Commonwealth Bank & Trust Company

4350 Brownsboro Rd.
Suite 210
Louisville, KY 40207

p (502) 259-2500
f (502) 259-1501
www.cbandt.com

SUMMARY: CAN WE GROW THROUGH THE TRADE WAR?

For much of the third quarter investors wrestled with the fear that the U.S.-China trade conflict would not be resolved quickly and that it would cause the U.S. to slump into recession. Many also feared the Fed would not move quickly and decisively enough to prevent a downturn. Overall, the economic backdrop was mostly negative in the third quarter. Emerging markets and European economies and equities continued their year-long decline, while global growth was downgraded to 3.0% from 3.9% and U.S. GDP growth forecasts shifted below 2.0%. After reaching new highs in the second quarter, the S&P 500 made two 5% corrections in the third quarter before recovering in late September to finish up 1.7%. U.S. large cap stocks continue to outperform other equities and were the only positive performers out of the major equity indices. The market ticked up at the end of the quarter in hopes that a trade settlement would be reached in an early October meeting between the U.S. and China. The S&P is maintaining its gains and is surging to new market highs through October and early November despite reaching a minor and somewhat questionable China trade agreement.

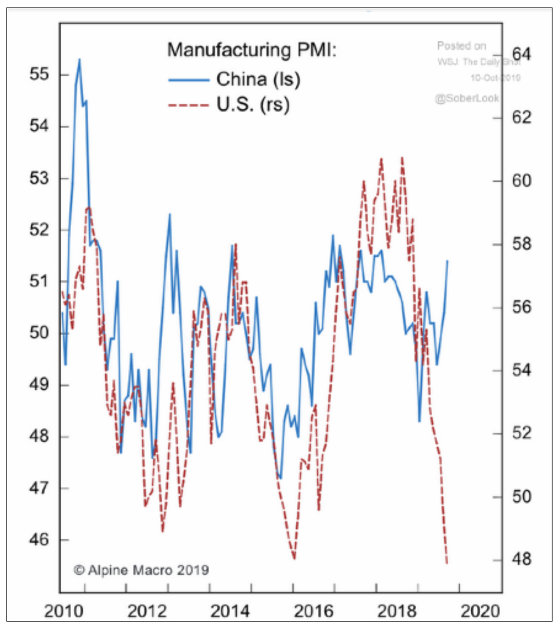
Table 1: Index Returns

Index Returns as of 09/30/19	3Q 2019	YTD	Last 12 Months
S&P 500	1.70%	20.55%	4.25%
Russell 2000 (Small Cap)	-2.40%	14.18%	-8.89%
MSCI EAFE (International)	-1.07%	12.80%	-1.34%
MSCI EME (Emerging Markets)	-4.25%	5.89%	-2.03%
BBG BARC Aggregate Bond	2.27%	8.52%	10.30%
Oil bbl. Price Changes	-7.53%	19.07%	-26.18%
Gold Returns	4.47%	14.81%	23.47%
Commodities Returns (CRB Index)	-3.92%	2.44%	-10.87%

**Source: Informa & Bloomberg*

In September and October, overseas markets and economies are exhibiting signs of bottoming and growth may be slowly re-accelerating. While manufacturing data continues to weaken in the U.S., the consumer remains strong and housing is getting a boost as 30-year mortgage rates fell to 3.5% after the Fed made two 0.25% cuts to Fed Funds rates in July and September. The Fed action also boosted bond returns, which outperformed equities in the third quarter (2.3% vs. 1.7%) and over the last 12 months (10.3% vs. 4.3%). We believe investor sentiment remains skittish and is not immune to a negative development in the ongoing trade conflict. It appears, however, that overseas economies are adjusting to the uncertainty and, with the help of monetary stimulus, beginning to grow their way out of the trade-related slump in the business cycle. We believe most emerging and some developed economies will see growth re-accelerate during the fourth and first quarter. We believe the U.S. is a quarter or two behind (please see Figure 1). In our opinion, the economic setup is a signal to remain in equities as growth and earnings improve. Furthermore after the drop in rates in the U.S. and overseas in the last quarter, the easy money appears to have been made in bonds and fixed income returns are likely to be subpar for the next 2 to 3 quarters. If the trade conflict is not resolved before the end of 2020, which is the market base case, forward earnings estimates and equity indices are likely to move forward at a mid-single digit pace. On the other hand, if a meaningful trade resolution can be negotiated, markets will likely price in a double digit jump in earnings estimates for 2021.

