

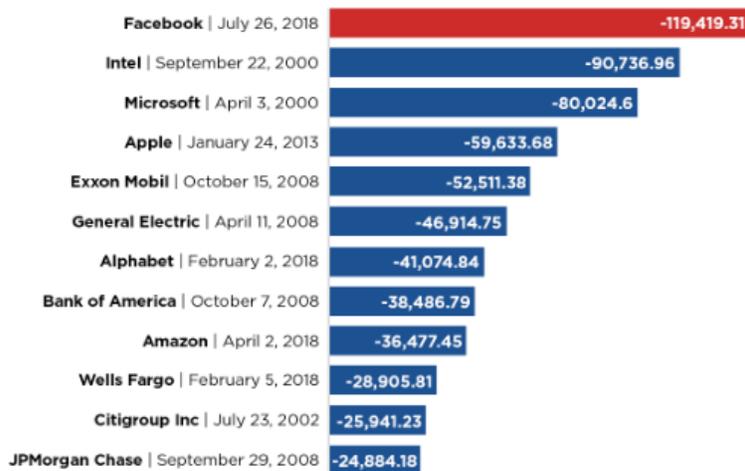


### Last Week:

- The Dow Jones Industrial Average advanced for a fourth consecutive week +1.6%
  - There were 23 advancers to only 7 decliners, with **Walgreens** +5.6% topping the list, joined by **Johnson & Johnson** +4.5%, Travelers +4.4%, JP Morgan Chase +4.3% and Caterpillar +4.2%
  - Intel foundered as the leading loser for the week (-8.1%), joining only Home Depot (-2.8%) as stocks declining 1%+
  - The best performing industry groups varied from Business Training and Waste & Disposal Services to Tires and Aluminum
- Dow Transports kicked into gear with a gain of +2.0% ... Dow Utilities managed only a gain of +0.5%
- The S&P 500 also made it four-for-four with a weekly gain of +0.6%
  - Financials, Energy and Industrials all posted 2%+ gains
  - Technology weighed on results, as it dropped (-1.0%), joined by Consumer Discretionary and Real Estate as the only losing sectors for the week
  - After good earnings from **Google** and **Microsoft**, those two companies join Apple and **Amazon** as the four largest, exceeding \$800 billion in market cap
  - The fifth largest separated from the pack last week, as Facebook experienced the largest one day loss of market value for any single stock ever

### Market cap losses in big cap stocks

(U.S. DOLLAR LOSS IN MILLIONS)



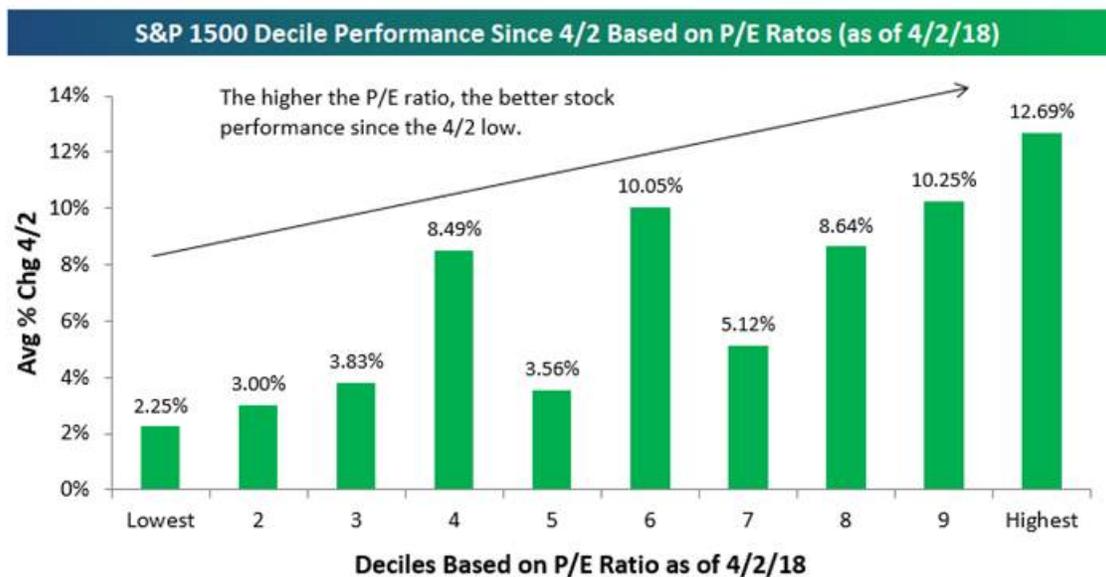
Source: FactSet

Source: CNBC.com

- The S&P Smallcap (S&P 600) finished (-1.4%) for the week despite setting a new high on Thursday ... the Midcap (S&P 400) index also fell into red numbers (-1.2%)



