

WEALTH MANAGEMENT

**INVESTMENT MANAGEMENT
AND RESEARCH**



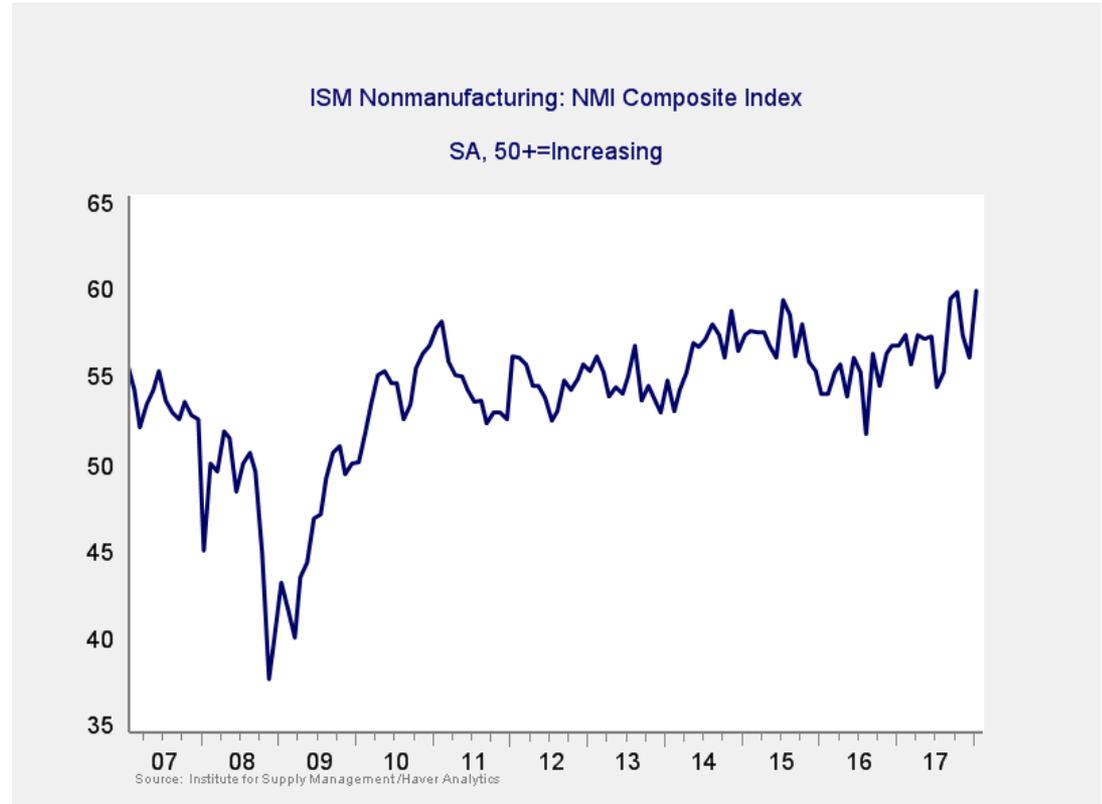
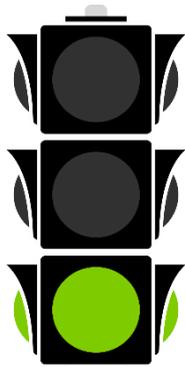
Risk Factor Update

