2018 Weekly Portfolio Manager Commentary *July 20, 2018*

Trustmark Investment Advisors, Inc.

ECONOMIC HIGHLIGHTS

U.S. Retail Sales were up 0.5% for June, in line with consensus. Core Retail Sales (less Autos and Gas) were up 0.3%. Business Inventories were up 0.4% for May; however, the Business Inventories to Sales ratio continued its downward trend from early 2016 (expansionary). U.S. Industrial Production was up 0.6% June, also in line with consensus. Capacity Utilization remained at a healthy 78%. Overall housing starts (single and multi-family) came in at 1.173 mm units, much below consensus. Both single and multi-family starts were down 9.1%; however, housing starts can be quite volatile from month to month. Finally, the Index of Leading Indicators was up 0.5% for June, better than consensus of +0.4%. New Manufacturing Orders was the leader in the latest report.

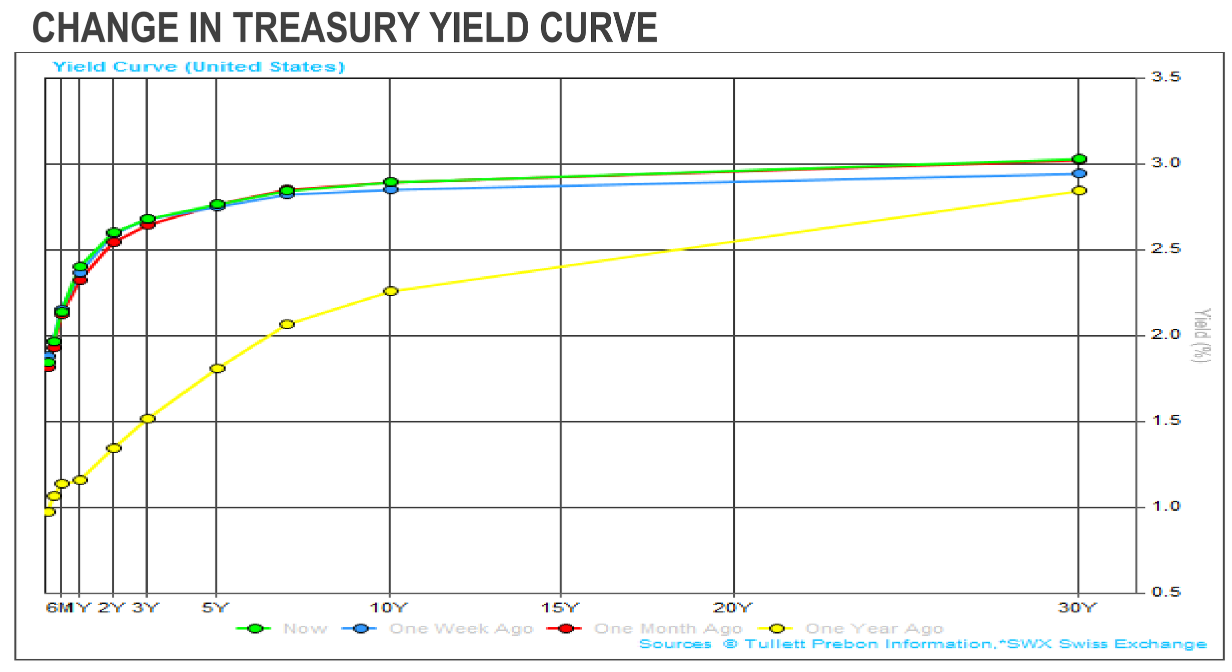
FIXED INCOME

U.S. President Donald Trump fully supports Federal Reserve independence and isn't trying to interfere in foreign-exchange markets, according to Treasury Secretary Steven Mnuchin. Mnuchin tried to assuage investor concern a day after Trump said a stronger dollar and rising interest rates were undermining America's competitive advantage. The secretary was speaking to reporters at the Group of 20 nation's summit in Buenos Aires. "I can assure you, because I have spoken to the President, that his intention is not in any way to put pressure on the Fed," Mnuchin said. While he said Trump's comments weren't a mistake, the secretary refrained from commenting on interest rates, saying "it would be inappropriate." Trump was a real-estate businessman and, as such, closely follows interest rates, Mnuchin said. The secretary added that the administration continues to have "enormous" confidence in Fed Chairman Jerome Powell, who Trump appointed to succeed Janet Yellen. "I want to emphasize the administration completely supports the Fed's independence." Trump upended the longstanding economic policy playbook by criticizing the dollar's strength and the Fed's monetary tightening. The U.S. central bank has raised interest rates five times since Trump took office in January 2017, with two of those coming this year under Powell. The dollar has appreciated amid the tightening and a strengthening U.S. economy, which threatens to exacerbate the country's trade deficit. The question is whether Trump's comments mark the beginning of a new era of greater U.S. intervention in markets, one in which the president and members of his cabinet feel free to weigh in on economic issues that were traditionally seen as outside the political domain. Yields on Treasuries climbed the most since May following the president's remarks, and the dollar weakened the most since March. But Mnuchin indicated last week there has been no shift in U.S. policy. "This is not in any way the president trying to intervene in the currency markets whatsoever," according to Mnuchin. The secretary also reiterated the traditional strong-dollar policy mantra: "In the longer term, a strong dollar is both in the United States' interest and is also a result of the United States having an extraordinary economy, both in terms of growth and investment where people want to hold dollar assets." He also added "Where the dollar is in the short term is not a concern of mine, it's established by the market."