Figure 1: U.S. vs. China Manufacturing



Source: Caixin, WSJ The Daily Shot

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f (502) 259-1501
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3Q 2019 MARKET REVIEW:

U.S. Stock Markets: The S&P 500 managed to eke out a positive return of 1.7% during the third quarter despite a couple of downswings. The S&P 500 index is up 20.6% year-to-date (YTD), but is only up 4.3% in the last 12 months, because the market peaked in the last week of September in 2018 and fell 13.5% in 4Q 2018. Most of the market volatility during the third quarter resulted from the trade conflict and concerns that a delayed resolution will result in additional slowdown or push the U.S. into recession. This goes hand-in-hand with a concern that the Fed will not or cannot cut rates fast enough to reverse course. The market is participating in a relief rally and approaching market highs in the first half of October after President Trump announced that his trade negotiators had completed a successful Phase I round of trade talks with the Chinese on October 11. The Chinese, however, did not confirm such an agreement. The market is also being aided by positive quarterly earnings surprises from some of the Dow component companies. Third quarter earnings estimates were lowered during the quarter over trade and economic growth fears. Initial results indicate that analysts may have been too conservative, particularly for companies that generate most of their revenues in the U.S.

Table 2: Sector Returns

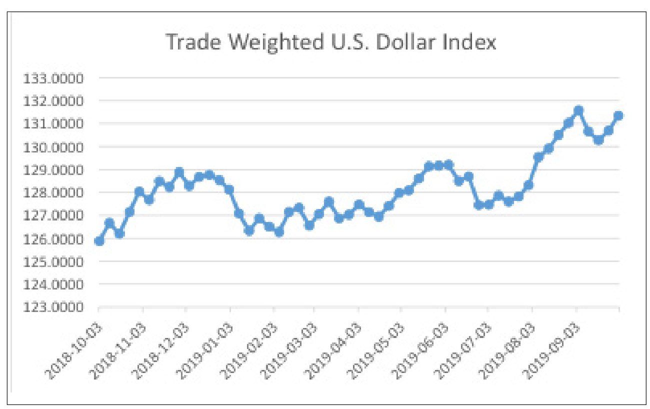
Index Returns as of 09/30/19	3Q 2019	YTD	Last 12 Months
Info. Tech	3.34%	31.37%	8.60%
Healthcare	-2.25%	5.64%	-3.57%
Financials	2.01%	19.60%	3.91%
Communication Services	2.22%	21.74%	5.69%
Consumer Staples	6.11%	23.27%	16.84%
Consumer Discretion	0.51%	22.46%	2.36%
Industrials	0.99%	22.58%	1.35%
Energy	-6.30%	6.00%	-19.21%
Materials	-0.12%	17.11%	2.70%
Utilities	9.33%	25.40%	27.10%
Real Estate	7.71%	29.71%	24.74%

Source: Informa & Bloomberg

Both the small cap Russell 2000 and the mid-cap S&P 400 fell during the quarter (-2.4% and -0.1%, respectively). Smaller companies are experiencing margin pressure from higher labor costs as the economy sits at full employment. Furthermore, these stocks are more sensitive to the slowdown in U.S. growth. Earnings forecasts were lowered to levels that are below what these indices earned in 2018. Small and mid-cap stocks rallied significantly in 2018 as earnings soared from tax cuts. The lower earnings forecasts have resulted in a loss of -8.9% and -2.5% over the last 12 months for the Russell 2000 small cap and S&P 400 mid-cap indices, respectively. Higher yielding, "safety" sectors such as Consumer Staples (+6.1%), Real Estate (+7.7%) and Utilities (+9.3%) performed best in the quarter as interest rates fell.

Global Stock Markets: The International EAFE and the emerging market EME indices fell -1.1% and -4.3% during the third quarter, respectively. Diversification away from large cap U.S. stocks into international and emerging market equities hampered portfolio returns over the course of 2019 and for the last 12 months (please see Table 1). These asset classes, however, outperformed U.S. small and mid-cap stocks. Some of the underperformance is a result of an increase in the dollar, which is up over 5% in the last 12 months (please see Figure 2). As global growth slowed this year, several countries cut interest rates to devalue their currency to spur trade exports. Developed international and emerging market equities still remain cheaper than

Figure 2: Last 12 Months Trade Weighted Dollar



Source: Federal Reserve Bank of St. Louis, CB&T

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f (502) 259-1501
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U.S. stocks by many valuation metrics, but there is greater uncertainty regarding their economic fundamental strength relative to the U.S., because the underlying companies in international indices are experiencing a greater impact from trade disruptions.

