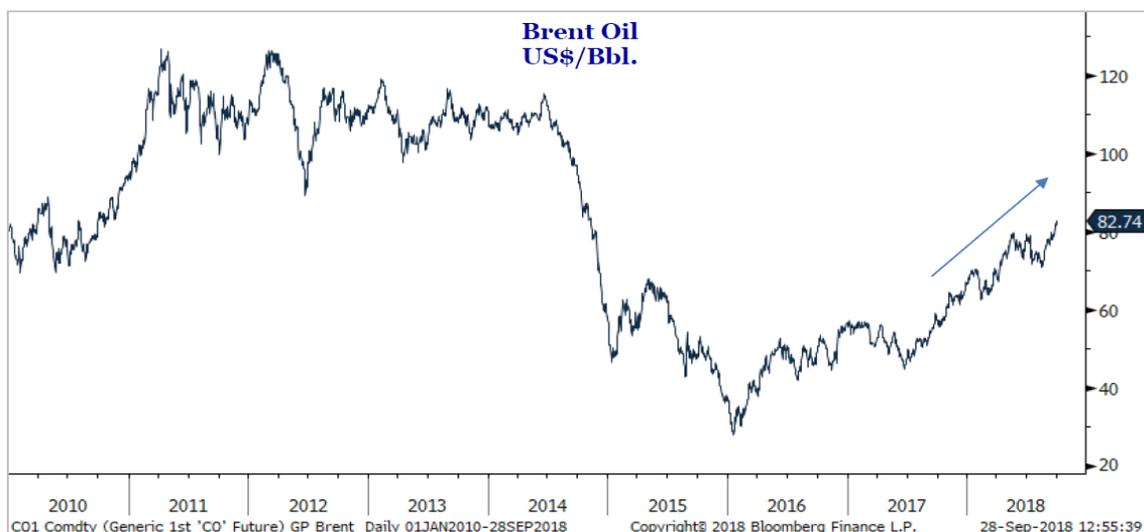




Three Quarters Down, One to Go for 2018:

- The Dow Jones Industrial Average has gained +7.0% year to date
- Dow Transports have experienced a similar fate +7.2%, while Utilities have not participated in the uptrend (-0.4%)
- The S&P 500 has outpaced the Dow 30 with an advance of +9.0%
- Small caps have fared a bit better, with the Russell 2000 +10.5%
- NASDAQ has had the best year thus far +16.6%
- The mood overseas has not been as bright:
 - In Europe, Paris has managed a +3.4% start, while London (-2.3%) and Frankfurt (-5.2%) have weighed on investors ... Turkey (-13.3%) has been the weakest
 - Asia has seen more volatility, with Japan and India having very good years to date, +6.0% and +6.4%, respectively ... to the downside China's Shanghai and Shenzhen have fallen (-14.7%) and (-16.2%), respectively, while Hong Kong has seen a decline of (-7.1%)
- The US 10-Year Treasury Note has seen yields increase 25% much to the delight of savers, starting the year at 2.41% before closing the quarter at 3.06%
- Crude oil followed a similar path higher, rising from \$58.38/barrel to \$73.25 in the US while Brent closed above \$82



Source: Strategas

- Gold has pulled back from \$1,330 to just under \$1,200/ounce
- The Dollar has strengthened modestly, from 92.12 to 95.13

Last Week:

- The Dow Jones Industrial Average finished the quarter on a down note (-1.1%)



- Decliners led advancers 4-1, with DowDupont faring the worst (-7.7%), followed by Goldman Sachs, JP Morgan Chase and American Express, all down over 4%
- Mickey Mouse was the star of the show as Disney gained +5.9%, with Apple +3.7%, Intel +1.4% and McDonalds +1.2% all playing supporting roles
- Dow Transports sputtered (-1.3%) while Dow Utilities fell again (-0.9%)
- The S&P 500 slipped as the news flow on trade and the Fed's decision weighed on the markets and declined (-0.5%)



- No sector gained over 1% for the week, with Technology, Health Care and Energy being the best
- Materials (-4.3%) and Financials (-4.0%) sapped the S&P's strength, helped by Industrials and Consumer Staples, both (-2.0%) for the week
- Just as technology has transformed telecommunications, financial markets are transforming the telecommunications sector, as the new Communications Services sector has now become an official S&P sector

