eventually be addressed.

GDP Outlook: We currently project real U.S. economic growth for 2017 at approximately +2.3%. This would be a considerable improvement over 2016's +1.5%, but it is notably below our March projection of +2.6%. Cautious consumer behavior is the primary driver of our lower estimate.



Source: Actuals via U.S. Commerce Department, estimates via American Enterprise Investment Services Inc.

Our forecast on a quarterly basis:



Source: Actuals via U.S. Commerce Department, estimates via American Enterprise Investment Services

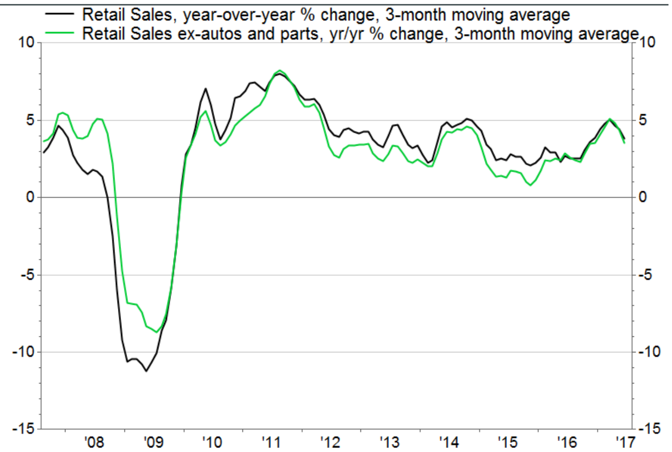
U.S. ECONOMY GENERALLY REMAINS ON TREND.

Economic conditions have remained broadly supportive over the last several months. Here in the U.S., the pace of expansion has once again been a bit shy of our expectations, but the pace is still sound and we believe fundamentals remain solid.

The most notable shortfall so far this year has been in consumer spending. On a year-over-year basis (yr/yr) spending remains decidedly positive, but it has not been able to maintain the stronger pace established in the second-half of 2016.

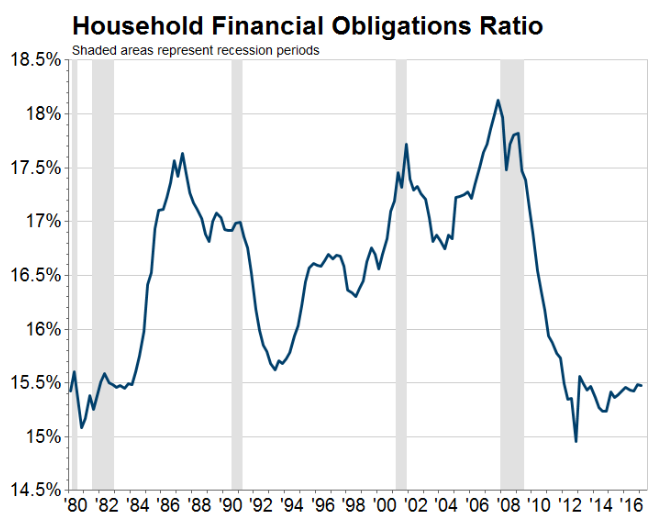
We had expected consumer activity to maintain its improved pace given ongoing job market gains and surging confidence levels. Instead, as seen in the chart at the top of the next column, retail spending has decelerated. More difficult year-ago comparisons, tighter lending standards in the auto sector, and lower consumer activity in regions with heavy immigrant populations, all seem to be factors. Consumers are critically important to U.S. economic growth, as the segment accounts for nearly 70% of total business activity, according to the Commerce Department.

We would be much more worried about this deceleration if it were related to a dwindling consumer resources. On the contrary, job growth has been strong and individual wage and salary growth is slowly gaining traction, in our view. Consumer debt burdens also remain quite low and rising asset values (financial market and housing values, primarily) offer sound support for consumer activity.



Source: FactSet

We again point to the Federal Reserve's Financial Obligations Ratio (FOR), which measures required consumer debt payments against consumer disposable income, as a sign of sound consumer finances. The ratio remains at levels not seen since the early 1980's when interest rates made borrowing extremely expensive.



Source: FactSet

Required debt payments considered in the ratio include: mortgage /rent payments, property taxes, auto lease payments, homeowners' insurance and required consumer debt payments (largely credit cards).

One notable obligation that is NOT considered in the FOR is student loans; primarily because student loan debt was minimal when the Fed initiated the FOR metric in 1979. Doing the math: assuming an average interest rate of 7% on the $1.5 trillion in student loans currently outstanding, amortized over a 20-year period, would add approximately 0.5 to 0.6 percentage points to the current FOR reading, per our calculations.