Global Bond Markets: In many regions bond markets have outperformed stock markets in the last 12 months as Central Banks responded to the trade war and global economic slowdown with a new round of quantitative easing. U.S. bond indices returned 2.27% in 3Q19 and 10.30% for the last 12 months through September. As the Fed signaled it would cut rates in June, the yield on the 10-year Treasury broke through the 2% level during the second quarter falling to 1.43% by early September before rebounding and now sits around 1.75%. International bond indices underperformed U.S. indices during the third quarter as the BBG Global and EM Aggregate indices returned 0.71% and -0.52%, respectively, vs. +2.27% for the Barclays Aggregate. Taking out the currency impact from a 4% increase in the dollar during the third quarter, the BBG Global return was higher than the U.S. return at 2.59%, while the EM bond index underperformed the U.S. BBG Aggregate Bond index by almost 1% (1.28% vs. 2.27%).

Table 3: Negative Bond Yields – "The Red Tide"

Negative Bond Yields as of October 23, 2019

Country	1-Year	2-Year	3-Year	4-Year	5-Year	10-Year	15-Year	20-Year	30-Year
Switzerland	-0.89	-0.85	-0.83	-0.81	-0.78	-0.62	-0.39	-0.31	-0.21
Denmark	-0.79	-0.71		-0.68	-0.59	-0.36		-0.17	
Germany	-0.64	-0.66	-0.70	-0.68	-0.62	-0.40	-0.26	-0.12	0.11
Netherlands		-0.66	-0.68	-0.63	-0.55	-0.26	-0.14	0.09	0.12
Japan	-0.25	-0.25	-0.26	-0.27	-0.28	-0.15	0.07	0.24	0.40
Austria	-0.61	-0.61	-0.62	-0.55	-0.46	-0.16	0.08	0.15	0.40
France	-0.62	-0.62	-0.60	-0.52	-0.42	-0.09	0.16	0.27	0.70
Finland	-0.64	-0.62	-0.60	-0.54	-0.51	-0.16	0.05		0.34
Sweden		-0.51		-0.49	-0.43	-0.05	0.10	0.35	
Belgium	-0.62	-0.64	-0.60	-0.51	-0.43	-0.10	0.15	0.38	0.72
Ireland	-0.61		-0.48	-0.46	-0.38	0.02	0.31	0.51	0.85
Spain	-0.49	-0.41	-0.39	-0.27	-0.20	0.25	0.65	0.66	1.12
Italy	-0.22	-0.22	-0.01	0.11	0.31	0.94	1.51	1.69	2.07
United States	1.58	1.59	1.59		1.59	1.77			2.26

Source: Bloomberg and CB&T

2019-2020 ECONOMIC OUTLOOK: Can the Global Economy Grow through the Trade War?

With no resolution to the U.S.-China trade dispute, growth forecasts for the U.S. and the global economy have steadily fallen this year. U.S. GDP growth was a healthy 2.9% in 2018 and benefited from tax cuts and a surge in orders and purchases made ahead of tariffs going into effect. Third and fourth quarter 2019 growth forecasts are now below 2.0% (please see Table 4). Some data suggest that third quarter growth may fall to 1.5%. The 2.2% annual forecast, however, has not been lowered since the second quarter. We thought the 2019 forecast may be revised upward. Unemployment is at 50-year lows, the consumer, which makes up ~70% of the economy, remains strong and housing is picking up thanks to lower mortgage rates. On the other hand, purchase orders and manufacturing activity have been declining and are at the point of contraction. Service sector activity is beginning to decline as well. Hiring is also beginning to slow (please see Figure 3). Furthermore, the 5% increase in the dollar typically creates a 0.25% drag on GDP growth. The GDP forecast for next year has fallen to 1.6%.

