Trustmark Investment Advisors, Inc.

ECONOMIC HIGHLIGHTS

U.S. Industrial Production was up 0.6% for August, with Capacity Utilization at a solid 77.9%. September's Homebuilders' Index was at an expansionary 68, up from 67 the prior month. On the flip side, the Index of Leading Economic Indicators was flat for August, after having been up 0.4% for July.

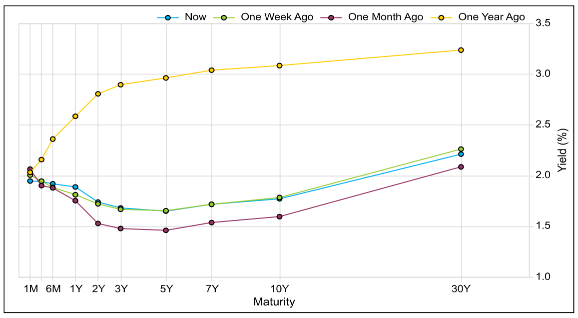
FIXED INCOME

The Federal Reserve Bank of New York announced a series of overnight and term operations for the next three weeks, signaling that it has a plan to regain control over this important space of the financial markets. The New York Fed said it will conduct overnight repurchase agreement operations daily Monday through Friday until October 10. The first one on Monday will be for as much as $75 billion, while the auctions after that will be for at least that amount. It will also conduct three 14-day term operations for an aggregate amount of at least $30 billion on Tuesday, Thursday and Friday of this week. "The Fed just reminded the market that they have complete control over the front-end if and when they want it," said BMO Capital Markets strategist Jon Hill. There were immediate signs of easing concerns after a volatile week in which funding costs spiked to record levels. The announcement of the Fed operations going forward followed the New York Fed's fourth straight day of adding overnight liquidity into the market last Friday as it tried to regain control and ease a funding crunch that rippled through the markets earlier last week. Spikes in the repo rate normally occur only at quarter-end and occasionally month end. This mid-month spike was attributed to a perfect storm of events that knocked cash reserves in the banking system out of balance with the volume of securities on dealer balance sheets which included a corporate tax payment date, settlement of the previous week's Treasury auctions and bond market sell-off where investors sold securities back to dealers. This latest addition of liquidity follows the Federal Open Market Committee's move last Wednesday to reduce the interest rate on excess reserves, or IOER, by more than their main Fed Funds rate in an attempt to quell money-market stresses. The moves have calmed the funding market, with repo rates declining to more normal levels after soaring to 10% last Tuesday, four times the previous week's levels. Overnight general collateral repurchase agreement rates remained steady last Friday, trading around 1.9%, according to ICAP. Fed Vice Chairman Richard Clarida said the repo-market strain isn't a concern for the economy and that the central bank acted decisively to address the issue. Chairman Powell also stated that he was confident the Fed's actions would contain future funding problems.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	1.90%	3 mo	1.92%	3 mo	2.09%	3 mo	1.33%
6 mo	1.90%	6 mo	1.87%	6 mo	2.06%	6 mo	1.35%
1 yr	1.82%	1 yr	1.80%	1 yr	2.02%	1 yr	1.36%
2 yr	1.68%	2 yr	1.80%	2 yr	1.95%	2 yr	1.37%
5 yr	1.60%	5 yr	1.65%	5 yr	2.10%	5 yr	1.42%
10 yr	1.72%	10 yr	1.91%	10 yr	2.51%	10 yr	1.68%
30 yr	2.16%	30 yr		30 yr	3.21%	30 yr	2.32%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	-0.52%	17.58%
S&P 500 (Large Cap)	-0.19%	21.13%
S&P 400 (Mid Cap)	-1.08%	18.34%
Russell 2000 (Small Cap)	-1.55%	16.79%
NASDAQ Composite	-0.43%	23.34%
MSCI EAFE (International)	0.24%	13.85%
iShares Real Estate	1.12%	26.64%

U.S. Equity is mostly neutral for the week with the S&P 500 ending down -0.20%. US-China trade talks and the Fed decision are the main factors at play. The leading sectors include Utilities (+1.78%) and Real Estate (1.40%), while Energy (-2.30%) is the biggest decliner. Gold finished up 0.81%, while Crude Oil tumbled -7.12% after its big rally the previous week.

August new home sales came in at 5.49M SAAR versus the consensus of 5.375M and July's 5.420M pace. The report is up 1.3% m/m and 2.6% y/y. The release noted falling mortgage rates are luring buyers into the market, and added inventory levels remain low, pushing up some prices. The release continues the recent streak of more upbeat housing data. Yesterday, August housing starts/permits hit new post-2007 highs. Elsewhere, September's Philadelphia Fed manufacturing index registered 12.0, which is above the 10.8 consensus but down from August's 16.8. There was a slight decline in new orders component (24.8 vs prior 25.8), but shipments seem better. Prices paid at highest level since December 2018. Initial jobless claims came in at 208K versus the 212K estimates and prior week's 206K number.

The Federal Reserve cut rates by 25 bp, as expected. Some analysts thought the Fed delivered a hawkish rate cut given dot plot dynamics. The Fed also announced a 30 bp cut to IOER rate (though no mention of changes to the balance-sheet policy). The statement is mostly positive amid the slight upgrade on GDP and unemployment forecast. Powell's press conference was largely uneventful as Powell reluctant to provide any meaningful guidance.

After its close on Wednesday, Microsoft announced that its board approved a new $40B share repurchase program and increased its quarterly dividend by nearly 11%. Bloomberg noted that the company has been a massive buyer of its own shares since the early 2000s and generally has an active $40B buyback plan that gets replaced once exhausted. Buybacks, particularly from big tech companies, are a major source of support for the market, according to FactSet. Buybacks are currently the biggest source of demand for stocks, while ETFs and mutual funds have seen heavy outflows this year.

The OECD's latest outlook saw a cut in 2019's global growth from 3.2% to 2.9% and it forecasted for 2020's growth to be 3% - the weakest annual growth rates since the financial crisis. The report mentioned economic prospects are weakening for advanced and emerging economies due to trade tensions and political uncertainty. The report also warned growth could get stuck at persistently low levels without firm policy action from governments. Trade conflicts were highlighted as weighing on confidence and investments, aggravating financial risks, and endangering already weak growth prospects. Almost all the G20 countries the OECD covers saw downward revisions, particularly those most exposed to global trade and investments.

The S&P 500 remained fairly neutral this week as it continues to trade above its support level of ~2955. Facing highs of around 3027, the large cap index will most likely see resistance in the following week. If the index can break this resistance level, then new highs would be achieved. The S&P 500 closed at 2992.

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.