

The Compass

Third Quarter 2019

Executive Summary

- ❑ We are enjoying the longest expansion in history as we enter the 10th year of the bull market.
- ❑ Volatility remains rampant, yet all asset classes are delivering positive results.
- ❑ The 4-month average GDP is 3.23%. Payrolls continue to expand. Unemployment remains low at 3.7%. Inflation remains low at 1.8%.
- ❑ The S&P 500 gained 2.6% in 2Q19, ending up 17.48% year to date through 6/30/2019.
- ❑ U.S. Treasury yields are lower, with the 10 year closing the quarter at 2.00%.
- ❑ With all the global uncertainty, the U.S. markets remain the safe haven for investors.

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- ❑ Hurricane Preparedness
- ❑ Keeping you cyber-safe: Creating Strong Passwords



Cypress Trust Company Investment Committee

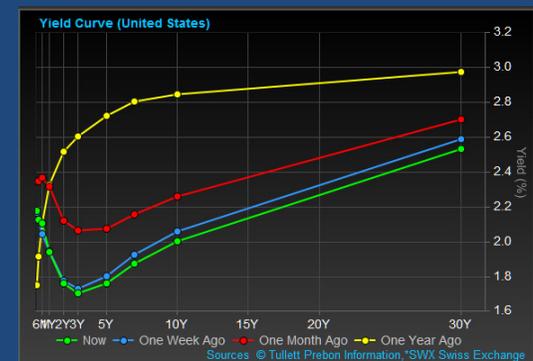
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S&P 500 12 Month Price Chart



Source: FactSet 7/1/19

Yield Curve (U.S.)



Source: FactSet 7/1/19

U.S. Markets	6/30/19 Close	QTD % Change	1 Year % Change
Dow Jones Industrial Avg	26,600	1.31%	9.64%
S&P 500	2,942	2.62%	8.28%
NASDAQ	8,006	2.29%	6.67%
Russell 2000 (small caps)	1,567	0.67%	-4.67%
Treasury Yields	6/30/19	3/31/19	One Year Ago
2 year	1.75%	2.27%	2.52%
10 year	2.00%	2.41%	2.85%
30 year	2.52%	2.18%	2.98%

Source: FactSet 7/1/19; U.S. Dept. of the Treasury.

Overview

New Report. Same Message. Volatility remains rampant in all financial markets. While this may have a negative connotation, this is not the case at this time. All markets and asset classes have been delivering positive results, but each for many different reasons. This movement has caused investors and traders alike to question all their previous decisions, but more importantly, future outlooks. The Fed continues to be in play as they look to get out in front of any economic weakness even as the stock market continues to make new highs. Weakness in economic numbers, both domestically and internationally, has the Fed conflicted as they question that impact on inflation and job growth. This is even as the markets are expecting that last rate increase to be reversed in the coming months. Dealing with the global impacts of the trade war/negotiations makes their job all the more difficult. They are in a tough position trying to set long-term policy as both the world and markets continue to move quicker on digesting and trading on the news at hand.

Either way, we have enjoyed the largest expansion in history, even though the absolute numbers have not gotten there, YET. Some feel we need to have a recession or significant retracement in the markets (beyond a correction), because of the length of time since the last one. Bull markets do not end just because of length. This makes us question whether the glass is half full or half empty. Optimist, pessimist, or realist? It is all a matter of perspective and expectations.

Economic Backdrop

After 3 quarters of decelerating GDP growth, the most recent report was 3.1%, giving it a 3.23% 4-month average. Payrolls continue to expand with the most recent report (June 2019) improving by 224,000 jobs. And the unemployment rate remains low at 3.7%. Smoothing out the lumpiness over the last 6 months, jobs have averaged 172,000 jobs a month. The participation rate continues to hold steady around 63%. Through all of this job growth, CPI remains below the Fed target at 1.8%.