Consumer financial "health", however, can be a subjective assessment. Given the economic risk of getting it wrong, we believe it is always best to look at the situation from various angles.

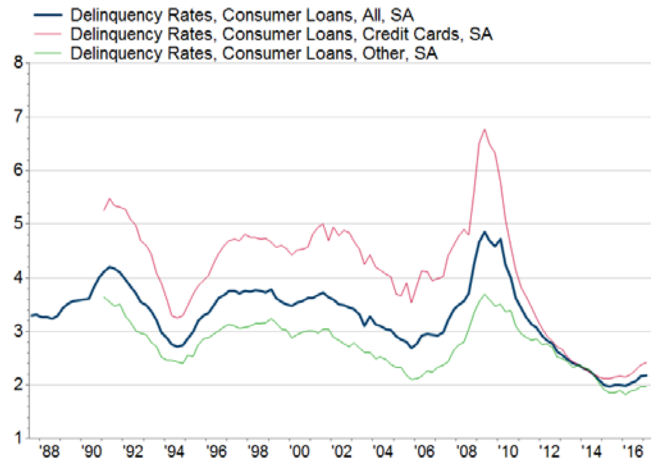
Too that end… In the chart below we look at how much pressure interest payments are putting on consumer budgets. As seen in the chart, interest expense has consumed a small percentage (by historical standards) of consumer income over the last few years; in fact levels have not been this low since the 1970's.

Source: Commerce Department, American Enterprise Investment Services Inc.

Of course, today's very low interest rate environment is a key part of this equation; leading to the question, *what happens when interest rates rise?* We note that interest rates on most consumer debt is fixed-rate (mortgages, auto loans & leases, bank loans). So although higher rates would raise borrowing costs for new debt and existing credit card debt, we believe the impact would be manageable.

Consumers have also been handling their debts well. As seen in the chart at the top of the next column, loan delinquency rates remain near historically low levels. The credit scoring agency FICO recently noted that average American credit scores are at all-time highs (at an average level of approximately 700 via their scale) in their data going back to 2005.

Aside from cautious spending, higher incomes and rising asset values, consumer credit scores have benefited from the simple fact that as we move further away from the Great Recession, the negative credit events associated with that period are dropping off people's credit reports.



Source: FactSet

DOES THE ECONOMIC BACKDROP SUPPORT CURRENT STOCK MARKET LEVELS?

As we begin the second half of the year, many commentaries have focused on the lack progress out of Washington regarding fiscal policy issues; namely tax reform and infrastructure spending. Such commentaries have largely focused on the contradiction between declining fiscal policy prospects and what have been very resilient stock prices.

As the year began, the potential for fiscal policy stimulus was indeed a notable component of high investor and consumer sentiment. However, we believe it is important to recognize that although fiscal policy prospects have faded, other "issues" have evolved quite favorably.

Markets started the year on guard for potential disruptions to U.S. trade policy amid strong rhetoric for an incoming Administration. The U.S. dollar was also seen as likely to keep rising after a post-election surge. A stronger dollar can be a burden on U.S. trade and weigh on the financial results of U.S. multinationals. A very heavy election cycle in Europe was also widely perceived as a notable risk given signs of rising populism in the region and disillusionment with European Union dictates. Weak banking system fundamentals in Europe, particularly in Italy and Spain, were also seen as material potential threats.

In each of these cases, developments have proceeded in what we believe have been a favorable manner. (See page 7 of this report on European developments.) In addition, corporate earnings, the true driver of equity values, have been considerably better than expected. (See page 8 for a review of corporate earnings.) So, yes, we do believe the economic backdrop supports recent financial market trends.

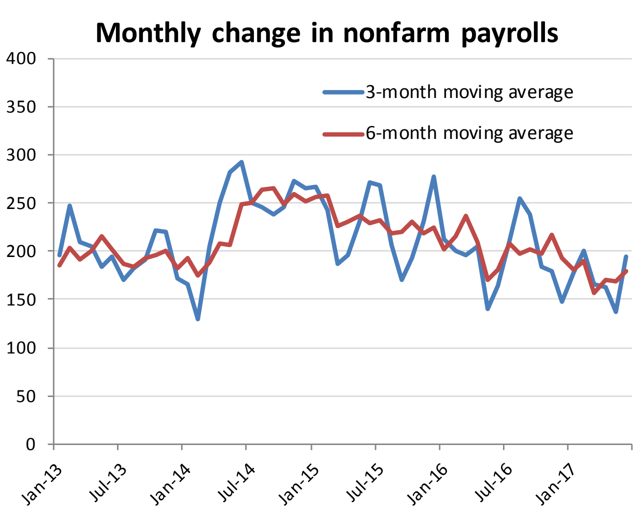
Despite Washington's dysfunction over recent months, we believe the odds of seeing some progress on corporate tax reform in the quarters ahead is still fairly good. We are modestly less optimistic in regard to personal income tax reform, but Republican leadership in Congress would like to combine the two efforts into one Bill. We note that 70% of incorporations in the U.S. are sole proprietorships, according to the Joint Committee on Taxation, making the income from such a "pass-through" to personal taxes and linking the two reform efforts.

