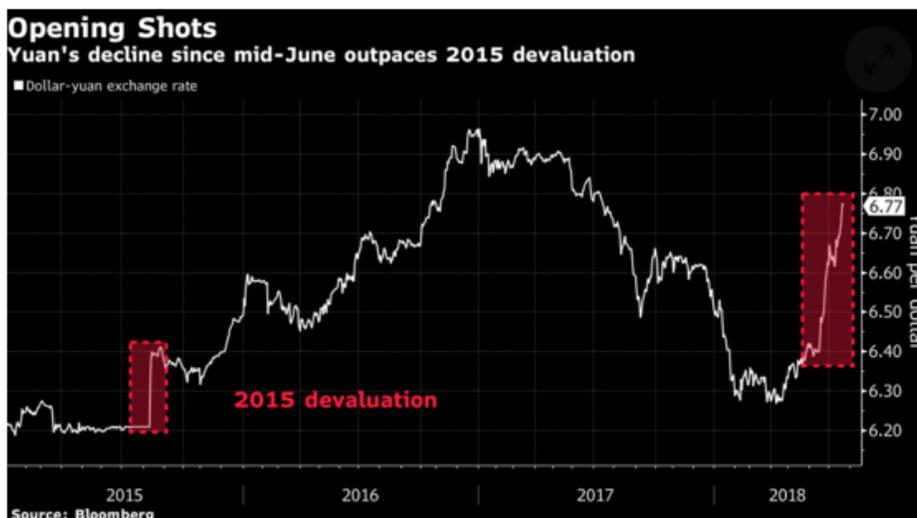




Last Week:

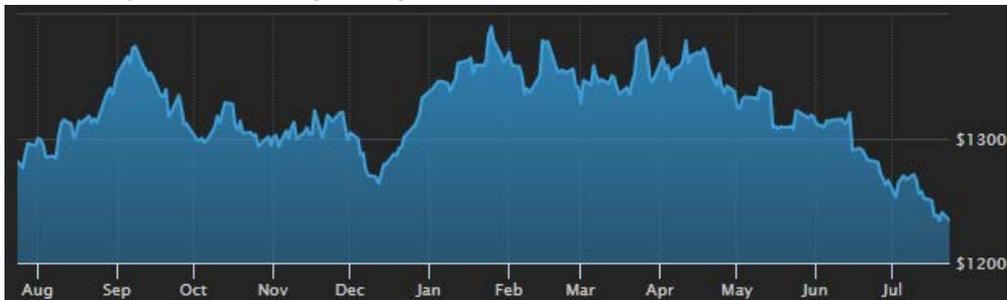
- The first full week of earnings season brought markets to a near standstill, with the Dow Jones Industrial Average edging higher by only 0.2%
 - Decliners narrowly outpaced advancers 16 to 14 on the week
 - Goldman Sachs topped the leaderboard +5.3% joined by JP Morgan Chase +4.9%, Boeing +4.1% and Home Depot +3.8%
 - **UnitedHealth** finally needed a sick day (-6.0%), and Caterpillar (-3.9%) needed a lift ... Exxon Mobil (-1.9%) and Chevron Texaco (-1.8%) were the top decliners
 - The best performing industry groups for the week were Mortgage Finance, Coal, Industrial Suppliers (second straight week), Clothing/Accessories and Banks
- Dow Transports continued trucking higher with a gain of +1.9% while Dow Utilities remained soft (-0.5%)
- The S&P 500 barely stayed in positive territory up only +0.02%, but that was enough to maintain the winning streak for the index, now up every week this quarter
 - Financials rebounded strongly +2.2%, the only sector up more than one percent
 - To the downside it was Telecom (-1.8%) and Real Estate (-1.5%) again among the top decliners, joined this week by Energy (1.8%)
- The S&P Smallcap found its footing with a gain of +0.9% while the Midcap index took a slower stroll up only +0.1%
- NASDAQ was barely seeing red with a drop of (-0.1%)
- The US Dollar Index also went mostly sideways finishing slightly weaker at 94.46
 - Overseas, the Chinese Yuan has seen a sharp decline over several weeks



- The VIX Volatility Index recovered the prior week's decline, gaining 1.16 to 13.34
- Crude oil leaked \$0.55/barrel to finish at \$70.46



- Gold dropped another \$10/ounce to finish at \$1,230/ounce ... gold broke above \$1,365 four times by early April of this year before beginning a consistent descent