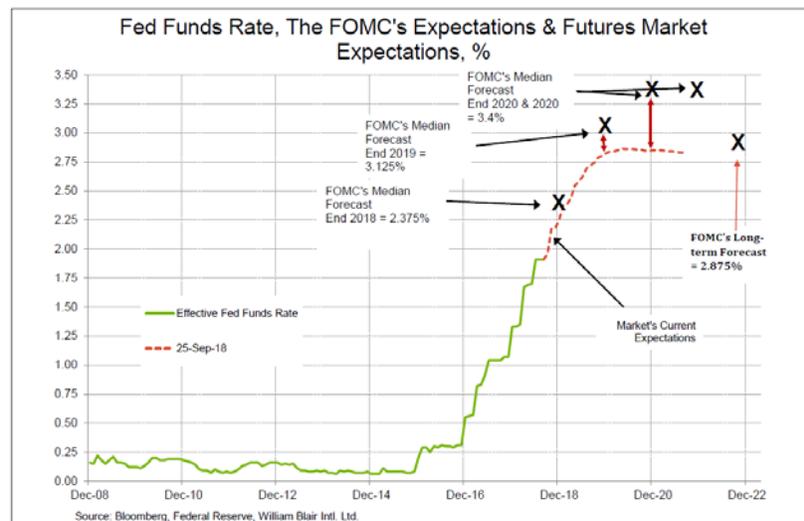


Source: Sterling Capital photo

- The S&P SmallCap 600 and S&P MidCap 400 found a similar negative fate, posting declines of (-1.2%) and (-1.1%), respectively
- NASDAQ bucked the trend and posted a solid gain +0.7%



- The 10-year Treasury finished nearly unchanged for the week after briefly crossing above 3.10% early in the week, the highest yield since July 2011
 - Mortgage rates finished at their highest level in over four years
- The US Dollar Index scooped higher to 95.13
- Crude oil picked up another couple of bucks to finish at \$73.25
- Gold dropped just over ten bucks to \$1,187/troy ounce
- The Volatility Index (VIX) was unfazed by trade talk and Fed speak, finishing at 12.12
- World markets were flattish with a bit of bias to the downside:
 - The Stoxx Europe 600 slipped (-0.3%)
 - Most of the pain came in Frankfurt (-1.6%), as Paris was flat while London posted a small gain +0.3%
 - Italy had a tougher week (-3.8%) as new fiscal restraint was not nearly as restrained as was expected ... Moscow +3.7%, Oslo +2.2% and Istanbul +2.0% posted the best numbers on the continent
 - Asia-Pacific markets showed little enthusiasm in either direction
 - The Nikkei added +1.1% and the Shanghai market tacked on +0.9%
 - The downside was a bit more crowded, with Bombay dropping (-1.7%), Hong Kong pulling back (-0.6%) and the Shenzhen sliding (-0.2%)
- A new spending package for the US government of \$854 billion will keep the US government open on Monday as its new fiscal year begins
- Investors still aren't buying into the Federal Reserve's thought that it can keep raising rates through 2019 and into 2020, even though after Wednesday's hike expectations are aligned for another hike later this year

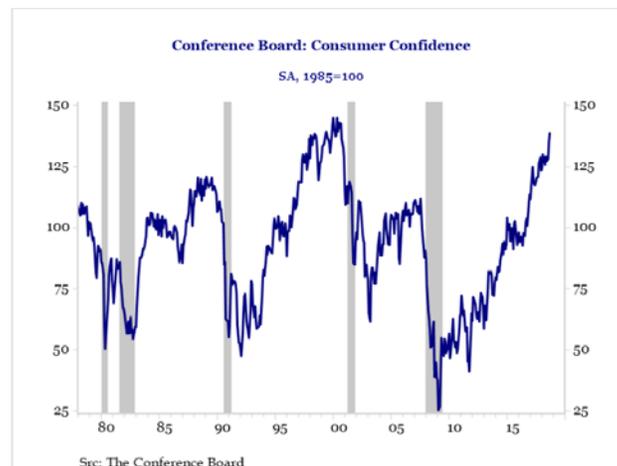


Source: William Blair

- Canada and the US seem to have pulled an Arctic rabbit out of the hat with a last minute deal on trade, allowing the "new" NAFTA to move forward for consideration and approval by the three countries ... Mexico had its deal done several weeks ago