Furthermore, there has been solid support for corporate tax reform on both sides of the political aisle. But of course, the current political environment makes cooperation difficult. The U.S. corporate tax system has become increasingly uncompetitive as most other developed economies have enacted material business-friendly reforms over the last two decades. Separately, with seemingly little opportunity for added government revenue or material savings on the spending side, we see the odds of incremental infrastructure spending over the next few years as unlikely given debt/deficit concerns.

Fortunately, we do not think the economy requires progress on these issues to maintain its current pace of growth in the +2.0% to +2.5% range. From 2010 through 2016, the U.S. economy has grown at an average inflation-adjusted pace of +2.1% per year, according to the Commerce Department.

ODDS AND ENDS:

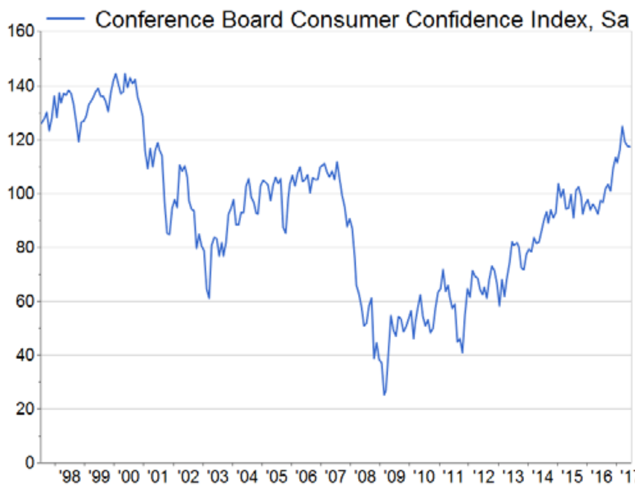
Employment: Job growth has been bumpy, but still strong overall. Year-to-date through June, total payrolls have expanded at a monthly average of 180,000. The unemployment rate meanwhile has dropped to 4.4% from a December-ending rate of 4.7%.



Source: Labor Department, American Enterprise Investment Services Inc.

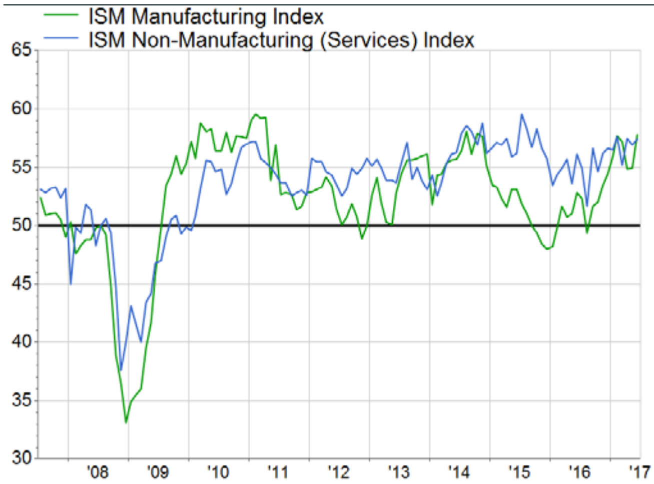
We maintain our forecast for the U.S. economy to generate 1.75 million net new jobs this year, a monthly pace of about +145,000. This would be a deceleration from the 2.2 million created in 2016 and the 2.7 million generated in 2015. The deceleration, as well as our forecast for further deceleration, is primarily due to fewer people still being on the sidelines and thus able to be brought back into the job market. We forecast the unemployment rate to decline to 4.2% by year-end.

Consumer confidence levels meanwhile have eased off their recent high (March) but are still at strong levels; higher than any seen during the housing boom years (2003 -2007).