Table 4: GDP Growth

	Q1	Q2	Q3	Q4	Year
2016	**0.6%**	**2.2%**	**2.8%**	**1.8%**	**1.5%**
2017	**1.2%**	**3.1%**	**3.2%**	**2.8%**	**2.5%**
2018	**2.2%**	**4.2%**	**2.9%**	**1.1%**	**2.9%**
2019	**3.1%**	*2.1%*	*1.8%*	*1.8%*	*2.2%*
2020	*1.6%*	*1.7%*	*1.6%*		*1.6%*
2021					*1.9%*
2022					*2.0%*

Source: Actual (Bold) Bureau of Economic Analysis as of 9/19.
Projected (Italics) WSJ Economic Survey October 2019

Over the course of the last twelve months, the OECD and IMF have steadily lowered their global growth forecasts from 3.9% to 3.0% - the slowest growth rate since the 2008-2009 financial crisis. The IMF pointed to several difficulties caused by the US-China trade conflict including an increase in direct input costs, market volatility, reduced business investment due to trade policy uncertainty and lower productivity caused by supply chain disruptions. As a result, manufacturing and global trade have deteriorated sharply. One of the hardest hit areas of global manufacturing has been autos. Global auto sales have fallen 5% and production has fallen further – the worst decline since the financial crisis. Auto sales fell 14% in China earlier this year, but have started to rebound (please see Figures 4 and 5).

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Suite 210
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p (502) 259-2500
f (502) 259-1501
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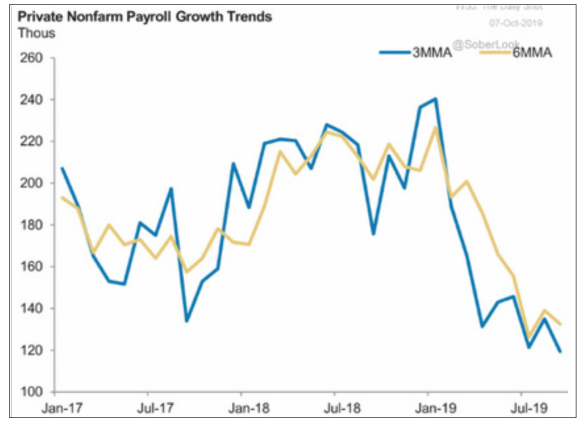
By itself global auto sales makes up almost 4% of global GDP, however, its inputs tend to give autos a 3X multiplier effect across economies. This would suggest that 5% slowdown in auto sales or production, has likely reduced global GDP by 0.5%.

As trade problems and reforms started China's economy to slow, many emerging market economies, which are large trading partners with China, suffered deeper declines starting around 12 months ago. Europe followed emerging economies and then the U.S. started to decline this summer. Manufacturing cycles tend to run three years with about 18 months of rising growth following 18 months of slowing growth. Many countries peaked in the first half of 2018 and will likely bottom over the next three to six months, in our view.

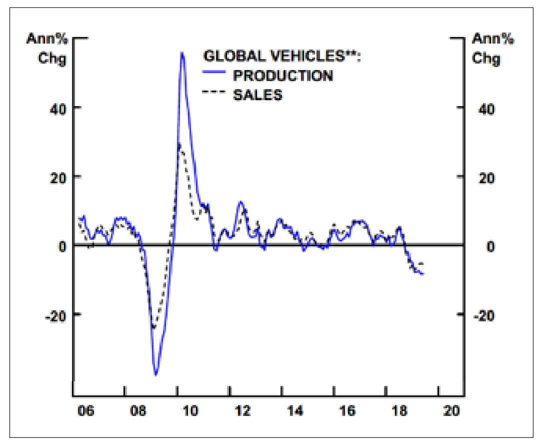
Figure 3: Non-farm Payroll Trends



Source: Bureau of Labor Statistics, WSJ The Daily Shot

Global growth is expected to pick up in 2020 to 3.4%, which has been marked down from 3.6%. The pick-up in growth is expected be aided by better performance in emerging market countries such as Brazil, Mexico, Russia and Saudi Arabia, which have shown signs of bottoming or initial signs of recovery. Starting in late 2018 emerging market Central Banks began to lower rates and depreciate their currencies to spur lending, trade and growth. Emerging market stocks are signaling an expected recovery, while the U.S. market is signaling that the U.S. economy will likely dodge a recession and the earnings of U.S. companies will rebound. Meanwhile, EU stocks remain range-bound and appear to be taking longer to recover.