Equities

In the 2nd quarter of 2019, the S&P 500 was up another 2.6%, building on the double-digit returns of the 1st quarter 2019. S&P 500 earnings for the 2nd quarter 2019 were up only 1.6%. While earnings were led by Healthcare's 10.3% growth, there were 5 sectors that saw red numbers (Utilities -0.5%, Technology -1.1%, Communication Services -9.9%, Materials -13.4%, and Energy -26.1%). Revenues on the other hand were up 5.7% led by Healthcare, Financials, and Communication Services, which all grew by double digits. On the downside, both the Technology and Energy sectors were negative, but each less than 1%. While slowing from last quarter's 60%, a strong 57% of companies still beat revenue expectations. With 2nd quarter's earnings season starting in the next couple of days we look for companies' comments with regard to impacts of the trade uncertainty along with any expectations they can give us for the remainder of the year or even into 2020.

Fixed Income

Low inflation and negative yields around the world have driven the U.S. Treasury 10 year bond yield to crisis type levels. It did print a sub-2% number, while closing the quarter at 2.00%. These are the lowest yields we have seen this year, and they are down significantly from the 3.25% from late 2018. Fixed income traders have allowed long-term yields to fall, in anticipation of the Fed reducing short term rates, which has led to a yield curve inversion.

With rates much lower in the U.S. they are still relatively attractive when compared to foreign fixed income issues.

Outlook

There is no reason for us to expect the volatility in all markets to wane anytime soon, due to the amount of uncertainty that persists in the markets and, more importantly, the speed at which that information is digested and traded. We are starting to hear more and more about international investing, yet the safe haven around the world remains U.S. assets. This is due to not only the economic stability, but economic liquidity. It is important in good times, but imperative in times of uncertainty. The U.S. economy continues to be the standout even as the growth numbers are slowing. We vigilantly monitor the ever changing dynamic markets and economies to evaluate how they impact client portfolios.

Always vigilant, our commitment to you is to navigate your portfolio through both calm and turbulent times in an effort to meet your goals and objectives.

All there is to investing is picking good stocks at good times and staying with them as long as they remain good companies. - Warren Buffett

Hurricane Preparedness

June 1 marks the official beginning of the 2019 hurricane season that runs through November 30. The National Oceanic and Atmospheric Administration (NOAA) predicts 9-15 named storms, of which 4-8 could become hurricanes (winds of 74 mph or higher), including 2-4 major hurricanes (category 3, 4 or 5). While hurricanes can be unpredictable, advances in technology including satellite data have enabled NOAA to fairly accurately forecast the formation and path of hurricanes so that governments, the private sector, and the public have adequate time to prepare in advance. While we hope this will be a year where no hurricane makes landfall anywhere, there are some things we can do now to prepare, just to be safe.

- Assemble a disaster supply kit that includes such things as a battery-operated radio, flashlights, batteries, first aid kit, water (1 gallon per person per day), a 7-day supply of non-perishable food items, coolers, plastic bags, paper items, tarps.
- Purchase a power charger for your cell phone and keep it fully charged.
- Have sufficient cash on hand. If the power goes out, the ATM machines won't operate.
- Keep your gas tank full. Similarly, the pumps won't operate without power.
- If you own a generator, test it ahead of time to be sure it is working properly. Have enough gasoline on hand to operate it if needed. It is important to observe safety precautions when using a generator.
- Refill medical prescriptions for you, your family, and pets.
- Keep important papers such as your insurance policy, birth records, social security cards, in a waterproof container in a location where you can access it.
- Have a family disaster plan that includes a contact person outside of the area that family members can use as a point person to check in with one another.
- Have a carrier for your pets. If you evacuate, pets should go with you. Never leave them behind. Have enough pet food on hand to last at least 7 days.
- If you are asked to evacuate, please do so as quickly as possible. If you do not evacuate and have an emergency, responders may not be able to get to you.

This list is certainly not exhaustive. Our thought is to get you thinking about hurricane preparations well in advance of when they actually may be needed. Many municipalities have hurricane preparedness guides that you can download online or pick up a hard copy from a county office.

At Cypress Trust Company, our focus and priority is on our clients. We have a comprehensive business contingency plan in place to ensure seamless coverage to our clients in the event of a hurricane or other disaster. With offices located throughout the state of Florida, clients may contact another office should their regular office be impacted by a disaster. For your convenience, below is a list of our office locations and telephone numbers.