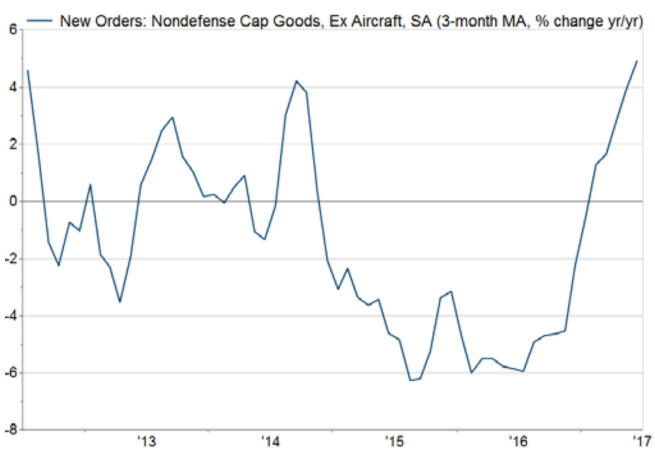
Source: FactSet Sa = Seasonally Adjusted

Indications of **business activity in the manufacturing and services sectors** also remain positive. The Institute of Supply Management's (ISM) Index of Manufacturing conditions came-in at a two and a half-year high in June. The organization's Services Index has also maintained a level indicative of generally solid business conditions. As a reminder, these measures are diffusion Indexes, meaning numbers above 50 indicate month-over-month expansion while numbers below 50 indicate contraction. (See chart at top of next page.)



Source: FactSet

Business spending has also been improving. As seen in the chart below, new orders for non-defense capital goods excluding aircraft, a commonly viewed measure of business investment spending, has been growing solidly in recent months. Business investment spending represents approximately 13% to 14% of U.S. economic activity.

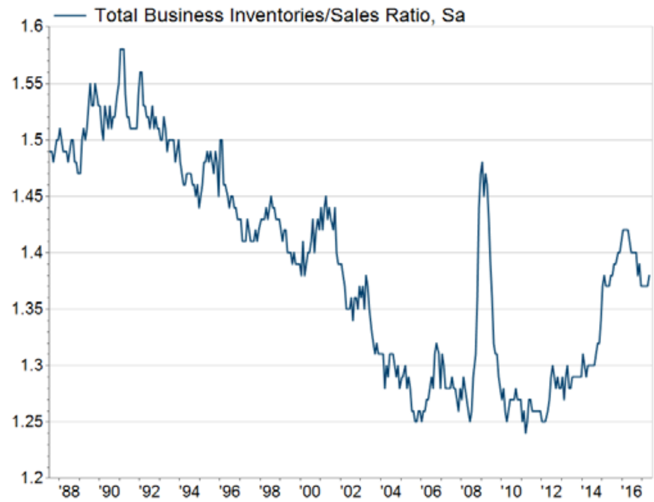


Source: FactSet Sa = Seasonally Adjusted

New orders for business equipment turned positive again in January of this year after a two-year slump. The slump and recent recovery follows crude oil prices and subsequent energy sector investments. Broader business inventory trimming efforts have also been a factor.

There is still room to take inventory levels down further. As seen in the chart at top of next column, the Commerce Department's inventory to sales ratio held in a range of about 1.25 to 1.30 from 2003 to 2008 – and returned to that range after the recession (from 2010 to 2014). At the end of May, however, the measure stood at 1.38. This was down from the recent high of 1.42 as seen in Q2-2016, but still elevated.

Overall, we believe business spending may decelerate modestly in the months or quarters ahead should managers feel the need to further trim inventory levels.



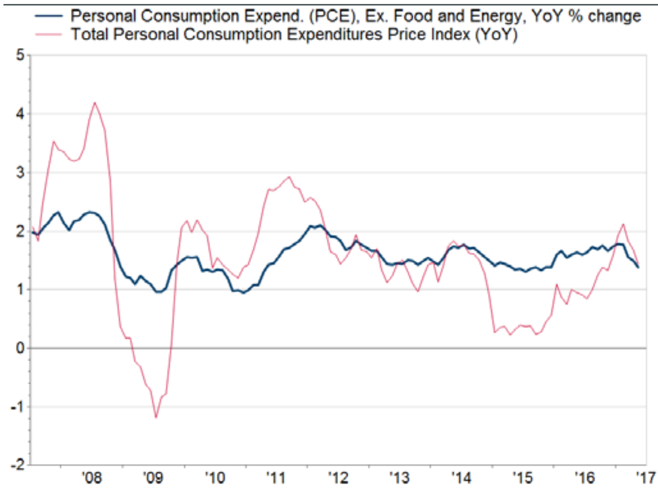
Source: FactSet Sa = Seasonally Adjusted

FEDERAL RESERVE / INFLATION OUTLOOK

The Federal Reserve has hiked its key overnight lending rates by a quarter of a percentage point (0.25%) twice so far this year (March and June). We believe officials may hike rates for a third time (by a quarter-point) at the Fed's December policy meeting, but a recent softening of inflation data makes this outlook less likely.