- The US signed a new trade deal with South Korea
- Talks on trade with Japan were also announced
- Tension between China and the US over trade doesn't seem to be abating, and there are now reports that a planned meeting of Secretary of Defense Jim Mattis with senior Chinese defense officials has also been cancelled
 - Tariffs do seem to be having some impact on the Chinese economy, as recent Manufacturing PMI readings for the mainland show declining numbers
- Iran is working to establish new deals with the Eurozone amid tougher US sanctions planned to go into effect in early November ... some believe oil prices will only go higher in the coming months due in part to those sanctions
- The "Kavanaugh for Supreme Court" debate took center stage late in the week, with the nomination being pushed forward with a vote along party lines, but that vote is being delayed to allow the FBI a week to do some investigating
 - The modified terms came from an agreement by Senator Jeff Flake (R-Ariz.), who partnered with Senator Chris Coons (D-Del.)
 - Flake, who already announced he was not running for re-election, was candid about his actions on *60 Minutes*, saying there was not a chance he would have done this if he were up for re-election. "There's no value to reaching across the aisle. There's no currency for that anymore." Seems like something both Congress and voters could reassess going forward
- Flooding in the Carolinas begins to recede while Indonesia deals with massive loss of life from an earthquake and the resulting tsunami
- September Consumer Confidence printed 138.4 in September, well ahead of the 132.0 consensus forecast



Source: Strategas

- Consumer Spending rose 0.3% in August, its smallest increase since February, and a tick below the 0.4% consensus estimate
- Chicago PMI printed 60.4 in September, missing the 62.0 consensus, a five month low
- Weekly Jobless Claims increased 12,000 to 214,000



- Durable Goods Orders rose 4.5%, driven by aircraft orders; ex-transportation durable goods orders edged up a meager 0.1%
- In its second revision, second quarter GDP remained steady at +4.2%
- The Fed's favored inflation metric of PCE was announced on Friday at 2.02%, the highest level since January 2017 and an increase of 2.2% year over year
- Consumer Sentiment jumped to 100.1 and was near record levels despite coming in slightly lower than expected, according to the University of Michigan
- Case Shiller's Home Price Index rose 6% year-over-year in July, a deceleration from the 6.2% annual pace set in June
- New Home Sales totaled 629,000 on an annualized basis in August, nearly matching the 630,000 consensus estimate
 - Homebuilding stocks aren't faring quite as well recently



Source: Yardeni Research

- Survey Monkey came public, and the early responses seem to be very positive ... shares jumped 50% in the opening hour of trading. The company lost \$24 million in 2017, on sales of \$219 million. Nice business if you can get it!
- The SEC said Thursday evening it is suing Tesla CEO Elon Musk, seeking to bar him from serving as a director or officer of any public company, saying that Musk issued misleading statements to investors. Tesla's stock fell 10% in after-hours trading Thursday ... Musk struck a deal with the SEC over the weekend allowing him to remain CEO and a board member if he gave up his role as Chairman, and Tesla shares are rallying pre-market on the news
- It was a busy week for the SEC, which also charged Salix's former CFO for misleading investors, and settled a case for \$34.5 million with Walgreens for misleading statements by former executives
- Sonic is being acquired by Inspire Brands for \$43.50/share in cash ... can I add a shake to that order?
- **Pfizer** CEO Ian Read announced plans to transition to Executive Chairman at the end of the year
- Sirius XM agreed to buy Pandora for \$3.5 billion
- As rumored, Michael Kors agreed to buy Versace for a couple of billion



This Week:

- US markets are looking to open up nicely following the NAFTA news
- Major European markets are trading higher by half a percentage point on average ... German markets will be closed on Wednesday
- Asian markets had a slightly higher session led by the Nikkei +0.5% ... Markets in China and Hong Kong are closed all week
- GE jettisoned CEO John Flannery, installed former Danaher CEO Lawrence Culp as GE's new CEO, announced a \$23 billion goodwill impairment charge, and said it would "fall short of previously indicated guidance for free cash flow and EPS for 2018"
- Chairman Powell speaks on Tuesday for the first time since the Fed interest rate decision
- The US Supreme Court begins its new term awaiting its ninth member
- Brazil's election process begins on Sunday
- Economic Advisor Larry Kudlow presents to the Economic Club on Thursday
- Earnings this week:
 - Tuesday: **Pepsi** and Paychex
 - Wednesday: **Lennar**
 - Thursday: **Constellation Brands** and Costco
- Economic reports:
 - Monday: Construction Spending and Manufacturing ISM and PMI
 - Wednesday: ADP Jobs Report and Non-Manufacturing ISM and PMI
 - Thursday: Jobless Claims and Factory Orders
 - Friday: Trade Balance, Nonfarm Payrolls/Unemployment and Consumer Credit

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

Farley Shiner, CFA®
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Adam Bergman, CFA®
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