



**NORTH STAR**  
**Resource Group**  
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**MARKET UPDATE**  
QUARTER 2, 2019

In the face of continued trade tensions and uncertainty regarding monetary policy, the US economy continued to grow and is now officially in the longest economic expansion in American history.<sup>i</sup> Although the current expansion is the longest, it has not been the strongest on record. Other expansion cycles of the 1960s, 1980s and 1990s produced a stronger pace of growth along with higher levels of total growth during their respective expansion cycles.<sup>ii</sup>

Domestically, large company stocks (S&P 500) and small company stocks (Russell 2000) increased 4.30% and 2.10% respectively. The strongest performing sectors within the S&P 500 index were financials and materials, which increased 8% and 6.3%. Energy was the weakest performing sector, falling 2.8% over the quarter.<sup>iii</sup>

The U.S. dollar depreciated modestly during the second quarter, increasing returns for investors investing in foreign markets. A decrease in value of the U.S. dollar enhances foreign securities returns to U.S. investors while an increase in the dollar's value reduces them. For the quarter, the MSCI EAFE Index (in U.S. Dollars) increased 3.68% while the MSCI EAFE Index (in Local Currency) increased 2.8%.<sup>iii</sup>

Fixed income yields decreased during the second quarter as bond prices rose. Yields on 10-year Treasury notes decreased from 2.49% at the beginning of the quarter to 2.00% by the quarter-end.<sup>iv</sup> For the quarter, the Barclays U.S. Aggregate bond index (a blended bond composite) increased 3.08%.<sup>iii</sup>

On June 19, the Federal Reserve's Open Market Committee maintained the interbank lending rate target (federal funds rate) at 2.25% - 2.5%. In the official statement following the meeting, the Fed stated, "the labor market remains strong and that economic activity is rising at a moderate rate."<sup>v</sup>

The Federal Open Market Committee continually monitors economic activity, labor market conditions and how close inflation is to their preferred 2% target for core inflation. Many expect that the Fed will lower the federal funds rate later this year as inflation remains stubbornly low and below their 2% target.

Looking long term, we continue to believe that well diversified global stock and bond portfolios, and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.<sup>vi</sup>

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your earliest convenience.

Written by North Star Resource Group.

INDEX AND COMPOSITE RETURNS FOR PERIODS ENDING 06/30/2019 <sup>iii</sup>						
INDEX	2ND Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
S&P 500	4.30%	18.54%	10.42%	14.19%	10.71%	14.70%
Russell 2000	2.10%	16.98%	-3.31%	12.30%	7.06%	13.45%
MSCI EAFE (U.S. dollars)	3.68%	14.03%	1.08%	9.11%	2.25%	6.90%
Barclays US Aggregate Bond	3.08%	6.11%	7.87%	2.31%	2.95%	3.90%
BENCHMARK COMPOSITES	2ND Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
Aggressive Growth	3.69%	17.02%	4.47%	12.59%	7.63%	12.49%
Growth	3.59%	14.79%	5.22%	10.53%	6.75%	10.87%
Conservative Growth	3.59%	12.63%	6.58%	8.52%	5.96%	9.19%
Income and Growth	3.46%	10.40%	7.16%	6.41%	4.94%	7.39%
Income	3.34%	8.38%	8.13%	4.51%	4.24%	5.86%

Source: Morningstar Direct

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. Investments that focus in one sector may involve a greater degree of risk and volatility than an investment with greater diversification. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Tracking 2629697/DOFU 7-2019

i Moore, Mark. "US economy marks longest expansion in American history.", nypost.com, <https://nypost.com/2019/07/01/us-economy-marks-longest-expansion-in-american-history/>, Accessed 1 July 2019.

ii Wesbury, Brian, and Robert Stein. "The Longest Expansion.", First Trust, <https://www.ftportfolios.com/Commentary/EconomicResearch/2019/7/1/the-longest-expansion>, Accessed 5 July 2019.

iii Morningstar Direct

iv U.S. Department of the Treasury

v Federal Reserve press release, federalreserve.com, <https://www.federalreserve.gov/monetarypolicy/files/monetary20190619a1.pdf>, Accessed 5 July 2019.

vi Banerji, Gunjan. "Fed Rate Hint Lifts Stocks." Wall Street Journal 20, June 2019: B11