As seen in the chart at the top of the next page, the Federal Reserve's preferred inflation gauge, the Personal Consumption Expenditure (PCE) Price Index - Excluding Food and Energy (referred to as Core PCE) has declined in recent months. These trends are contrary to what was widely held expectations at the beginning of the year (including our own) that inflation pressures would likely "heat-up." A sustained decline in inflation would erode the Fed's primary premise for raising interest rates and could delay plans to trim the Fed balance sheet.

Fed Chair Yellen has said that officials largely believe the recent pull-back in inflation is due to temporary factors. Ms. Yellen has cited a change in telecommunication pricing plans and weaker auto prices (due to a glut of vehicles coming off-lease) as having placed downward pressure on aggregate prices. Further analysis shows that heavily weighted categories such as housing and medical care costs have decelerated as well.



Source: FactSet

As seen in the chart above, the Core PCE Index (in dark blue) had been slowly rising over the last two-plus years, reaching +1.8% in March of this year. Since that time, however, the rate has dropped considerably, hitting +1.4% in May before recovering slightly to +1.5% in June.

We concur that the forces currently weighing on inflation are likely temporary. A continuation of such pressures could delay further Fed tightening, a development, were it to occur, would likely be well received by equity markets. Conversely, if these separate temporary factors were to return to their prior trends in unison, causing a sudden jump in inflation, equity markets would likely react quite negatively. We believe the most likely scenario is somewhere in the middle and we currently forecast inflation to slowly move back toward the Fed's +2.0% target in the months and quarters ahead.

Tapering: Fed officials have also strongly hinted an intention to begin "tapering" the Federal Reserve's balance sheet over the near-term – a decision which may come at their policy meeting in late September.

In the years immediately following the financial crisis, the Federal Reserve purchased billions in U.S. Treasuries and mortgage-backed securities (MBS) each month in an effort to further drive-down market interest rates. As a result of these actions, the Fed currently owns approximately $4.5 trillion of such bonds.

Over the last few years, Fed officials have "maintained" the size of the balance sheet by re-investing funds as securities on their balance sheet matured. In a "tapering" process, Fed officials have laid out a plan whereby they would slowly allow a certain amount of these securities to mature each month without replacement.

Basically, this process would put more bonds on the market, potentially raising market interest rates. Under the Fed's published plan, officials intend to allow $10 billion per month to mature without replacement (equally split between Treasuries and MBS). The "roll-off" rate would rise by an additional $10 billion each quarter before reaching a maximum of $50 billion per month. Overall, the Fed would likely need to reduce the balance sheet to a level of approximately $2.0 to $2.5 trillion given money supply and other functional needs.

What does this mean for investors? Depending on market supply and demand fundamentals, this should put some upward pressure on interest rates, particularly for mid-maturity securities in the 2 to 10-year range. Chair Yellen, however, has stressed that officials will be on guard against any negative implications this process could have on the underlying economy and suspend the program, if economic expansion appeared at risk.

At the time of this writing, the 10-year U.S. Treasury security is yielding 2.30%. By year-end, we forecast the 10-Year Treasury yield to slowly rise to a level of about 2.60%. We believe such a move would be economically manageable.

One more Fed related issue: In coming months, markets could also face considerable risk related Federal Reserve leadership.

Janet Yellen's term as Chair of the Federal Reserve expires at the end of January, 2018. As of this writing, she has not indicated her desire to return for another term, nor has the Trump Administration indicated its desire to nominate her for such. Financial market participants have long viewed Chair Yellen as being a "dove" on monetary policy, meaning she is viewed as more likely to err on the side of being accommodative to economic activity rather than seeing inflation as the more significant risk.

Absent Janet Yellen, we believe it would be difficult for the Administration to nominate someone perceived to be as accommodative, or more so, on monetary policy. Markets could respond negatively to someone seen as being incrementally more "hawkish" on monetary policy, or someone that supports a more "formulaic" approach to monetary policy.

INTERNATIONAL PROSPECTS SEE CONTINUED IMPROVEMENT

Outside the U.S., economic activity has been encouraging. Many key markets including the Euro Zone, Japan, China and many commodity-oriented emerging markets, have shown evidence of acceleration. In reflection of this evidence, the International Monetary Fund (IMF) recently raised its outlook for global growth outside the U.S.