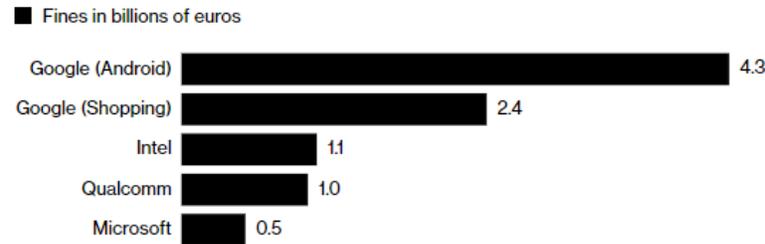
Source: WSJ.com

- The 10-year Treasury yield popped higher on Friday, closing up 7 bps for the week at 2.90% ... the yield curve steepened slightly for the first time in a while
 - 3-month Treasury bill rates reached their highest level in more than a decade, surpassing 2%
- Global stocks were mixed and often nearly motionless for the week
 - The Stoxx Europe 600 trickled higher +0.2%
 - Frankfurt and London were pretty much in line with the broader index, while Paris fell (-0.6%)
 - Istanbul markets recovered half the prior week's loss +4.7%, while northern European markets (Amsterdam, Copenhagen, Stockholm) were up over one percent
 - Russian markets did not find many reasons to celebrate a Putin-Trump summit and cratered (-6.3%)
 - AsiaPac stock markets saw bigger advances
 - India's Bombay and China's Shanghai were flat on the week while the Shenzhen found lower ground (-1.9%) joined by Hong Kong (-1.0%)
 - Tokyo managed a small gain +0.4% as did Sydney +0.3%
- The European Union sees many issues with the Brexit financial services blueprint introduced in a white paper recently by Prime Minister Theresa May, while a growing throng in the UK are questioning whether Brexit is still the correct path to take
- Earlier in the week, the European Union fined Google a record \$5 billion for perceived unfairness in pre-loading its search browser and apps on the Android operating system. Google said it will challenge the ruling in court, saying the EU "rejects the business model that supports Android, which has created more choice for everyone, not less." Google also pointed out competitors such as Apple use similar business practices. Meanwhile, device users can delete pre-loaded apps, as well as download competitor's apps and use competing browsers. The \$5 billion fine equates to:
 - the amount the Netherlands contributes to the EU budget annually
 - approximately two weeks of revenue for Google



Another Record Fine for Google

The EU's Five Biggest Antitrust Penalties to Date



Source: European Commission

- Amazon founder Jeff Bezos became the world's richest person Monday, with his \$150 billion fortune topping even that of Microsoft co-founder Bill Gates at the height of the dot.com bubble in 1999 on an inflation-adjusted basis, according to Bloomberg. Ironically, Amazon's website crashed Monday afternoon just as it was about to begin its annual "Prime Day" sales event
 - Amazon's market cap reached \$900 billion mid-week, narrowing the gap with Apple for largest company by market value
 - The "FANG" stocks continue to dramatically outperform the S&P 500 over most recent timeframes
 - According to Bloomberg, the FANG stocks are up 42% year-to-date, vs. less than 5% for the S&P 500
 - The FANG companies are expected to grow their revenue 36% year-over-year, compared to about 9% for the S&P 500



- “With a strong job market, inflation close to our objective, and the risks to the outlook roughly balanced, the FOMC believes that – for now – the best way forward is to keep gradually raising the federal funds rate,” Fed Chair Jerome Powell told the Senate Banking Committee. The term “for now” seems to hint that the FOMC may be approaching a point where it wishes to slow or halt further rate increases