- Combine the S&P 500 with the S&P Midcap and Smallcap and you get the S&P 1500. Since early April, the most expensively valued stocks in that group have performed the best, while the least expensive stocks have performed the worst



Source: Bespoke

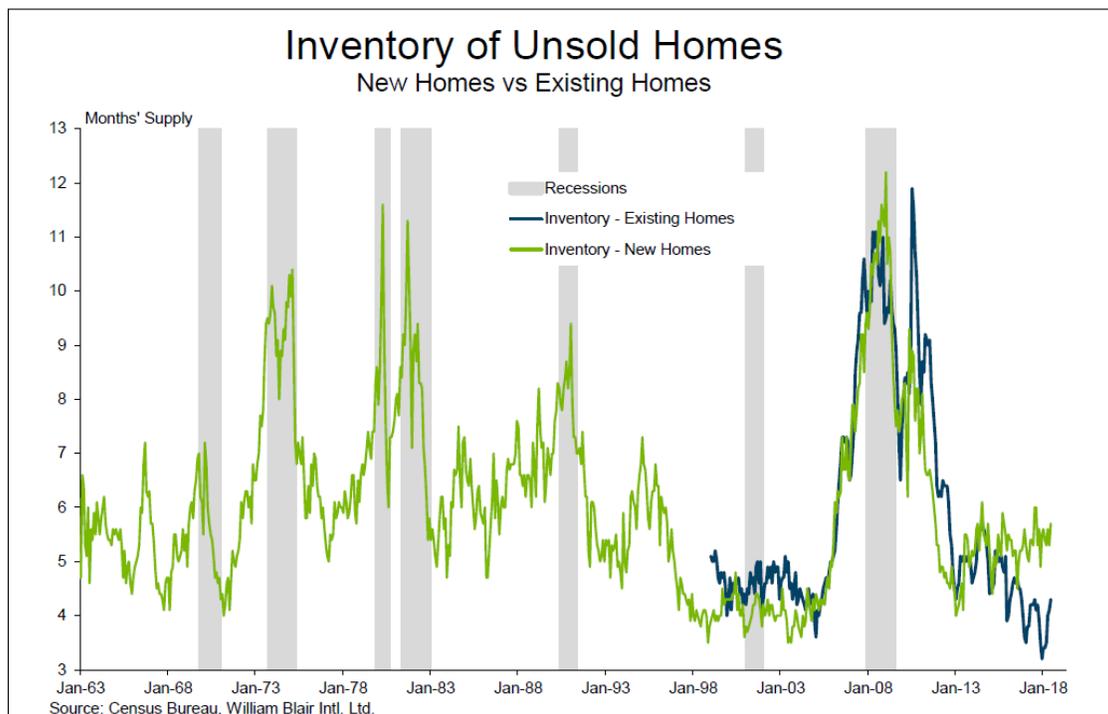
- NASDAQ set a new all-time high on Wednesday before pulling back and finishing the week in negative numbers (-1.1%)
- The US Dollar Index saw little movement for another week, closing at 94.67
- The CBOE Volatility Index (VIX) was little changed at 13.03
- Crude oil dropped nearly \$2/barrel to finish at \$68.69
- Gold slipped a few more dollars to \$1,223/ounce
- The 10-year Treasury yield continued moving higher, closing up 6 bps for the week at 2.96% ... yields are up 12 bps over the last six trading days
  - 10-year yields in Japan leapt higher, quadrupling to nearly 0.1% ... the move was the largest daily move in years
- Global stocks were generally higher for the week
  - The Stoxx Europe 600 was solidly higher +1.7%
    - Frankfurt and Paris led the mainland higher with gains of 2.4% and 2.1%, respectively ... London did not fare as well with a gain of only +0.3%
  - AsiaPac stock markets also posted strong results
    - India +2.3% and Hong Kong +2.1% took the lead, with China's Shanghai +1.6% and Shenzhen+1.7% not far behind
    - Tokyo lagged behind, only picking up +0.1%, as did Sydney +0.2%
- The European Central Bank left rates unchanged, and indicated rate increases shouldn't be expected before next summer



