NEXBANK NOTES

June 2018

Our Fundamental View:

Geopolitical issues again took center stage last month, as both tempers, and talk of tariffs, flared. This intensified concerns of a potential economic slowdown both in the US, and globally. As we noted last month however, we believe the US economic growth is insulated versus Brazil & Germany. That being said, we do believe the *rate* of growth may start to ebb.

Regarding interest rates, we continue to think the Federal Open Market Committee (FOMC) will raise interest rates at least twice more this year. The first at their meeting later this month, and then at least once more at their September and/or December meetings. Despite these increases however, we do not expect the yield curve in the US to invert. This is important, as inverted yield curves typically lead to recessions, and significant stock market corrections.

Our Technical View:

May was kind to the markets, with the broad market averages posting solid gains. While most were up in the 2-3% range, the NASDAQ tacked on over 5% and the Russell 2000 surged by nearly 6% on the month.

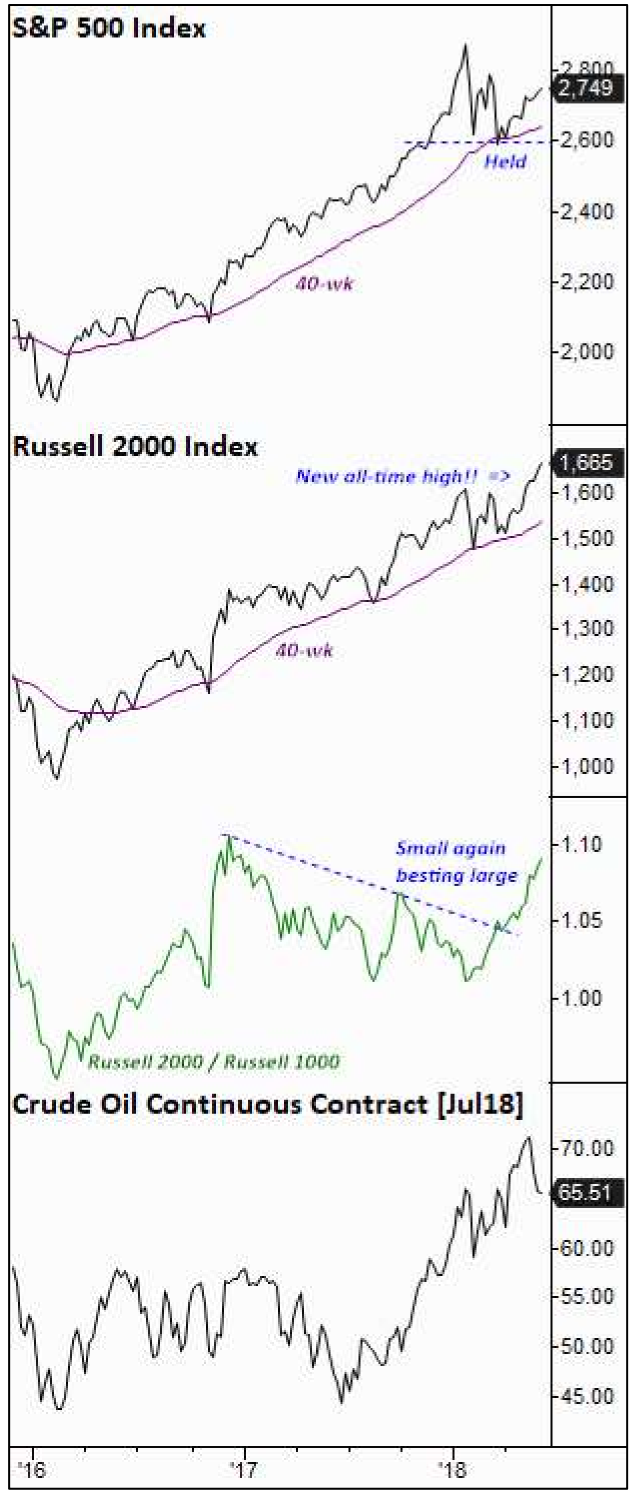
We continue to believe the market is in good shape technically, and that further gains are likely ahead for stocks. Additionally, since our piece last month the Russell 2000 Index has moved to an all-time high – despite the concerns surrounding tariffs and other geopolitical uncertainties. Action which is not only bullish for the small cap stocks themselves, but healthy for the overall market as well. That being said, we continue to aggressively monitor the market for any signs of narrowing breadth and leadership.

Consensus Call of the Month:

As noted above, among the more widely held views in the market these days, is that the FOMC will raise short term interest rates by ¼% at their June meeting. While there are rumblings that they may increase them by a full ½%, we agree with the consensus view of a mere ¼% hike.

Contrarian Call of the Month:

On the other side of the coin, is our view that the price of oil goes higher from here. More specifically, given the strong demand fundamentals in the oil market we think crude oil could hit $80 by year end, and most certainly has a better chance of seeing $70 before $60.



Charts courtesy of TradeStation, current as of June 5, 2018

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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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