February 2018 Economic Trends

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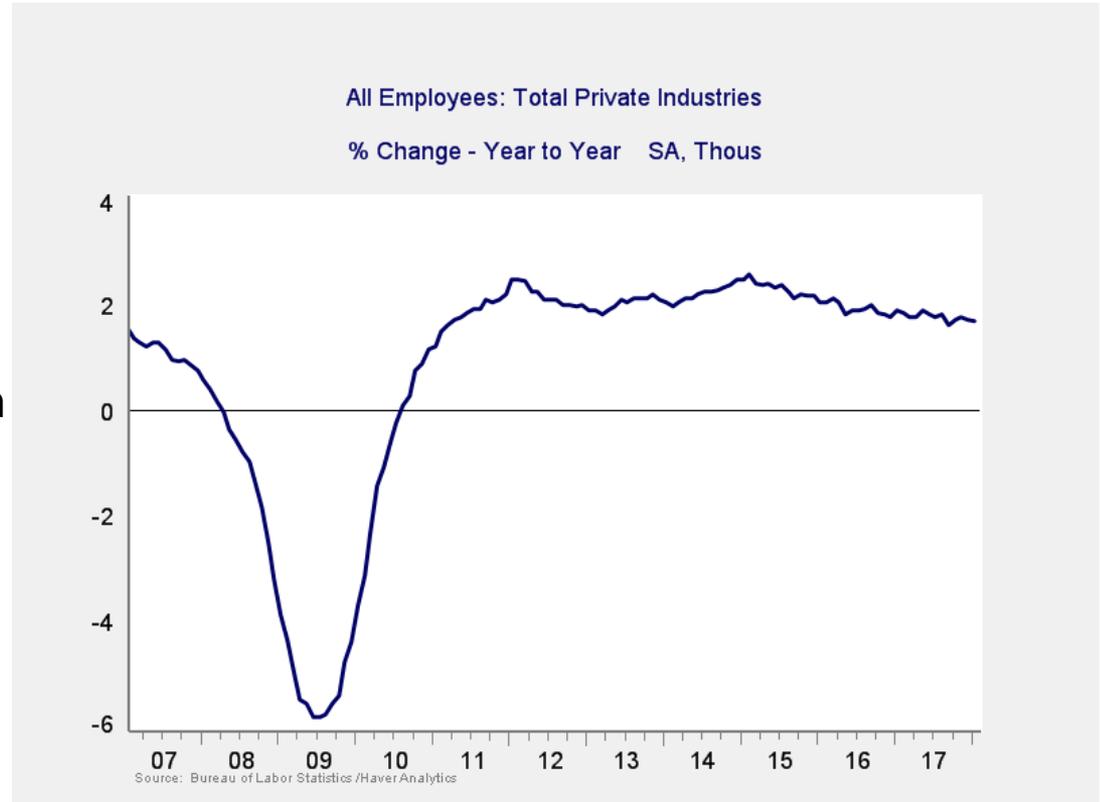
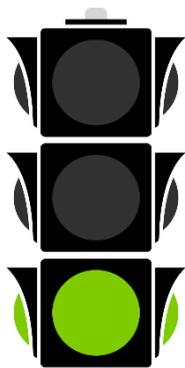
The Service Sector

- Service sector sentiment bounced back, taking it close to the post-recession high of 2 months ago.
- This sharp bounce was a surprise, suggesting that growth may be more likely to accelerate in 2018.
- These levels of confidence should still support continued growth.



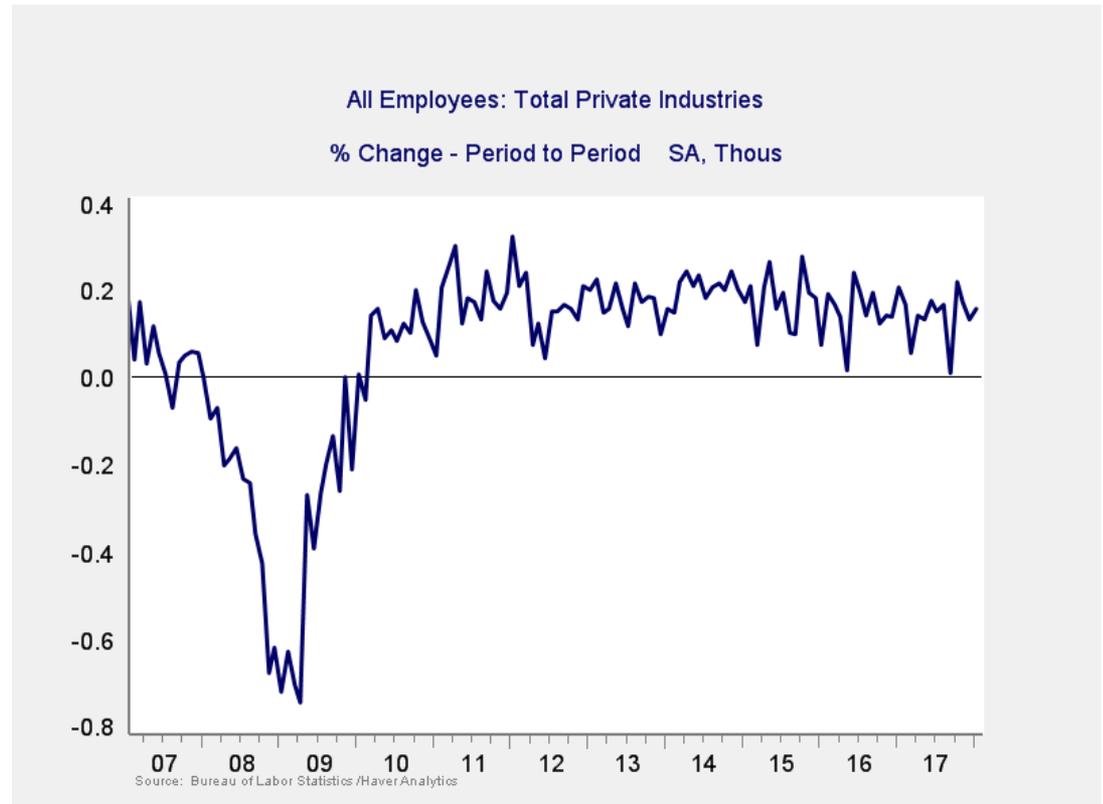
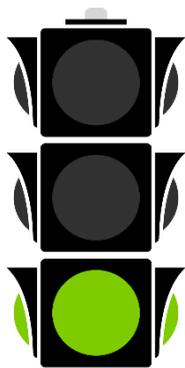
Private Employment: Annual Change

