The Citizens National Bank in partnership with BTC Capital Management™

Weekly Insight

May 22, 2019

The S&P 500 eked out a small gain of 0.2% for the week. However, there was weakness under the surface with small caps falling 1% and the Nasdaq Composite down 0.9%. Emerging markets remain weak and underperformed again with a drop of 1.7%. Additionally, 10-year Treasury yields are approaching their lowest levels since 2017.

The trade dispute with China crossed a significant barrier this week when the U.S. Department of Commerce presented a "blacklist" containing Huawei Technologies, a leading Chinese telecommunications company. Huawei is the second-largest smartphone vendor in the world, but now every U.S. supplier will be required to get permission to do business with them. Google immediately announced it would exclude the company from its mobile Android operating system. Semiconductor companies, the likely biggest losers, were down more than 7% on the week. The actions taken signify the United States does not trust China when it comes to technology that enables potential backdoor surveillance. Not only this, but the trade dispute has clearly gone public, likely entrenching both sides who will want to avoid the public shame that would result from significant backpedaling. Despite this, the market is hopeful that a potential one-on-one meeting between the countries' two leaders at the G20 Summit in late June will yield a resolution.

The Chicago Fed National Activity Index, a broad measure of economic activity, was weaker than expected and continues to point to deceleration in the economy. The Conference Board Leading Index came in at 2.7% growth versus the prior year and is at its weakest level in more than two years. The University of Michigan consumer inflation expectations for both the 1Y and 5-10Y timeframes popped up in their latest read. Inflation expectations have become crucial to the Federal Reserve's reaction function as they are very concerned about falling long-term inflation expectations. Therefore, the latest figures will likely please several of those on the Federal Open Market Committee (FOMC). The FOMC minutes were released and showed the Federal Reserve has a high threshold to interest rate cuts, essentially sounding as if an "insurance" cut is off the table. The question is whether they will be forced to cut over the coming months. The bond market continues to view this as its base case and is pricing in a rate cut prior to yearend. It is also worth noting the last two times the FOMC cut interest rates following a hiking cycle, the first move was a 50 basis point cut.

Weekly Market Topics

- Economy
- Fixed Income Markets
- Equity Markets

All data is as of the above referenced date.

Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper bound)	2.50	1.75	0.50
3-Month T-Bill	2.37	1.82	0.19
10-Year Treasury	2.38	2.97	1.87
30-Year Treasury	2.81	3.15	2.72
10-Year Corporate AA	3.23	3.90	2.80
10-Year High Yield Corp.	5.78	6.17	5.95

Commodity Prices ($)	Current	12M Ago	3YR Ago
Gold ($/oz.)	1,273.34	1,304.96	1,291.55
Oil (WTI, $/barrel)	61.42	61.80	50.62

Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	98.04	92.51	92.63
USD/EUR	0.90	0.84	0.87
USD/JPY	110.36	109.84	106.41

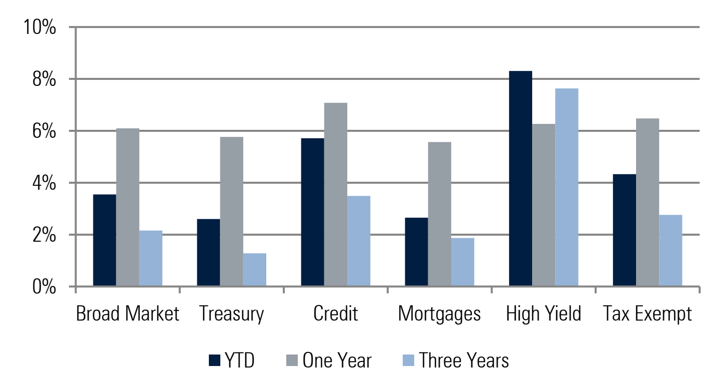
For more information, contact:

Amy DeGraff
Vice President, Trust Officer
Wealth Management
amyd@thecnb.bank

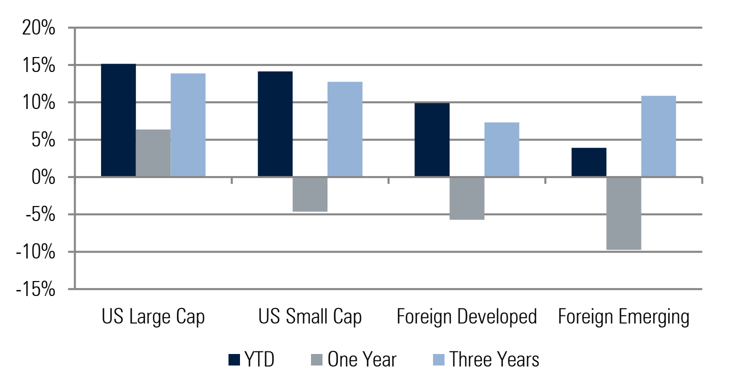
785.275.5000

www.thecnb.bank

Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.
The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.