- The Chairman also shared his belief that cryptocurrencies won't soon be regulated by the central bank, as their impact on the market remains small
- President Trump took an unusual tack late in the week, calling out the Federal Reserve's decisions on interest rates. "Because we go up and every time you go up they want to raise rates again. I don't really — I am not happy about it. But at the same time I'm letting them do what they feel is best." He added, "I don't like all of this work that we're putting into this economy and then I see rates going up."
- The G-20 Finance Ministers meeting ended with little new news
- The EU signed a major trade deal with Japan, widely eliminating tariffs on most of the goods traded between the two groups
- Incoming Mexico President Obrador requested to defer the restart of NAFTA negotiations until after his inauguration on December 1 ... that aligns perfectly with Trump's notion that the restart should be after mid-term elections in the US
 - Negotiators are scheduled to meet this Thursday to continue discussions on the agreement
- The House passed a series of bills intended to reduce costs and ease restrictions on small businesses, improving the pathway to capital markets and initial public offerings ... the Senate seems to have reservations about the proposed changes
- New York, Maryland, Connecticut and New Jersey sued the federal government over the recent changes to the deductibility of state and local income taxes ... it seems the states are upset that their high tax rates are an impediment to economic growth ... and that's the federal government's problem why?
- In corporate news:
 - **Comcast** withdrew its bid to buy FOX
 - Goldman Sachs named David Solomon its new CEO, replacing Lloyd Blankfein
 - Berkshire Hathaway announced it is lifting the cap of 1.2x book value, providing flexibility to Chairman Warren Buffett and Vice Chair Charlie Munger to repurchase Berkshire shares when those two individuals deem the stock to be trading at a discount to intrinsic value
 - **Danaher** announced plans to spin off its Dental division late in 2019
 - Texas Instruments CEO Brian Crutcher followed an all-too familiar recent path, resigning following violations of the company's code of conduct
 - Apollo Global has reached a deal to buy LifePoint Health for \$5.6 billion
 - The **Qualcomm**/NXPI merger agreement has a Wednesday expiration date as approval from China is still pending
- Industrial Production rose 0.6% in June to establish a new high, coming in a shade better than the 0.5% consensus forecast ... Capacity Utilization of 78.0% was a couple ticks below the 78.2% expectation
- Monthly Housing Starts fell 12.3% to 1.173 million annualized units in June (a 9-month low), well below the 1.303 million consensus estimate. The 12.3% decline was the sharpest since November 2016, and the biggest shortfall versus consensus in 11 years. Permits for New Housing Starts also came in below expectations, and May data got revised lower



- The Conference Board announced Leading Indicators continued to grow and set an all-time new high again ... the growth rate did slow
- The Empire State Manufacturing index dipped to 22.6 in July, from 25.0 in June, which was an eight month high

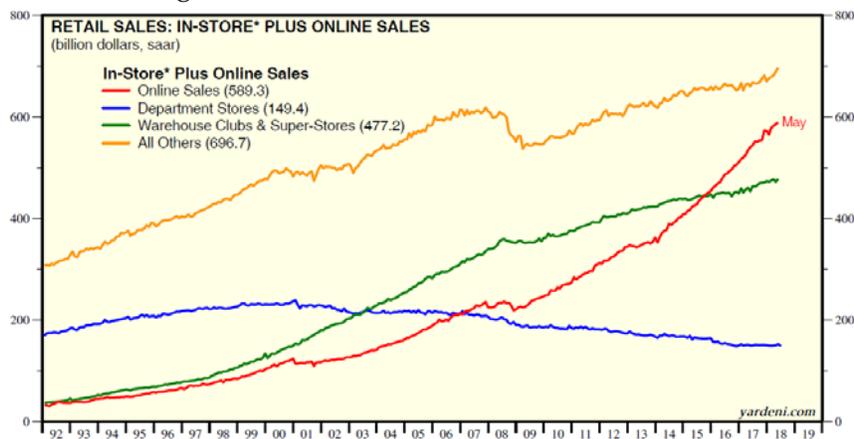
Empire State manufacturing index

Seasonally adjusted



Source: Federal Reserve Bank of New York via FRED

- Retail Sales came in +0.5%, while May's number was revised meaningfully higher +1.3% compared to the +0.8% gain originally reported ... year over year customers are ringing the register (or clicking their shopping cart) at a +6.6% higher rate



* GAFO (general merchandise, apparel and accessories, furniture, and other sales) includes retailers that specialize in department-store types of merchandise such as furniture & home furnishings, electronics & appliances, clothing & accessories, sporting goods, hobby, book, and music, general merchandise, office supply, stationery, and gift stores.
Source: Census Bureau and Haver Analytics.

- Initial jobless claims came in at 207,000, down 8,000 from the prior week, and the lowest reading since December 6, 1969



This Week:

