



Trust Division

Pratt and Smith Center, Kansas

Smith Center Office:

Barbara Timmons, Senior Trust Officer
 Joni Wolters, Trust Officer
 John Terrill, Trust Officer
 David Mace, CFP®, Trust Officer
 Mark McClain, Trust Officer

Pratt Office:

Ernie Richardson, Trust Officer
 Eric Bronson, Trust Officer

INVESTMENT COMMITTEE MARKET COMMENTS

September 2018

STOCK MARKET INDEX DATA	Current Index	MTD Return	YTD Return	2017 Return
as of Sep 30, 2018				
Dow Jones Industrials Average	26,458.31	1.90%	7.04%	25.08%
S&P 500	2,913.98	0.43%	8.99%	19.42%
Nasdaq	8,046.35	-0.78%	16.56%	28.24%

STOCK MARKET UPDATE

For the third quarter, each of the indexes listed here posted solid gains, led by the large caps of the Dow and the S&P 500. The tech-heavy NASDAQ continued its strong showing while the small caps of the Russell 2000 posted moderate quarterly gains. Toward the end of September, a new round of reciprocal tariffs between the United States and China kicked in as it appears neither economic giant is ready to flinch. The United States imposed an additional \$200 billion in tariffs on Chinese goods, prompting China to assess \$60 billion worth of tariffs on U.S. products. This follows each country's initial volley of \$50 billion in tariffs on their respective imports. As a result, the benchmark indexes listed here produced a mixed bag of returns for the month of September.

Bond Types	3 Mo	6 Mo	2 Year	5 Year	10 Year	30 Year
U.S. Treasury	2.27%	2.44%	2.89%	3.06%	3.21%	3.38%
Agency/GSE	2.29%	2.47%	2.97%	3.42%	4.01%	3.97%
Corporate (Aaa/AAA)		2.56%	2.99%	3.41%	3.56%	4.20%
Corporate (Aa/AA)	2.42%	2.57%	3.32%	3.77%	4.15%	4.96%
Municipal (Aaa/AAA)	1.82%	1.89%	2.20%	2.60%	3.23%	3.54%
Municipal (Aa/AA)	1.95%	1.95%	2.38%	2.76%	3.79%	4.45%
Taxable Municipal		2.59%	3.08%	3.84%	4.30%	5.08%

