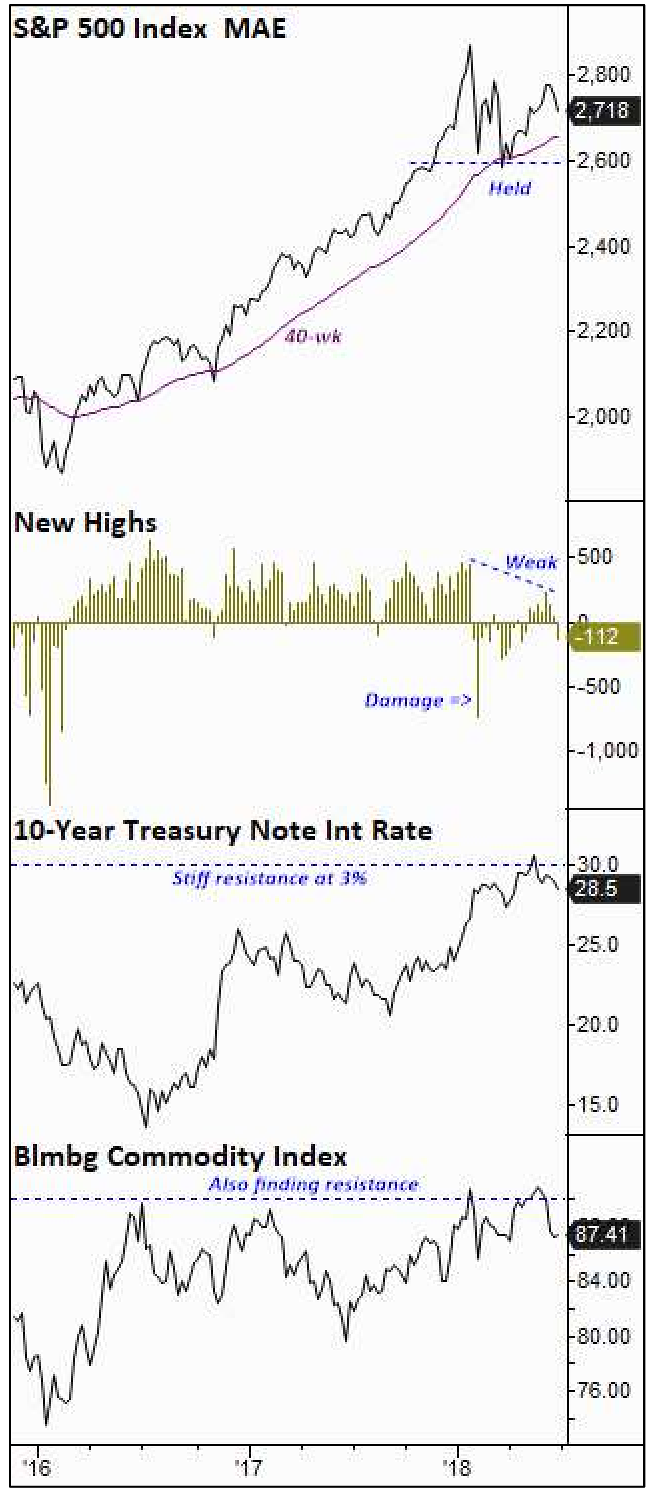
NEXBANK NOTES

July 2018



Charts courtesy of TradeStation, current as of June 29, 2018

Our Fundamental View:

Geopolitical issues remained front and center in June, with tariffs and trade wars moving from talk to reality. We continue to believe things will get worse before they get better, and that policies such as these are ultimately a major risk to economies and markets globally.

That being said, while nervous markets are likely to persist, we do believe the housing market in general, and REITs in particular, will remain firm. We also continue to like the opportunity fundamentally in the technology sector given the recent capital expenditure trends.

Our Technical View:

Market volatility also remained the norm in June, with stocks starting the month strongly, however giving up much of their gains by the time the calendar turned.

Technically speaking, the rally was quite weak, in that as the S&P 500 approached 2,800, far fewer stocks were making new 52-week highs. When considering this in context with the damage stocks suffered during the February correction, and is starting to look as if stocks are forming an important cyclical top.

Finally, we also believe interest rates and commodities will continue to struggle. Not only are both battling stiff resistance on their charts, but slowing global growth would obviously reduce demand for the commodities, while reduced inflationary pressures would likely help rates ease.

Consensus Call of the Month:

As noted above, we think reduced inflationary pressures will likely help interest rates on the long end of the curve start to ease. We also believe the Federal Open Market Committee (FOMC) will continue to raise short term interest rates. This would lead to the widely expected *further* flattening of the yield curve here in the US.

Contrarian Call of the Month:

Far less consensus however, is our view that stocks across the globe could see significant declines from current levels. Despite punishing losses already being endured in emerging markets such as China and Latin America, sentiment remains complacent regarding developed markets. We believe it is <u>too</u> complacent given the escalating geopolitical tension and the weak technical footing on which markets are trading.

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NEXBANK WEALTH ADVISORS

About NexBank Wealth Management

NexBank Wealth Management is a privately owned, independent wealth manager located in Dallas, Texas. The team is led by award-winning investment professionals, with an average of 25 years of experience working with some of the world's most distinguished institutional clients and financial institutions. NexBank Wealth's actively-managed approach guides clients through complex and evolving markets. Contact our Client Services Team for more information.

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