IMF Global Economic Projections

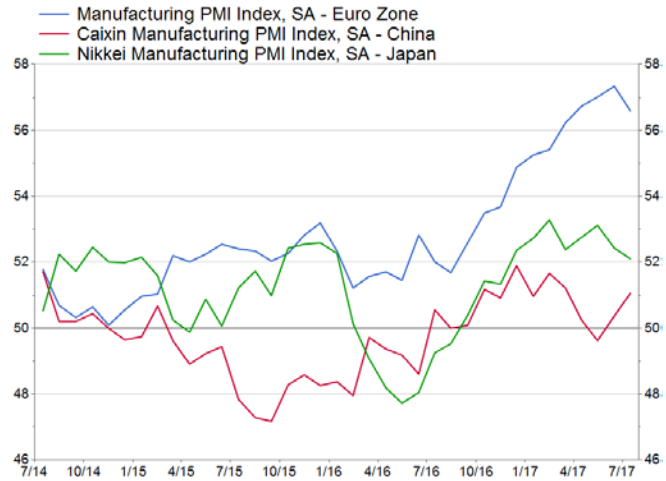
	Actual		Projections		*Difference from projections of 3-months ago.*	
	2015	2016	2017	2018	2017	2018
World	3.4	3.2	3.5	3.6	0.0	0.0
United States	2.6	1.6	2.1	2.1	-0.2	-0.4
Euro Region	2.0	1.8	1.9	1.7	0.2	0.1
Japan	1.1	1.0	1.3	0.6	0.1	0.0
Developing Asia	6.8	6.4	6.5	6.5	0.1	0.1
China	6.9	6.7	6.7	6.4	0.1	0.2
India	8.0	7.1	7.2	7.7	0.0	0.0
Russia	-2.8	-0.2	1.4	1.4	0.3	0.2
Brazil	-3.8	-3.6	0.3	1.3	0.1	-0.4
Mexico	2.6	2.3	1.9	2.0	0.2	0.0

Source: IMF World Economic Outlook Update, July 2017

Improvements in business activity have been particularly prominent in Europe. Sharply higher business and consumer confidence levels have led to better retail activity and stronger industrial production. Real economic growth (as measured on a qtr/qtr, annualized basis) even exceeded that of the U.S. over the first half of the year as the Euro Zone registered growth of +2.0% in Q1 and +2.3% in Q2.

At the start of the year national elections in the Netherlands, France, Germany and possibly Italy were seen as potential threats to business activity this year. Those fears have receded amid encouraging results thus far. (German national elections are scheduled for September.)

Of note, French national elections (held in late April and May) resulted in the election of a business-friendly centrist to the post of President. President Emmanuel Macron's newly formed political party then achieved solid majorities in the National Assembly. Such support has raised expectations, as well as the odds, that France could finally enact the regulatory and labor market reforms it has long needed to be more competitive in the world economy. France is the second largest economy in the Euro Zone but it has languished since the recession. Its unemployment rate, at 10.1% in 2016 has not budged since 2012.



Source: FactSet

As seen in the chart above, purchasing manager surveys from around the world have indicated a general improvement in demand for manufactured goods. As with the ISM readings here in the U.S., these measures are diffusion indexes, meaning numbers above 50 indicate month-over-month expansion, while numbers below 50 indicate contraction.

Emerging market (EM) prospects have also brightened amid a rebound in commodity prices and signs of steady growth in China. The U.S. dollar's weakness, however, has been both a benefit and detriment. The weaker dollar has alleviated the burden of servicing the dollar-denominated debts of EM businesses, but it also makes their goods more expensive for dollar-paying customers.

<u>Global risks, however, remain elevated due to geopolitical tensions.</u> Though we are optimistic of world economic prospects, geopolitical tensions are of course higher than they have been in quite some time. U.S. relations, particularly with Russia and China have soured in recent years with the odds of a military "mistake" an open possibility on almost any given day. North Korea, Iran, Syria, Turkey, Ukraine, and Venezuela are just some of the world's other potential points of destabilization.

There's no way of knowing how any of the above situations will evolve. Issues with Russia, China and North Korea offer the greatest risks, but we believe developments could be tempered by the fact that escalating tensions (or worse) is not in anyone's best interest. Of course, the world always has faced geopolitical risk and always will.

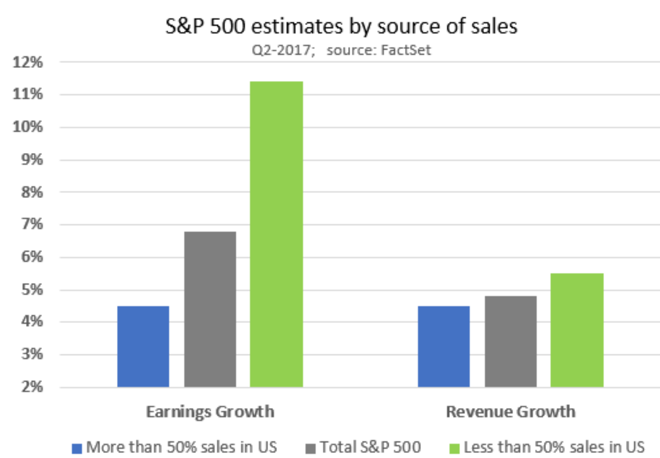
CORPORATE PROFITS: THE BRIDGE BETWEEN THE ECONOMY AND EQUITY MARKETS

Corporate financial results been a clear source of support for equity markets recently. In the first quarter, S&P 500 earnings per share (EPS) were up +13.7% year-over-year (+9% was forecast) on revenue growth of +7.6% (+5% was forecast).