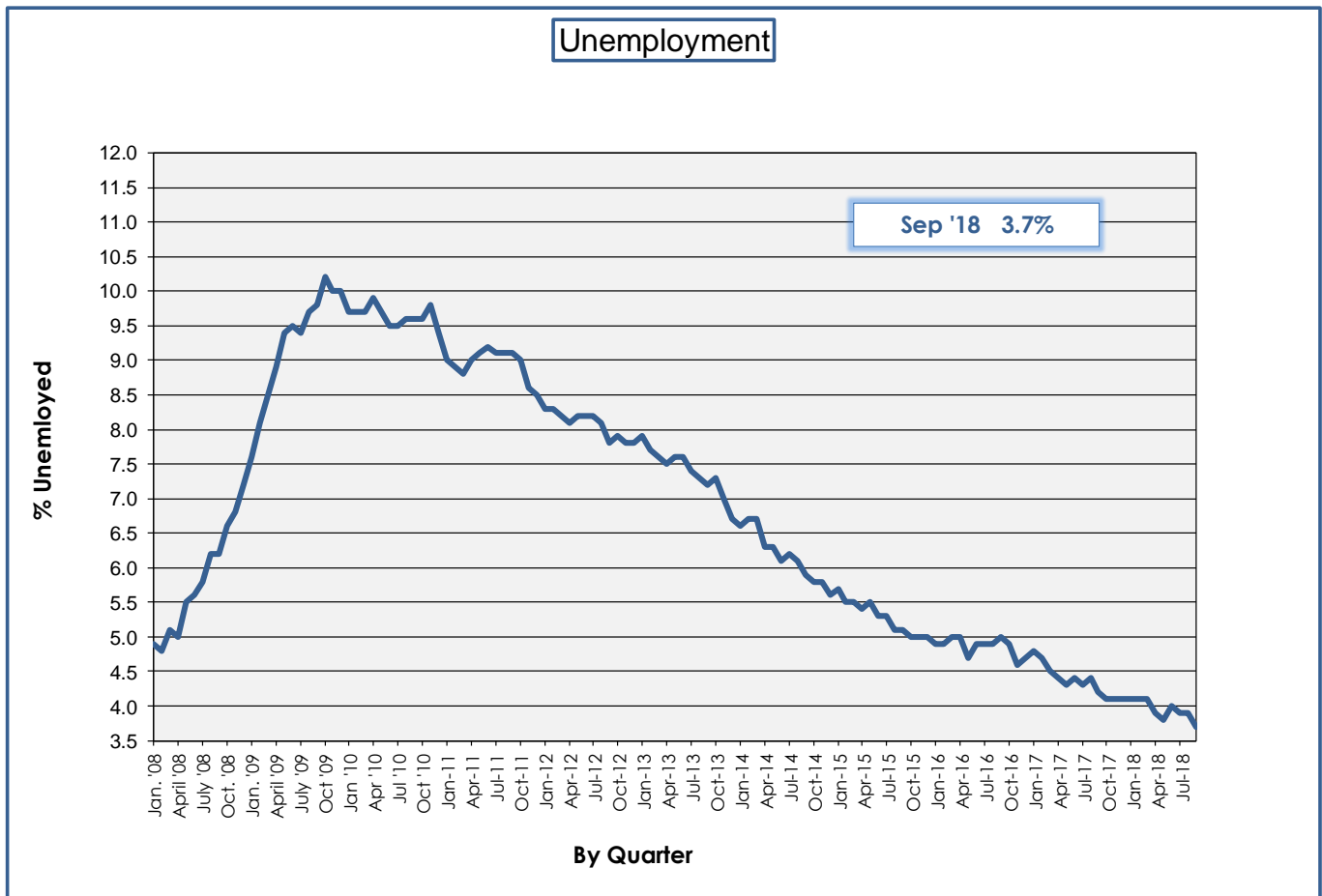
FIXED INCOME MARKET UPDATE

The gigantic rise in the 10-year Treasury, up 18 basis points to 3.24 percent, was last week's big news not only for the financial markets but also for the economy. The rise will lift long-term borrowing costs and won't

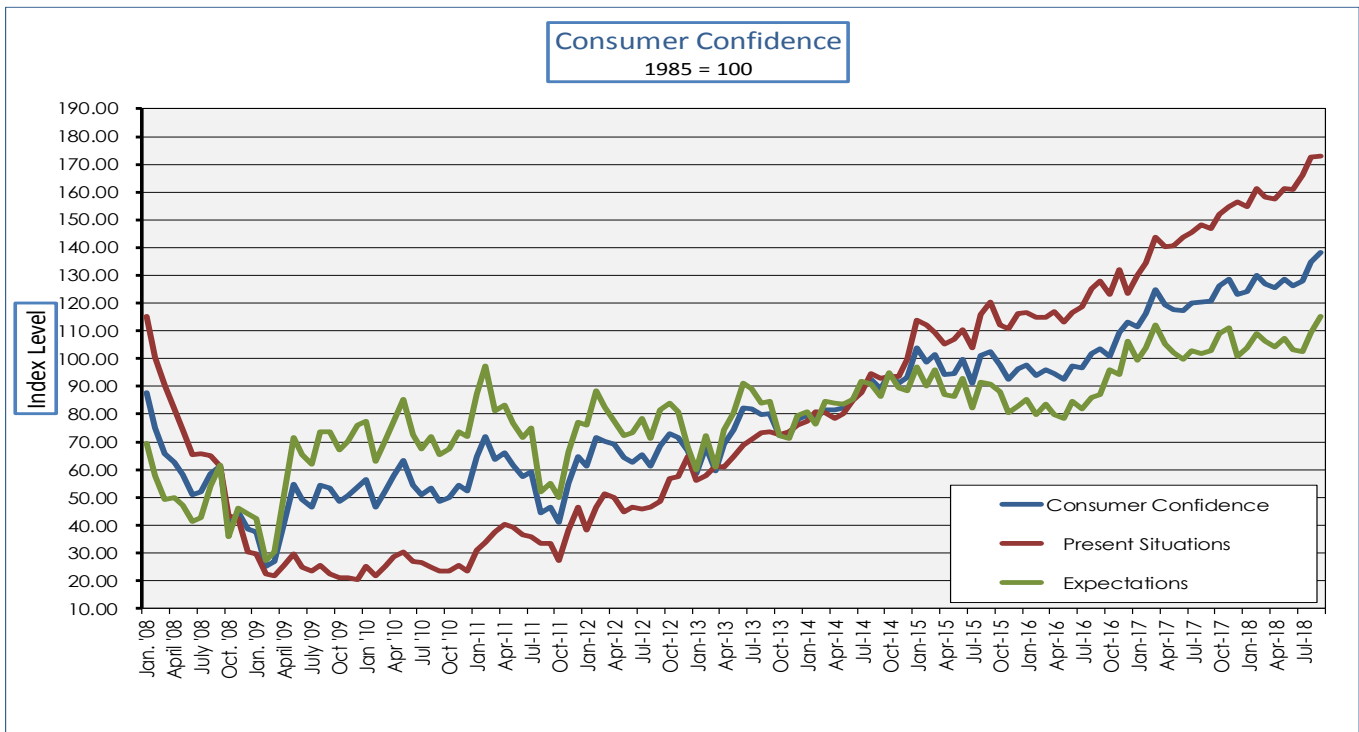
be giving residential investment, which is really the economy's slowest area, any lift. The 10-year wasn't the only yield going up in the week as the 2-year rose 8 basis points to 2.88 percent. This rate tracks the Fed Funds target which was raised 25 basis points in the prior week to 2.125 percent and, based on FOMC projections, will be rising another 100 basis points over the next year.