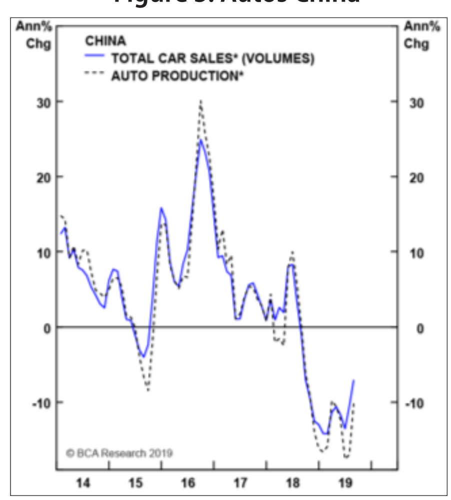
Figure 4: Global Autos



Source: BCA

Probably the strongest engine for global growth recovery is China. The country has been applying monetary stimulus for almost 18 months to reverse a slowdown stemming from the ongoing trade conflict and financial system reforms that began in 2016. The Chinese have not increased stimulus levels to those reached in 2015, so there is still room to stimulate further and we expect stimulus to continue. Besides an uptick in auto sales and production, China's manufacturing PMIs moved into expansion in August and September after contracting in June and July as did PMIs in emerging markets (please see Figure 7).

Figure 5: Autos China



Source: BCA

2019-2020 MARKET OUTLOOK: Treading Water until Meaningful Trade Resolution

As the IMF and OECD have commented, the trade conflict disrupted supply chains and created uncertainty that stalled business investment. For much of the summer, markets wrestled with the idea that the renewed trade dispute could move the already slowing global economy down another notch into a global recession and that Central Banks and the

Commonwealth Bank & Trust Company

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Suite 210
Louisville, KY 40207

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f (502) 259-1501
www.cbandt.com

Federal Reserve may have acted too late to reverse course. Many more countries are cutting rates than are tightening monetary policy currently. These actions are intended to stimulate lending and business activity, but also to depreciate a country's currency relative to a competing export economy. Over the course of the summer the dollar rose 4% (5% YTD). We believe much of the Fed's response this summer was to offset that rise, which could have been as much as 10% if the Fed had not signaled and followed through with rate cuts.

Figure 6: U.S. vs. World Manufacturing

Source: MRB Partners

September and October data from China and other emerging markets appear to demonstrate that these markets have bottomed and are slowly turning up. The EU is a little more of a mixed picture. Manufacturing countries are still weak, but service, agricultural and tourist-based EU economies appear to be bottoming. We expected greater easing out of the ECB, but there has been disagreement among bank members over the strength of the stimulus, which has caused key German and French rates to rise. The U.S. is just entering the first phases of a decline. Based on the data as well as earnings guidance and forecasts, we would expect U.S. data to bottom and start picking up in the first or second quarter.

Therefore, we believe most regions will return to growth in 2020 and earnings growth should become stronger. The trade dispute will mute gains in growth, recovery and market sentiment next year. If trade can be resolved, we believe global growth, corporate earnings and markets could post a strongly synchronized rally on the back of the 2019 wave of monetary stimulus. After pricing in significant QE policies, we think bond yields are more likely to drift up on improving growth. We think that leaves investors with few choices other than to remain in equities and hope that monetary policy will result in stronger growth if the trade dispute is not meaningfully resolved.

U.S. Stock Markets: We are sanguine about the U.S. stock market. Large cap U.S. equities continue to be the surest returning game in town, quarter in and quarter out for the last two years. We think EPS estimates for 2019 may have been cut too deeply. At the end of 3Q18 when the market peaked last year, 2019 S&P 500 earnings were expected to grow 10% to $178 per share. Currently the 2019 estimate has fallen to $164 per share projecting 1% growth. This time last year, mid and small cap earnings were expected to grow 13% to 15% in 2019, however, earnings are now expected to fall 5% and 17%, respectively, in 2019. Earnings estimates for 2020 are expected to rebound sharply, increasing 11% for large caps, 13% for mid cap and 38% for small cap stocks. A higher weighting to volatile energy and materials stocks is largely responsible for the dramatic swings in small cap estimates. Incidentally, the 2020 earnings increase forecast by analysts would bring the 2-year average earnings growth rate to 7% for each of the indices, which lines up perfectly with the long-run historical earnings growth rate. We believe these overly optimistic 2020 estimates are forecasting an end to or little impact from the trade dispute. We are taking a more conservative approach. We expect earnings growth to be mid-single digits for the S&P 500 in 2020 unless the trade dispute is resolved quickly. If the trade dispute is meaningfully resolved, the market will start to value companies based on 2021 earnings that will likely indicate double digit growth rates. *Please see market valuation section for our estimate of market returns for 2019.*

U.S. Bond Markets: Over the last twelve months we have shifted from underweight U.S. bonds to closer to equal-weight as we thought the Fed may be nearing the end of its rate hiking cycle. We were slowly increasing duration