- European Union President Jean-Claude Juncker held a successful meeting with President Trump, gaining buy-in to start negotiating away many tariffs and subsidies, at least for the moment ... no formal deal was agreed to
- On a separate front, NAFTA negotiations kicked back into gear, and seem to be making progress, but resolution is not expected until late in the year at the earliest
- *Barron's* accumulated a number of quotes regarding tariffs, a few of which we share below:
  - "The U.S. steel market is also benefiting from a reduction in unfairly traded imports entering our country," according to John Ferriola, CEO, Nucor
  - James Foote, CEO at CSX, chimed in, "We have seen some positives as a result of the U.S. steel manufacturers kicking off production"
  - Illinois Tool Works CFO Michael Larsen was more sanguine, "For perspective, full-year projected cost inflation, including tariff impact, represents approximately 3% of our total spend. As many of you know, our model is to source and produce where we sell. And this approach helps significantly mitigate the risk associated with tariffs. By our estimate, the impact of tariffs represents about 10% to 15% of our total projected cost inflation in 2018"
  - "Our commodity headwind is approximately \$55 million or so that needs to be offset in price. The \$55 million is a mixed number, which is—it's got tariff in there and it's got price escalation....Parsing that out is relatively difficult," according to Richard Tobin, CEO of Dover Industries
  - Susan Carter, CFO at Ingersoll Rand, shared, "We would estimate an impact of between \$80 million and \$100 million on orders, spread primarily between commercial [heating, ventilation and air conditioning], residential HVAC, and transport refrigeration. As best we can call it, this would translate into two to three percentage points of the 15% bookings growth in the second quarter"
  - Painting a different picture was PPG CEO Michael McGarry, "Going forward, we anticipate sales growth in China could be more uneven as the recent uncertainties around trade policies and tariffs potentially impact economic activity in the country"
  - "Now that we've had a chance to kind of see how our products are being affected, I will probably stick with about \$10 million of [cost of goods sold] perhaps being affected by that [tariff]....But it's a pretty small number, I don't think particularly meaningful," according to Holden Lewis, CFO at Fastenal
  - David Abney, CEO for **UPS**, delivered this message, "We've seen no significant impact at this time. Some of our products and components are sourced from China and are impacted by these tariffs. For the fourth quarter of fiscal '18, we estimate the net unfavorable impact of these tariffs will be less than five cents of adjusted EPS"
  - Union Pacific CEO Lance Fritz was right on time with this comment, "It's pretty early. Those things just went into effect. We have seen some very specific impacts on us. But they're pretty granular"



- “If the market price of items goes up because of the tariffs, we will be able to pass that through,” confidently quipped Donald MacPherson, CEO at WW Grainger
- Greg Lewis, CFO at Honeywell shared, “We anticipate a minimal impact to our overall business results in 2018. But this is a very dynamic situation that changes by the day”
- Finally, Roper Technologies CEO Brian Jellison spoke confidently, “A lot had been said about price, cost, tariffs. None of those are going to have any effect on us. We’ve got very nimble execution in the field”
- President Trump announced he is postponing plans to meet with Russian leader Putin
- New Home Sales printed a 631,000 annualized rate in June, shy of the 669,000 consensus forecast



Source: William Blair

- June Durable Orders rose 1%, well shy of the 3% consensus forecast. Ex-transportation orders rose 0.4%, vs. 0.5% consensus
- Weekly Jobless Claims edged up 9,000 to 217,000, from the prior week's 48-year low
- Second quarter GDP grew 4.1%, matching Street consensus, as consumers were spending and exports were strong
  - Treasury Secretary Mnuchin suggested that growth could stay above 3% for a number of years to come
- The University of Michigan's Consumer Sentiment index dipped to 97.9 in July from 98.2, though that topped the 97.3 consensus forecast. This marked a six month low for the gauge
- In corporate news:



- Having waited and waited for China to approve the proposed merger with NXP Semiconductors, **Qualcomm** finally threw in the towel and called off the deal
- Former Fiat Chrysler CEO Sergio Marchionne died after complications from surgery, just days after passing the role to Michael Manley



