



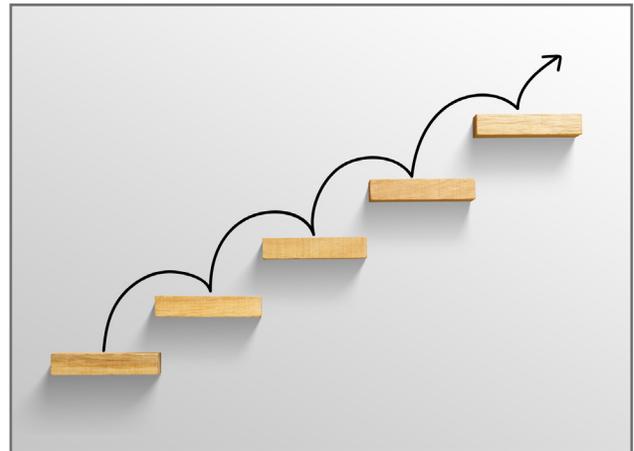
# Weekly Market Review

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## The Week Ending August 11, 2018

More than 90% of S&P 500 constituents have now reported second-quarter earnings with remarkable results. Average earnings growth is 24.6% compared to the second quarter of 2017. This is the second quarter in a row with over 20% growth. Corporate tax cuts are credited for driving much of the growth. Despite the big numbers, the market has barely reacted suggesting the effect of the tax cuts has already been baked into equity prices. The lack of reaction may also indicate the market isn't sure the above-average rate of earnings growth will be sustainable in the future. While economic consumer and business confidence figures are very good, there is chatter that companies are concerned over tariffs making them reluctant to invest in projects that would lead to future growth.



The economic situation in Turkey is quickly deteriorating to crisis levels. Economic mismanagement and tensions with the U.S. are leading to skyrocketing inflation and the Turkish lira plummeting in value. So far this year, the lira has depreciated by 42% measured against the U.S. Dollar. Last week alone the lira plunged 22% against the dollar. Almost 40% of Turkey's government debt is denominated in U.S. Dollars which means Turkey's cost to borrow is incrementally rising as quickly as the currency is depreciating. To make matters worse for the emerging market economy, President Trump announced the U.S. will be doubling the steel and aluminum tariffs and imposing sanctions in response to Turkey's detention of a U.S. Christian pastor who has been accused of being involved with a failed 2016 coup against President Erdogan.



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