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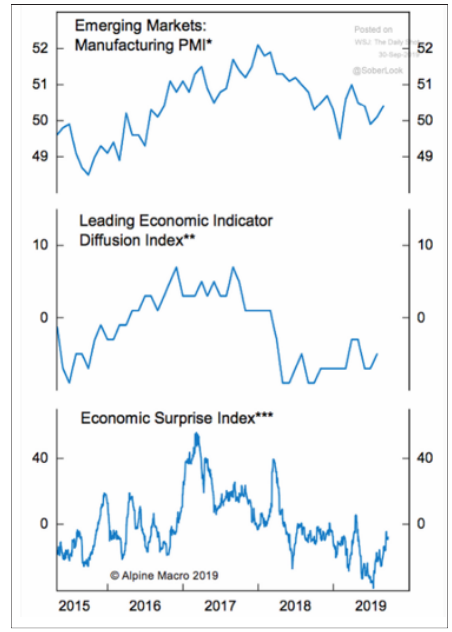
in our portfolios, when the Fed signaled it would cut rates. The 10-Year Treasury yield fell from almost 3.25% during the fourth quarter of 2018 to around 1.50% in August 2019. After barely breaking even in 2018 (+0.01% return), the Bloomberg Barclays Aggregate Bond index returned +8.52% for the first nine months of 2019. Most of the easy money has been made in bonds in our opinion. We believe bond returns are likely to fall below our 2% to 3% long term return estimate for the next 6 to 9 months before returning to that range for remainder of 2020. If global growth begins to pick up or a trade deal is announced, rates will be pressured upward. In the meantime, we believe the Fed will continue to cut rates, but the cuts have mostly been priced into the yield curve. We expect a 0.25% cut in October and another 0.25% is likely in either December or the first quarter.

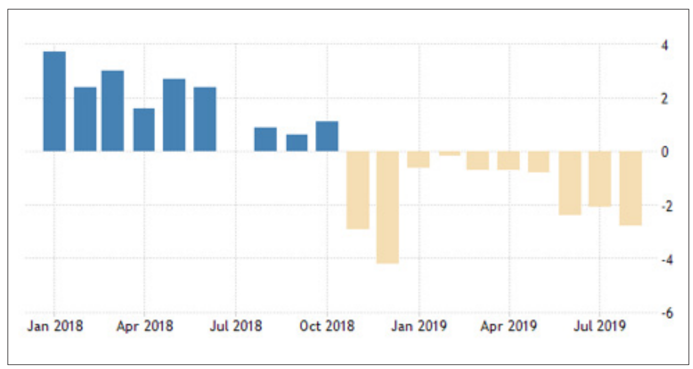
International Stock and Bond Markets: Both developed market equities and emerging market equities rebounded from fourth quarter 2018 lows, posting 12.8% and 5.9% returns YTD, respectively. Both, however, posted losses of 1.3% and 2.0% over the last 12 months. Those losses are less than the 5% increase in the dollar suggesting that these regions are holding up well despite the trade turmoil and lower fundamentals over the last 12 months. This supports our thesis that emerging market and developed international earnings may be bottoming. EM and International stocks are still trading below average historical Price/Earnings multiples of 14x and 12x forward 2019 earnings, making them cheaper than U.S. stocks. We are more inclined to increase our allocation to emerging market stocks than developed international in the short run as EM fundamentals are improving, while most developed international data is still sliding (please see Figures 7 and 8). We remain cautious on both asset classes, because the rising dollar has been offsetting returns on foreign securities. We think emerging market bonds may outperform U.S. bonds in 4Q19 and 2020, but may not have a strong enough risk/return profile for a large weighting.

Figure 7: Emerging Markets Improve



Source: WSJ The Daily Shot

Figure 8: Eurozone Manufacturing Still Weak



Source: Trading Economics

MARKET VALUATION, EXPECTED RETURNS & PORTFOLIO STRATEGY

We think the economic and earnings setup described above leaves investors with few choices other than to remain in equities and hope that monetary policy will result in stronger growth if the trade dispute is not meaningfully resolved. Throughout this year S&P 500 earnings were revised downward from $178 (10% growth) to $164 (1% growth - please see Table 5). Energy and materials, which are impacted by lower oil prices, experienced the sharpest revisions after the second quarter. If oil can return to the $60 price level, we would expect $2 to $3 of earnings to be added back to the estimate later in the year. Third quarter earnings are expected to fall 2% to 4%, but appear to be coming in higher (closer to 0% growth over 3Q18) based on the 30% of the S&P 500 companies that have announced earnings to date in October. EPS is expected to return to low single digit growth in 4Q19, which will be reported in January and February of 2020. Several earnings themes are coming to light in the third quarter. Companies continue to