### This Week:

- US markets are indicated to open slightly below levels from Friday
- Most major European markets are trading lower on the day
- Asian markets were soft with most markets down less than half a percent ... Japan was a bit lower than most
- The Federal Reserve announces its decision on interest rates Wednesday, with no change expected at this meeting. Barron's said Fed Funds Futures point to a 93% probability of another quarter-percentage point increase at the Fed's late September meeting
  - The Bank of Japan makes its announcement Tuesday
  - The Bank of England follows suit Thursday
- President Trump meets with Italian Prime Minister Guiseppe Conte on Monday at the White House
- Earnings season is loaded:
  - Monday: Alexandria Real Estate, Avalon Bay Communities, Caterpillar, CNA Financial, **Everest RE**, First Data, Illumina, KLA Tencor, Loews, ON Semiconductor, SBA Communications, Seagate, Simon Property, UDR and Vornado Realty
  - Tuesday: **Akamai**, **Amdocs**, **American Tower**, AMTEK, Anadarko Petroleum, Apple, **Aptiv**, Arch Capital, Archer Daniels Midland, Arconic, Baidu, Boston Properties, BP, CH Robinson, Charter Communications, **Commscope**, Credit Suisse, Cummins, Devon Energy, Eaton, **Ecolab**, Eversource Energy, Extra Space Storage, **Fidelity National Information Services**, FirstEnergy, Fiserv, Fortis, Fresenius Medical Care, Harris, **Hologic**, Honda, Incyte, IPG Photonics, iQIYI, Johnson Controls, Manning & Napier, **Markel**, Masco, Mizuho Financial, **Newfield Exploration**, ONEOK, **Pfizer**, Procter & Gamble, Qiagen, Ralph Lauren, **Rogers Corp**, Scotts Miracle-Gro, Shire, Shopify, Sony, **Verisk Analytics**, Vulcan Materials, WEC Energy, XL Group and Xylem
  - Wednesday: Allstate, American Financial Group, American Water Works, Annaly Capital, Apache, ArcelorMittal, ADP, Bunge, CF Industries, CGI Group, Concho Resources, DaVita, Dominion Energy, Entergy, Enterprise Products, Essex Property, Express Scripts, Ferrari, FMC, Fortinet, Garmin, Gartner, Humana, IDEXX Labs, Lincoln National, Marathon Oil, MetLife, Mid-America Apartments, Molson Coors, Nutrien, Prudential, Public Service Enterprise, Public Storage, Qorvo, Realty Income, Restaurant Brands, Spirit Aerosystems, Sprint, Square, Tenaris, Tesla, T-Mobile, Williams, Wynn Resorts, XPO Logistics and **Yum China**
  - Thursday: **Activision Blizzard**, Aetna, Alnylam Pharmaceuticals, Altice USA, AIG, **AmerisourceBergen**, Apollo Global, Arista Networks, **Ball Corp**, Barclays, BCE, Becton Dickinson, BioMarin Pharmaceuticals, **Bright Horizons**, Canadian Natural Resources, **CBRE Group**, **CBS**, CDW, **Cerner**, **Church & Dwight**, Cigna, Clorox, Cognizant, Consolidated Edison, DowDuPont, Duke Energy, EOG Resources, FleetCor, **Global Payments**, GoDaddy, HCP, HollyFrontier, Huntington Ingalls, Ingredient, Intercontinental Exchange, Kellogg, Magellan Midstream, **Mednax**, MGM, Motorola Solutions, MSCI, NRG Energy, Open Text, Parker-



Hannifin, Pembina Pipeline, Regency Centers, Regeneron, ResMed, Royal Caribbean, **Sealed Air**, Spectra Energy Partners, SS&C Technologies, Stericycle, Symantec, Take-Two Interactive, Teleflex, Teva, TransCanada, Wayfair, Western Union, Westlake Chemical, Westrock, Willis Towers Watson, YUM! Brands and Zoetis

- Friday: Ameren, CBOE, CenterPoint Energy, DISH Networks, **Enbridge**, LyondellBasell, Noble Energy and Kraft Heinz
- Economic reports:
  - Monday: Pending Home Sales
  - Tuesday: Personal Income, Chicago PMI and Consumer Confidence
  - Wednesday: ADP Jobs, Construction Spending and ISM Manufacturing
  - Thursday: Jobless Claims
  - Friday: Nonfarm Payrolls, Unemployment Rate and ISM Non-Manufacturing

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

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