- US markets are indicated to open slightly below levels from Friday
- Most major European markets were trading lower on the day
- Asian markets were mixed, with Japan weak (-1.3%), Shanghai strong +1.1%, and Hong Kong watching the action +0.1%
- President Trump meets with European Union President Jean-Claude Juncker on Wednesday with the trade topic being front and center ... also joining the meetings is EU trade chief Cecilia Malmstrom
- The European Central Bank holds its meetings on Thursday
- US Trade Representative Lighthizer testifies before the Senate on Thursday
- The BRICs (Brazil, Russia, India and China are joined by South Africa) hold their 10th Summit meeting from Wednesday through Friday
- If you'd prefer to gaze off into the sky at week's end, Friday you'll get to see the longest lunar eclipse expected for the entire 21st century
- Earnings season gets fully into swing:
 - Monday: **Alphabet (Google)**, Cadence Design, Halliburton, Hasbro, **Hexcel**, Illinois Tool Works, Koninklijke Philips, POSCO, Ryanair, Steel Dynamics, TD Ameritrade, Whirlpool and Zions Bancorp
 - Tuesday: 3M, Ameriprise, **AT&T**, Avangrid, Biogen, Canadian National Railway, **Centene**, **Chubb**, **CoStar**, Eli Lilly, Equity Residential, IDEX, IQVIA, Kimberly Clark, Lockheed Martin, New Oriental, PACCAR, Quest Diagnostics, Sherwin Williams, Stryker, Texas Instruments, **Total System Services**, TransUnion, UBS, United Technologies, **Verizon**, **Waste Connections**, Waters and Westinghouse Air Brake
 - Wednesday: Advanced Micro Devices, Agnico Eagle Mines, Align Technology, American Electric Power, Amphenol, **Anthem**, Barrick Gold, Boeing, Boston Scientific, **Check Point Software**, Citrix, Coca-Cola, Corning, Deutsche Bank, DTE Energy, Duke Realty, Equifax, F5 Networks, Facebook, Fiat Chrysler, Ford, Freeport McMoran, General Dynamics, **General Motors**, **Gilead Sciences**, GlaxoSmithKline, Goldcorp, GrubHub, **HCA**, Hess, Hilton, Huntington Bancshares, Ingersoll Rand, Lab Corp, Lamb Weston, Las Vegas Sands, **Mohawk**, Mondelez, **Nasdaq**, NextEra, Norfolk Southern, Northrop Grumman, **O'Reilly Automotive**, Packaging Corp of America, PayPal, **Qualcomm**, Raymond James, Rockwell, Rollins, Sempra Energy, SeviceNow, Sirius XM, AO Smith, STMicroelectronics, Suncor, T Rowe Price, TE Connectivity, TechnipFMC, **Thermo Fisher Scientific**, **UPS**, Universal Health, Varian Medical, Vertex Pharmaceuticals, **Visa**, Vodafone, Waste Management and Xilinx
 - Thursday: ABIOMED, AFLAC, Air Products, **Alaska Air**, Alexion Pharmaceuticals, Allergan, Ally Financial, Altria, **Amazon**, Ambev, American Airlines, Amgen, Anheuser-Busch Inbev, Arthur J Gallagher, Astrazeneca, Atlassian, Banco Santander, Baxter, **Bristol-Myers Squibb**, **British American Tobacco**, Canon, Celgene, Cenovus Energy, Chipotle, Cincinnati Financial, CME Group, CMS Energy, CNH Industrial, **Comcast**, ConocoPhillips, DR Horton, Digital



Realty, **Discover Financial**, Eastman Chemical, Edison International, Edwards Lifesciences, Electronic Arts, EQT, Equinor, Expedia, Fortive, Hartford, Hershey, ICON, Intel, International Paper, **Invesco**, Juniper, KKR, L3, Lam Research, Lear, Live Nation, LKQ, Marathon Petroleum, **Marsh & McLennan**, **Mastercard**, **Maxim Integrated**, McDonald's, McKesson, Mettler-Toledo, MPLX, National Oilwell Varco, Newmont Mining, **Nielsen**, Nokia, Nomura Holdings, **Old Dominion Freight**, Orange, Pacific Gas & Electric, Praxair, Principal Financial, Pulte, Raytheon, **RELX**, Republic Services, Roper Technologies, Royal Dutch Shell, **S&P Global**, Seattle Genetics, Smith & Nephew SNATS, Southwest Airlines, Spotify, **Starbucks**, SVB Financial, TAL Education, Teck Resources, Telefonica Brasil, Telefonica SA, Total, Tractor Supply, Under Armour, Valero Energy, VeriSign, Western Digital, Xcel Energy and Yandex

- Friday: **Abbvie**, AON, BT Group, Cabot Oil & Gas, Chevron, Colgate-Palmolive, ENI, ExxonMobil, Franklin Resources, Imperial Oil, Iron Mountain, **Merck**, **Moody's**, Phillips 66, Synchrony Financial, Twitter, Ventas, Weyerhaeuser and Zimmer Biomet

- Economic reports:

- Monday: Existing Home Sales
- Tuesday: Markit Flash PMIs and FHFA Home Prices
- Wednesday: New Home Sales
- Thursday: Jobless Claims and Durable Goods
- Friday: GDP is the headliner, plus the Michigan Confidence Survey

As always, thanks very much for your interest and support.

Farley Shiner, CFA®
Managing Director

Adam Bergman, CFA®
Executive Director



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