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f (502) 259-1501
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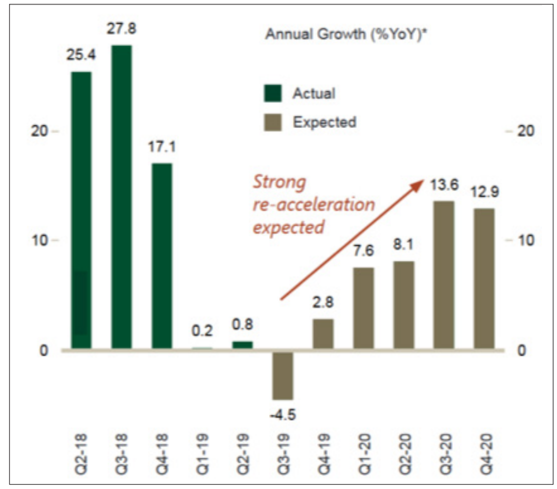
point to uncertainties surrounding the trade disputes. Weakness in the auto sector is hurting suppliers as well as semiconductor companies, which are placing increasing amounts of chips in vehicles. The dollar surged 4% during the quarter and that is beginning to factor into lower guidance for exporters.

We do not think the trade dispute will be meaningfully resolved before the Presidential election in November 2020. Under this scenario, we expect earnings growth to be mid-single digits for the S&P 500 in 2020 and range between $175 and $180 per share. Returns for the S&P 500 are also likely to be in the mid-single digits. If the trade dispute is meaningfully resolved, the market can break out higher. It will start to value companies based on 2021 earnings that will likely show double digit growth rates. If that happens in 2020, the market could achieve double digit returns.

Figure 9: Earnings to Re-accelerate



Source: MRB Partners

Table 5: S&P 500 Valuation

					Growth %
- S&P 500 Value 09/30/19:	2,977		- 2017 Actual:	$132	11.8%
- S&P 500 Multiple 18A:	18.4x		- 2018 Actual:	$162	22.7%
- S&P 500 Forward Multiple 19E:	18.2x		- 2019 Estimate:	$164	1.1%
- S&P 500 Forward Multiple 20E:	16.4x		- 2020 Estimate:	$182	11.2%

Implied S&P 500 Valuation

	$155	$160	$165	$170	$175	$180	$185	$190
13.0x	2,015	2,080	2,145	2,210	2,275	2,340	2,405	2,470
13.5x	2,093	2,160	2,228	2,295	2,363	2,430	2,498	2,565
14.0x	2,170	2,240	2,310	2,380	2,450	2,520	2,590	2,660
14.5x	2,248	2,320	2,393	2,465	2,538	2,610	2,683	2,755
15.0x	2,325	2,400	2,475	2,550	2,625	2,700	2,775	2,850
15.5x	2,403	2,480	2,558	2,635	2,713	2,790	2,868	2,945
16.0x	2,480	2,560	2,640	2,720	2,800	2,880	2,960	3,040
16.5x	2,558	2,640	2,723	2,805	2,888	2,970	3,053	3,135
17.0x	2,635	2,720	2,805	2,890	2,975	3,060	3,145	3,230
17.5x	2,713	2,800	2,888	2,975	3,063	3,150	3,238	3,325
18.0x	2,790	2,880	2,970	3,060	3,150	3,240	3,330	3,420
18.5x	2,868	2,960	3,053	3,145	3,238	3,330	3,423	3,515
19.0x	2,945	3,040	3,135	3,230	3,325	3,420	3,515	3,610
19.5x	3,023	3,120	3,218	3,315	3,413	3,510	3,608	3,705
20.0x	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800