- January job growth came in at 200,000.
- This result was up from December's level and above expectations.
- The annual job growth trend continues to inch down, which bears monitoring.



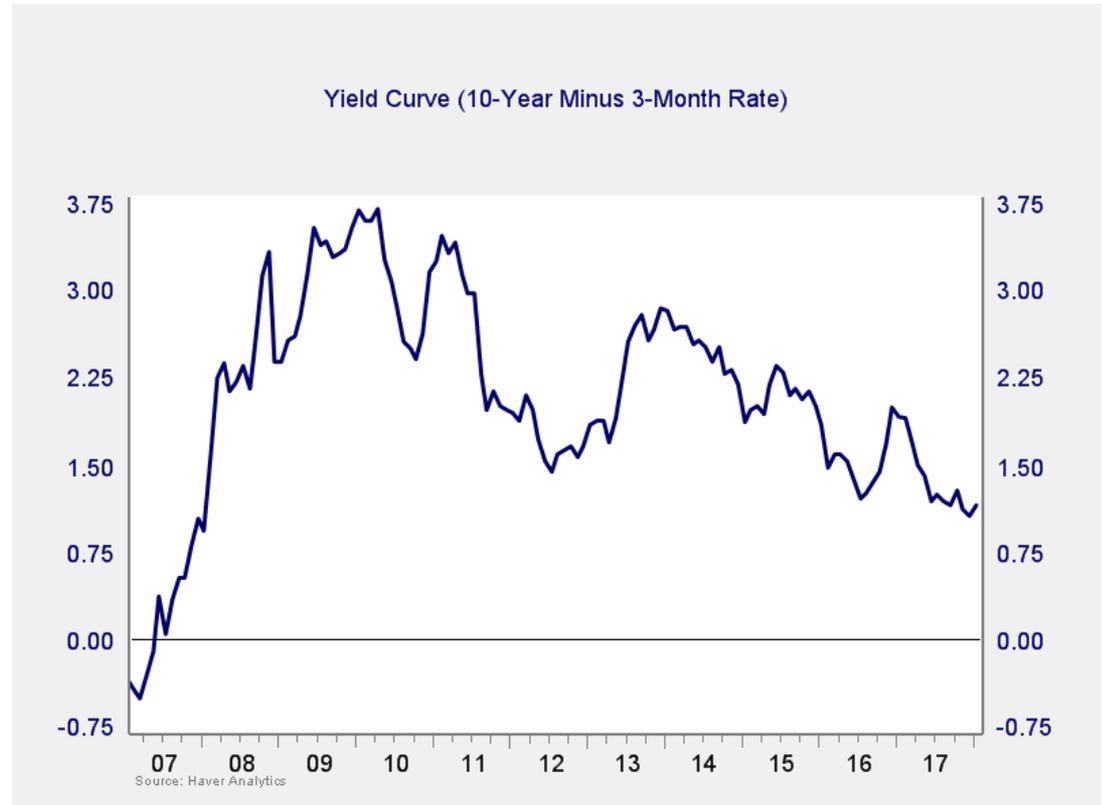
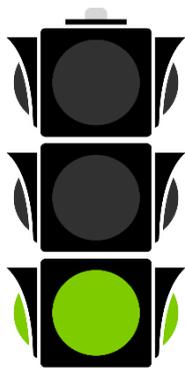
Private Employment: Monthly Change

- January was a strong month, reversing much of the December weakness.
- A slowdown in hiring suggests that labor shortages continue to bite.
- This indicator remains a green light, but the risk level is rising.