Strong results in the first quarter were bolstered by three factors: a rebound in energy-sector profits amid higher crude oil prices, stronger international profits amid better global growth, and a weaker dollar's positive impact on foreign generated profits.

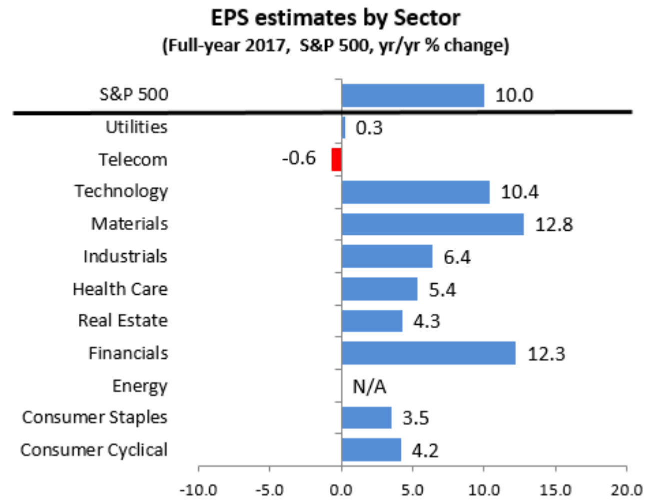
These factors remained in place in the second quarter. At the time of this writing, the second quarter release season is approximately 80% complete. According to FactSet, S&P 500 earnings per share (EPS) are currently on-track to grow 10.1% year-over-year (yr/yr) versus the +6.3% estimated at the end of the quarter. Revenues, meanwhile, are expected to grow by 5.1% versus the +4.6% forecast at quarter-end.

The decline in the value of the U.S. dollar, vis-à-vis other major currencies has been a particularly positive development for U.S. multinationals. As the FactSet chart below highlights, the estimated Q2 EPS growth rate for S&P 500 companies that generate more than 50% of their revenue from outside the U.S. is expected to far exceed the results of domestically-focused companies. A weaker dollar benefits financial results for multinational companies as sales and earnings generated in stronger currencies can convert into more U.S. dollars when translated for financial reporting purposes. As of August 2nd, the U.S. dollar was 7% lower year-to-date on a trade-weighted basis.



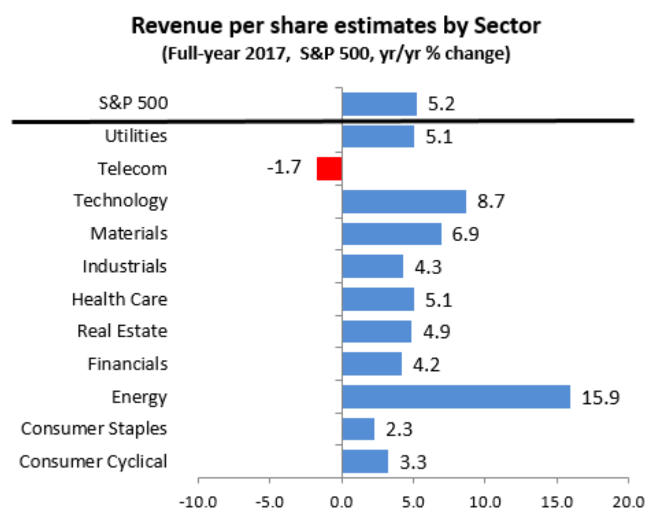
Source: FactSet, American Enterprise Investment Services Inc.

The chart below reflects full-year estimated EPS change for the 11 sectors of the S&P 500 as measured by FactSet.



Source: FactSet N/A = Not Applicable

Importantly, sales per share have also been growing at a solid rate with good 'breadth' amongst the various S&P 500 sectors. Telecom was the only sector forecast to see an outright decline this year but the segment only contains 4 companies.



Source: FactSet

Stock market valuations have crept steadily higher over the last few years. At a current 21.0, the trailing price-to-earnings (P/E) multiple for the S&P 500 is at the upper-end of its long-term averages. From 1948 to 2015, the average P/E multiple for the S&P 500 was 16.5, according to Ibbotson's. We note, however, that valuation levels have traditionally been higher during periods of tame inflation and low interest rates.