ECONOMIC UPDATE

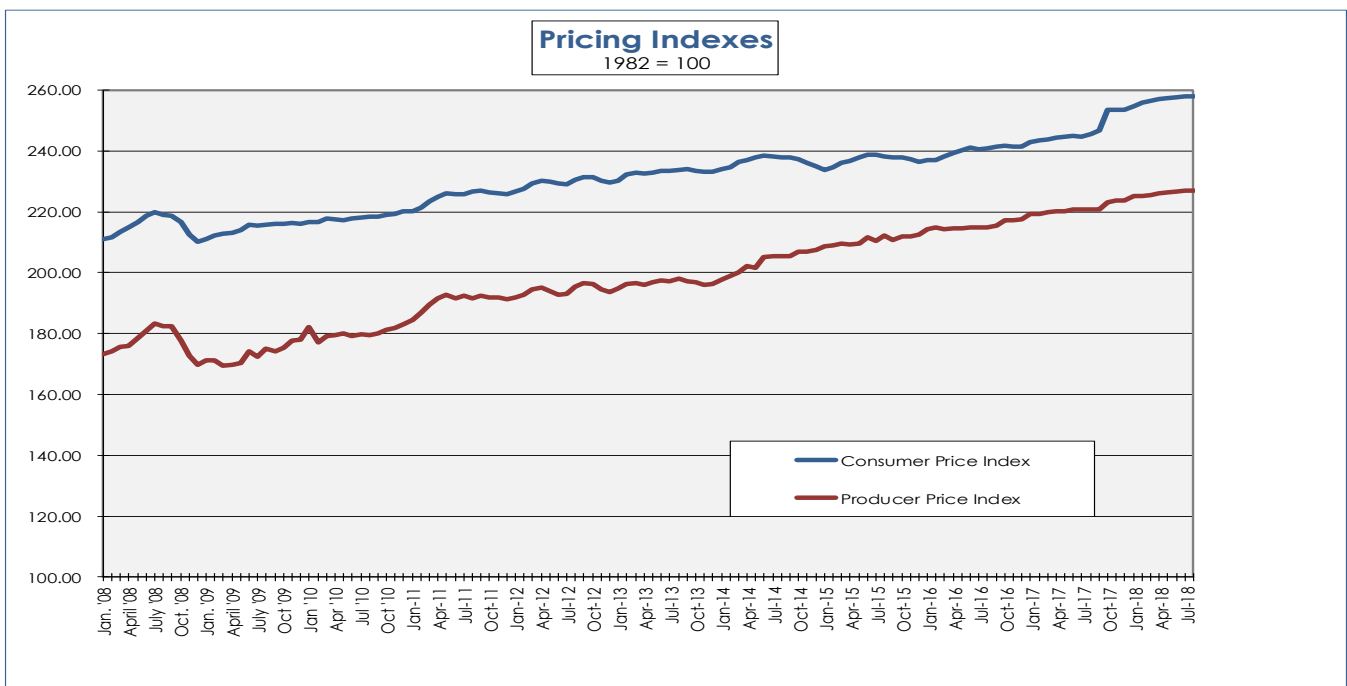
Jerome Powell wore out his shoes on the speaking tour a couple weeks ago and the theme is clear -- rate hikes are going to be gradual but they won't be stopping. However transparent the Fed is, continued talk of rising rates may be manifesting itself as a self-fulfilling prophecy in the bond market. And not helping rates is an important factor that has been quietly hiding in the background this year -- the Fed's balance sheet unwinding. But the ultimate reason that rates are climbing, make no mistake about it, is that the nation's labor supply is growing scarce.



Jobless Claims - In the week ending September 29, the advance figure for seasonally adjusted initial claims was 207,000, a decrease of 8,000 from the previous week's revised level. The previous week's level was revised up by 1,000 from 214,000 to 215,000. The 4-week moving average was 207,000, an increase of 500 from the previous week's revised average. The previous week's average was revised up by 250 from 206,250 to 206,500. The **unemployment rate** declined to 3.7 percent in September, and total nonfarm payroll employment increased by 134,000. Job gains occurred in professional and business services, in health care, and in transportation and warehousing.



The **Conference Board Consumer Confidence Index®** increased in September, following a large improvement in August. The Index now stands at 138.4 (1985=100), up from 134.7 in August. The Present Situation Index improved marginally from 172.8 to 173.1, while the Expectations Index surged from 109.3 last month to 115.3 this month.



In August, the **Consumer Price Index** for All Urban Consumers increased 0.2 percent seasonally adjusted; rising 2.7 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy rose 0.1 percent in August (SA); up 2.2 percent over the year (NSA). The **Producer Price Index** for final demand declined 0.1 percent in August, as prices for final demand services decreased 0.1 percent, and the index for final demand goods was unchanged. The final demand index rose 2.8 percent for the 12 months ended in August.