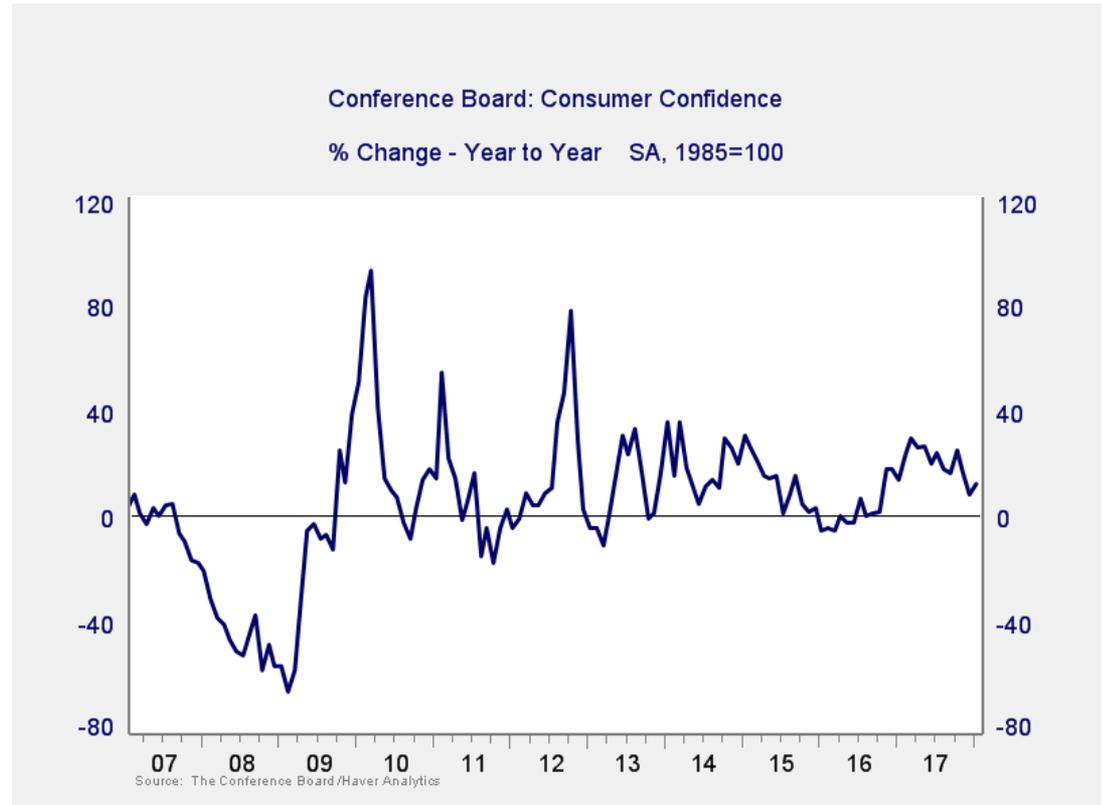
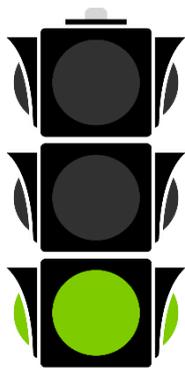
Yield Curve (10-Year Minus 3-Month Treasury Rates)

- The spread between the 10-year and 3-month rates rose a bit last month.
- A larger spread takes us further away from the trouble zone.
- Future rate hikes by the Federal Reserve might narrow the spread—a key area of concern as we move into 2018.



Consumer Confidence: Annual Change

- Confidence bounced back in January.
- The year-on-year change remains close to the lowest levels in more than a year.
- This measure is still well outside the trouble zone.



Conclusion: Economy Growing, Positive Trends Stable

- All 4 indicators improved on an absolute basis, although weakening trends in employment growth and confidence remained intact.
- The economy remains solid, but growth may be past its peak.
- Overall, conditions continue to be favorable, but the economic risks are rising.



Disclosure

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged, and investors cannot invest directly in an index. The information contained herein is provided for informational purposes only and is based upon sources believed to be reliable. No guarantee is made as to the completeness or accuracy of the information.