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	1.97%	3 mo	1.97%	3 mo	2.38%	3 mo	1.28%
6 mo	2.13%	6 mo	2.13%	6 mo	2.49%	6 mo	1.33%
1 yr	2.39%	1 yr	2.27%	1 yr	2.58%	1 yr	1.41%
2 yr	2.59%	2 yr	2.59%	2 yr	2.86%	2 yr	1.58%
5 yr	2.76%	5 yr	2.85%	5 yr	3.24%	5 yr	2.04%
10 yr	2.89%	10 yr	3.21%	10 yr	3.65%	10 yr	2.68%
30 yr	3.03%	30 yr		30 yr	4.04%	30 yr	3.59%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.20%	2.61%
S&P 500 (Large Cap)	0.04%	5.90%
S&P 400 (Mid Cap)	0.11%	6.01%
Russell 2000 (Small Cap)	0.58%	11.23%
NASDAQ Composite	-0.07%	-1.25%
MSCI EAFE (International)	0.41%	-1.65%
iShares Real Estate	-1.30%	0.87%

Equity markets rose this past week on positive earnings from stalwart names such as Microsoft to mark three consecutive weeks of positive gains. Corporate profits continue to exceed expectations as well as economic data, which helped ease investor concerns of a trade war with China.

The major indices were positive for the week. The Dow rose up 0.2% to 24,106 and the S&P 500 ticked up 0.04%. The Nasdaq Composite, which has a significant exposure to technology stocks, ticked lower for the week despite strong earnings from Microsoft.

General Electric (GE) dropped over 4% this past week on heavy volume after reporting earnings. The conglomerate stated that it expected GE Capital division to break-even for the year and anticipated that 2019 would continue to be a challenging year. This comes on the heels of a tumultuous year that saw the industrial change its leadership, reduce its dividend by half, and being removed from the Dow Industrial Average. Currently, General Electric is down roughly 25% for the year.

Microsoft Corp (MSFT) posted earnings that topped analyst expectations last week and issued positive outlook for the year. Investor's sent prices up 2.7% on the news.

Intuitive Surgical (ISRG), which pioneers robots in the medical field, rose 1.6% after beating Wall Street expectations.

VF Corp (VFC) topped expectations last week as earnings and revenue came in above forecasts. The stock surged 4.1% on the news.

Honeywell Inc. (HON) ticked up 3% after beating expectations and raising future outlook.

Netflix (NFLX) dropped 8.8% on slow Q2 subscriber growth and guidance despite overall positive long term outlook.

Research conducted by Bespoke Investment Group that examined previous years similar to 2018 found that the average return for the rest of the year in the S&P 500 amounted to an average gain of 1.6% and a median of 3.5%. However, the markets were only positive 70% of the time.

According to FactSet, the growth rate for the second quarter for the S&P 500 is up 21%, up from 18.9% at the start of the quarter. Of the 17% of companies that have reported earnings 87% have exceeded expectations, which is above the one year average of 75%. In aggregate, companies are reporting earnings that are beating expectations by 4.5%.

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	Neutral
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Favorable
Real Estate	Favorable
Commodities	Unfavorable

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

Cash - Holding as little as possible given the miniscule yields in money market instruments. Any exposure is for defensive positioning.
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 spread products.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened; however, still remain attractive versus Treasuries.
International Bonds - Emerging market bonds offer good diversification qualities while providing higher yield opportunities relative to domestic fixed income.
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 has reemerged as a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure along with a value tilt is preferred. 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. Recent relative performance versus developed markets support the stronger fundamental backdrop and positions have been added.
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. Although, volatility will be higher and commodities will be susceptible to short-term price shocks, if used in conjunction with other asset classes, risk can be reduced substantially to a diversified portfolio. However, used alone is not recommended as the short-term outlook is not favorable.