Implied S&P 500 Price Change 9/30/2019

	$155	$160	$165	$170	$175	$180	$185	$190
13.0x	-32%	-30%	-28%	-26%	-24%	-21%	-19%	-17%
13.5x	-30%	-27%	-25%	-23%	-21%	-18%	-16%	-14%
14.0x	-27%	-25%	-22%	-20%	-18%	-15%	-13%	-11%
14.5x	-24%	-22%	-20%	-17%	-15%	-12%	-10%	-7%
15.0x	-22%	-19%	-17%	-14%	-12%	-9%	-7%	-4%
15.5x	-19%	-17%	-14%	-11%	-9%	-6%	-4%	-1%
16.0x	-17%	-14%	-11%	-9%	-6%	-3%	-1%	2%
16.5x	-14%	-11%	-9%	-6%	-3%	0%	3%	5%
17.0x	-11%	-9%	-6%	-3%	0%	3%	6%	9%
17.5x	-9%	-6%	-3%	0%	3%	6%	9%	12%
18.0x	-6%	-3%	0%	3%	6%	9%	12%	15%
18.5x	-4%	-1%	3%	6%	9%	12%	15%	18%
19.0x	-1%	2%	5%	9%	12%	15%	18%	21%
19.5x	2%	5%	8%	11%	15%	18%	21%	24%
20.0x	4%	8%	11%	14%	18%	21%	24%	28%

Source: Yardeni Research & CB&T. Note add ~2% in dividends for S&P 500 total return

Pink Shade - Bear Market from 3028 2019 peak; Yellow Shade - Expected Levels; Green Shade - Irrational Exuberance

Commonwealth Bank & Trust Company

4350 Brownsboro Rd.
Suite 210
Louisville, KY 40207

p (502) 259-2500
f (502) 259-1501
www.cbandt.com

ASSET ALLOCATION OUTLOOK

LAST QUARTER			THIS QUARTER	
WE BELIEVED →	ACTIONS TAKEN →	RESULTS	WE BELIEVE →	ACTIONS WE ARE TAKING
DOMESTIC EQUITIES			DOMESTIC EQUITIES	
U.S. growth likely to rebound from monetary stimulus, despite trade uncertainties.	Trimmed international and reallocating to large cap U.S. equities in light of trade conflict, currency concerns and slower growth overseas.	**Large Cap 1.7% in 3Q19 (20.6% YTD), Small -2.4% (14.2% YTD) and Mid cap -0.1%.**	U.S. growth likely to continue sliding for 1-2 quarters, but cleanest dirty shirt in equity hamper.	Maintaining weight in U.S. equities, with heavier allocation to large cap.
INTERNATIONAL EQUITIES			INTERNATIONAL EQUITIES	
Even though China stimulus is helping. Currencies are weakening and capital is flowing out of EM.	We cut our EM allocation in half and trimmed developed international to re-allocate to U.S. equities in light of trade conflict, currency concerns and slower growth overseas.	**International equities underperformed U.S. -1.1% (12.8% YTD) v. +1.7% (20.6%). EM underperformed -4.3% (5.9%). EM fell as the trade conflict intensified**	EM manufacturing and economies are improving. U.S. dollar still up. Developed international still sliding.	We expect to increase our EM allocation on further improvement in EM data and dollar weakness.
FIXED INCOME			FIXED INCOME	
The Fed cut rates 0.25% in July. We believe the Fed will continue to cut rates in September and beyond.We believe 2 - 3 additional rates are likely in the next 9-12 months.	We continued to underweight fixed income, believing that much of the near term returns are priced in, but halved our short duration position and moved it in line with the duration of the BBG Aggregate index.	**The 10-year Treasury yield reached 5 year lows. Rates fell further helping longer duration positions. The BBG Aggregate returned 2.3% (8.5% YTD).**	We believe the Fed will continue to cut rates in October as well as either December or February, possibly both.	We remain underweight fixed income and believe much of the easy money has been made in bonds. We expect sub 2%-3% returns for bonds for the next 3-6 months.
We believed munis were at fair value.	We maintained an equal weight to munis.	**Munis significantly outperformed core bonds in the quarter (+6.8% vs. +2.3%) and were in line with taxable bonds for the year (8.6% v. 8.5%).**	We believe munis are at fair value.	We are maintaining an equal weight to munis at this time.
ALTERNATIVE ASSETS			ALTERNATIVE ASSETS	
We expected volatility to remain elevated in the back half of the year. Fed easing should be constructive and reduce volatility, if trade issues are removed.	We maintained a 10% allocation to alternative strategies.	**Equity market volatility spiked in 3Q19. Global macro/ Managed futures funds, which make up the heaviest weight of our alternatives, returned 3.8% (8.5% YTD).**	We expect volatility to remain elevated in the back half of the year and into next year as long as the trade conflict overhangs markets.	We are maintaining our 10% allocation continuing to focus on strategies with no structural correlation to equities.
For more details on CBandT's investment outlook, please visit our Investment Commentary page at: https://cbandt.com/wealth-trust/resources/.				