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## Executive Summary

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After a record-long span of calm, the volatility in both the US and global stock markets over the past few days is leaving investors unnerved and full of questions.

The Huntington Private Bank team, led by Chief Investment Officer John Augustine and Director of Economics Dr. George Mokrzan, continue to closely monitor the markets and offer their perspectives on what led to the recent uptick in volatility.

1. Stocks have sold off globally over the past week in the 7% range for the major indexes – including both S&P and MSCI Indexes. This is the first pullback in stocks in over 18 months.
2. The sell-off in stocks was initially accompanied by selling in bonds, gold and commodities but became more focused on stocks earlier this week.
3. Selling was triggered, in our view, by a combination of political concerns (budget extension and debt ceiling debates in the US Congress); concerns of near-term inflation pressures that could cause central banks to over-tighten in the second half of the year; a successful earnings season for US stock wrapping-up; and, the strong run of stocks over the past 18 months.
4. We do not view this as a definitive asset allocation shift, but rather what began as profit-taking in most asset classes has now evolved into a combination of emotional selling and a buyers' strike in stocks. We believe this will work itself out over the next week or so.
5. The economy and earnings continue to be robust. Our economist, George Mokrzan, recently upgraded his real US economic growth assessment for 2018 from 2.5% to 2.8%. In addition, corporate profit growth estimates from sellside for S&P 500 companies have risen from 14% at the beginning of 2018 to 20% currently.
6. We view the risk of recession at 20% over the next 6-12 months; risk of rising inflation at 30%; potential for a normalized environment at 50%.
7. We have not yet seen a strong shift in inflation or central bank expectations for this year, but we will be reviewing these two items on a continual basis, keeping you informed.
8. In this environment, we remain focused on diversified portfolios and strategies that are offered to meet your outcome objectives – growth, income or principal preservation.

# Market Comments

## 9. Suggestions to help you during this environment:

- a. We would use this opportunity to rebalance current accounts to tactical weightings with the recent moves in all major asset groups – stocks, bonds, gold and commodities.
- b. We would scale into markets over the next 3 months for new investment accounts.
- c. We would focus on US large cap stocks mixed with overseas – for strong global growth.
- d. Where possible, we would use individual bonds in portfolios versus funds.
- e. Where possible, we would use active funds versus passive funds for heightened volatility.

## 10. What can you do?

- a. Keep perspective and don't panic – market volatility is normal.
- b. Revisit your investment policy statement – times of volatility are a good time to work with your Huntington Private Bank Advisor to re-evaluate your time horizon, goals, and risk tolerance to ensure you have an investing strategy that works for you.
- c. Take advantage of opportunities – talk with your Private Bank Advisor to see if there are actions that you can take while the markets are down to help put you in a better position for the long term.

Your Huntington Private Bank Advisor is available to assist you with developing and maintaining a sound investing plan. Contact them with any questions.

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