All offices (800) 439-8745
Palm Beach (561) 659-5889
Naples (239) 449-6930
Vero Beach (772) 492-1919
Winter Haven (863) 295-9607
Jacksonville (904) 301-2224

You may also reach representatives in Sarasota (941) 373-1551 and The Villages (561) 310-0767.

In the event our individual email system is down, clients may communicate with us at info@cypresstrust.com.

While we hope no area is impacted by a hurricane this season, it always helps to be prepared. We wish you and your family health, happiness, and safety this season and always.

Cypress Trust Company Trust Administration

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Creating Strong Passwords

By Jim Parry, Vice President IT Services
Cypress Trust Company

Anyone who uses a computer or any electronic device such as a smartphone or tablet is susceptible to hacking, or unauthorized access by someone for fraudulent purposes. Using computer security products such as anti-virus and anti-malware software, and regularly running scans and installing updates, can greatly help to protect your computer. However, strong passwords are essential in protecting your accounts from break-ins that can result in a loss of personal data, financial account information, or even identity theft. Here are a few tips to help you stay safe.

Things to keep in mind as you create passwords:

- Create strong passwords. A strong password uses upper and lower case letters, numbers, and special characters and is a minimum of 8 character long.
- Don't increment numbers in passwords. Don't create a password like Tango19@ and then replace it with Tango20@ the next time you renew your password.
- Don't share passwords across different accounts. This is important because if one of your accounts gets hacked, the hacker doesn't automatically have access to all your other accounts.
- Don't use keyboard patterns to create your passwords. The bad guys know these patterns too and they are built into the lists of passwords their automated tools use. For example, "3edc\$rfv" is a simple pattern (look at your keyboard to see it).
- Change passwords frequently. This is important.

Two Factor Authentication

In addition to the guidelines above, it's a good idea to turn on two factor authentication (2FA) if the website you're signing onto allows it. Two factor authentication sends a 6 digit code to your cell phone via text message after you enter your username and password. The website then prompts you to enter the 6 digit code and, if correct, allows you access to the system. It can also be configured to deliver the code with a phone call rather than a text message if you prefer. This process greatly enhances the security of the website because access requires more than just a username and password.

At Cypress Trust Company, protecting our clients' privacy is a top priority. We take precautions to protect your information and believe that such protection is vital to our business. We maintain physical, electronic, and procedural safeguards to store and secure client information to protect against unauthorized access. It is important for clients to implement similar precautions when using their personal computers. As part of our commitment to help you stay cyber-aware, look for tips and recommendations in each issue of The Compass newsletter which you can use to help keep your personal information safe.



Cypress Trust Company is a boutique corporate fiduciary that focuses exclusively on providing customized trust and investment management services for successful individuals and their families, non-profit organizations, foundations and endowments. As an independent Florida-chartered trust company, we are governed by an elected board of directors and regulated by the Florida Office of Financial Regulation. Cypress Trust Company maintains full-service offices in Palm Beach, Naples, Vero Beach, Winter Haven, and Jacksonville, with additional representation in Sarasota and The Villages.

Important Notes

This does not constitute an offer or solicitation. This information should not be considered investment advice or a recommendation to buy or sell any particular security. Opinions expressed reflect the judgment of the authors and are current opinions as of the date appearing in this material only. While every effort has been made to verify the information contained herein, we make no representations as to its accuracy and it should not be regarded as a complete analysis of the subjects discussed. The information in this material and specific securities mentioned are not representative of all securities purchased, sold or recommended for clients. Actual portfolio holdings will vary for each client and there is no guarantee that a particular client's account will hold any, or all, of the securities identified. It should not be assumed that any of the securities or recommendations made in the future will be profitable or will equal the performance of the listed securities. Past performance does not predict future results. Content should not be construed as legal or tax advice. Always consult an attorney or tax professional regarding your specific legal or tax situation.

NOT FDIC INSURED | NOT GUARANTEED | MAY LOSE VALUE

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