Nevertheless, today's elevated valuations pose a risk to stocks should economic expansion stall, or decline. Stronger earnings growth over coming quarters, however, could slowly normalize valuations in relation to their historical averages.

S&P 500 Price to Earnings (P/E) valuation level:

Source: FactSet

S&P 500 earnings outlook:

S&P 500 Earnings Estimates	2013	2014	2015				2016				2017				2018
7/31/2017	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Est.	Est.	Est.
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Quarterly $$ amount			$28.61	$30.02	$30.28	$29.39	$27.11	$29.63	$31.43	$31.47	$30.85	$32.36	$33.47	$35.14	
yr/yr			1.6%	-0.6%	-1.3%	-0.8%	-5.2%	-1.3%	3.8%	7.1%	13.8%	9%	6%	12%	
qtr/qtr			-3%	5%	1%	-3%	-8%	9%	6%	0%	-2%	5%	3%	5%	
Trailing 4 quarters $$	$110.66	$118.67	$119.13	$118.95	$118.54	$118.30	$116.57	$116.24	$117.49	$119.64	$123.38	$126.11	$128.15	$131.82	$146.39
yr/yr	5.8%	7.2%				-0.3%				1.1%				10.2%	11.1%
Implied P/E based on a S&P 500 level of: 2472											20.0	19.6	19.3	18.8	

Source: FactSet, American Enterprise Investment Services

SUMMARY

We would characterize recent U.S. economic growth as generally "on trend." Although the present pace of +2.0% to 2.25% Real GDP growth may feel unsatisfying, it has been strong enough to generate a steady decline in unemployment and boost asset values. Over time, the tightening labor market should also foster slightly faster wage and salary growth to the benefit of consumer spending capabilities and a slight acceleration of economic growth.

Our outlook remains light on fiscal policy expectations. Easing of the regulatory environment appears to be offering some modest benefits, but the opportunity for major stimulus via consumer tax cuts or increased infrastructure spending are greatly constrained by an already difficult federal debt and deficit outlook.

Restructuring the corporate tax code, however, could offer the most significant opportunity to enhance U.S. economic competitiveness with a generally neutral budget impact, and it offers the greatest chance of passage over the intermediate-term, in our view.

Our optimism over recent economic trends would likely be more tempered if the gains were domestic in nature alone. We believe signs of improved traction in other key global markets add welcome breadth to the global growth outlook. Potential trade disputes, however, lurk as a potential impediment to growth should recent rhetoric evolve in a detrimental manner.

Our long-term view has not changed materially. We continue to believe the U.S. economy could be well positioned to maintain a sound pace of expansion for quite some time. This is not to say we expect U.S. economic growth to be particularly "robust" by historical standards, but we believe GDP growth is capable of sustaining a pace of approximately 2.0% to 2.5% on average, over the intermediate-term. This may be slower than many of us are used to seeing, especially during economic recovery periods. However, demographic considerations (i.e. slower population growth and an aging society), combined with what we see as the likelihood of slower credit expansion given the credit-induced crisis just experienced, should result in a moderate pace of growth going forward.

On a positive note, such conditions should foster a continuation of today's relatively modest inflation backdrop over the long-term, as well as keeping an upward bound on credit demand, and thus interest rates. The economy is not quite back to where many of us would like to see it, but we continue to make progress.

RISKS

Though we have confidence in our forecast of a slower-than-desired, yet continuing, global recovery, we recognize that a number of serious economic and financial market challenges remain. Government debt loads remain exceptionally high in most of the world's developed economies. The hard choices associated with correcting these imbalances is likely to weigh on economic performance for some time; but allowing debt levels to continue higher would ultimately be much worse. Recent volatility in foreign market capital flows, as well as wide currency swings that correspond with such, are also an economic risk that bears careful watching.

Furthermore, we are still in unchartered territory in terms of potential policy response should the economic recovery falter. Monetary and fiscal policy, the traditional levers of stimulus employed to counter a downturn, are largely exhausted. Interest rates have very little room to go lower and government debts are already on an unsustainable path. Should another adverse global economic shock occur over the intermediate-term, there is little government officials could do to directly counteract the results.

Geopolitical risks (N. Korea, Syria, relations with China and Russia, most notably) are also more difficult than they have been in a long time. The impact of these issues on economic and financial market activity has been reasonably contained thus far, but tensions could easily evolve into much more serious problems. There always have been problems for the global economy /capital markets to deal with, and there always will be.

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As of June 30, 2017

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