Monthly U.S. and Global Market Outlook

I. Market Performance

As of July 6th, 20 companies have reported in the current earnings season, 85% reported positive EPS growth, and 90% reported positive sales growth for the quarter, an early indication for a better-than-expected earnings season. Five sectors are reporting higher growth rates due to upward revisions. The estimated earnings growth rate grew to 20.0% up from 19.0%. For the week ahead, several major banks will report earnings and several major indicators are expected to be released.

We anticipate the bullish trend to continue upward through year-end. As the 9-year bull market continues to strengthen, it becomes more unlikely for a chance of a near-term recession. Based off June's Fed meeting minutes it can be concluded that the Fed maintains a bullish stance and it is expected that the Fed will have two additional rate hikes this year with potential for up to three rate hikes in 2019.

U.S. profit growth remains robust and is primarily driven by strong corporate earnings and tax reform. This is the third month of consecutive growth in the equity markets. As of July 6th, the S&P 500 and NASDAQ are up 3.22% and 11.37% YTD respectively, while the Dow Jones is down -1.87% YTD. The forward 12-month P/E ratio is 16.2, matching the 5-year average, but higher than the 10-year average. Forward looking, analysts are projecting double digit earnings growth throughout 2018. Q3 earnings are expected to report stronger than Q2. The projected earnings growth is forecasted to reach 21.2% with revenue growth close to 8.0%, while Q4 earnings are expected to reach 17.0% growth with 5.8% revenue growth. According to Factset, industry analysts have forecasted a 13% price increase in the S&P 500 by the end of the year.[1]

II. Economic Indicators

For the month of June, 213,000 jobs were added to the U.S. economy, exceeding the expectation of 195,000. For the year, the economy has averaged around 207,000 jobs per month. Employment growth is up 1.6% year-over-year. This marks the 93rd consecutive month of continued job growth, carrying out the longest job growth period in U.S. history. The unemployment rate ticked higher, back to 4.0%. Q1 real GDP growth rate was 2.8% and GDP was 2.3% year-over-year. U.S. GDP is expected to reach 3.0%.

The Trump Administration imposed tariffs on $34 billion worth of Chinese imports. While the markets initially seemed unphased, we consider this a significant risk for both the trade relationship and future developments. For the upcoming week, we will be focused on the CPI, PPI and IPI data releases. Domestic inflation has steadily increased month-over-month since

December 2017. As of July 6th, gold closed at $1,257.33 per ounce, oil advanced to $72.94 per barrel and natural gas closed at 2.85 MMBtu.[2]

III. Monetary Policy

During June's Fed meeting, the Fed raised interest rates to the 1.75 - 2.00% target range. The Fed upgraded its GDP and inflation outlook while highlighting the notable employment developments and economic expansion during the first half of 2018. In addition, the Fed mentioned economic activity has remained moderately firm across the districts and economic growth is expected to continue at an above-trend pace. The next Fed meeting is scheduled to take place from July 31st - August 1st.

IV. Global Outlook

Based off recent economic trends, the global economy, as a whole, remains strong. Domestic markets have outperformed international markets by a strong margin. Europe and Japan are down approximately -2.4% while emerging markets have dropped -7.4%. We recognize a handful of present risks, including recent trade and geopolitical tensions along with global financial stability. Our investment team's main concern surrounds the repercussions of the trade war rhetoric and the current rate of domestic inflation growth. Both the ECB and BOJ left rates unchanged and are scheduled to meet next on July 26th and July 30th respectively.

Portfolios Recap

Dynamic ETF Option Strategy (DEOS): 1.27% YTD

For the month of June, DEOS was down -0.08 % net of fees. The strategy remained flat-to-slightly negative as it continued to generate cash flows tied to longer dated contracts. Volatility increased nearly 50% during the last half of the month causing the mark-to-market on the contracts to move slightly negative. We anticipate the strategy to be accretive and generate value as we approach the next set of expirations in September. Meanwhile we're continuing to target generally lower exposure placed at a further distance under the market as we continue to weigh the macro impacts of the trade and tariffs rhetoric.

Tactical Long/Short Strategy: 5.27% YTD

The Tactical Long/Short Strategy posted a 0.24% gain net of fees for the month of June bringing the year-to-date net return to 5.27%. The strategy has significantly outperformed the S&P 500 year-to-date. The S&P 500 returned 0.62% for the month and closed the month up 2.65% for the year. Mid-June we decreased our exposure to SPY and increased our allocation to QQQ to 80% in order to participate in technology earnings. We continue to maintain a low cash level which may be adjusted accordingly depending on earnings and the global macro picture.

Core Strategy: <u>8.34% YTD</u>
Equity Opportunity Strategy: <u>8.49% YTD</u>
Global Strategy: <u>7.26% YTD</u>

The Core Strategy, Equity Opportunity Strategy and Global Strategy returned -0.31%, 0.20% and -0.44% respectively net of fees for the month of June. The equity strategies underperformed the S&P 500 for the month, but all three strategies have returned nearly three times the S&P 500 return YTD. We increased our technology allocation in all three strategies in advance of earnings. As outlined during the Q1 earnings guidance, we anticipate the majority of growth to spur from the technology sector. Our investment team continues to focus on the technology sector specifically on companies with an invested interest in Artificial Intelligence, Machine Learning and Big Data. We are closely monitoring our holdings and analyzing economic developments in order to best position our portfolios and mitigate against volatility.

As always, we welcome you to reach out to us any time to discuss your portfolio and any questions.

Fariba Ronnasi, *Principal*

Important Disclosures
Elite Wealth Management, LLC ("Elite Wealth Management") is a registered investment adviser with the Securities and Exchange Commission. The firm is defined as Elite Wealth Management and includes assets managed as dual officers. Assets under management include assets managed by Elite Wealth Management officers as dual officers of Lattice Capital Management. Any client and account statistics presented include dual officer relationships.

The performance shown of each strategy consisting of all discretionary accounts using each investment strategy. There is a minimum account size required for inclusion in each strategy. For details on the account minimum for each strategy, please view the appropriate strategy fact sheet or presentation. New funds or accounts are added to each strategy upon the first full month of investment and closed funds or accounts are removed from the strategy upon the last full month of investment.

Past performance is no guarantee of future results. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions.

The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars.

This presentation does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. The information provided in this presentation should not be considered a recommendation to purchase or sell a particular security.

Any specific securities identified do not represent all of the securities purchased, sold or recommended for advisory clients, and may be only a small percentage of the entire portfolio and may not remain in the portfolio at the time you receive this report. You should not assume that investment decisions we make in the future will be profitable or will equal the investment performance of the past. For a complete list of recommendations made within at least the past year, please contact us at (425) 828-4300 or info@elitewm.com. Please Note: it should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list.

The performance shown is compared to several indexes shown herein. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. The number and types of securities found in the index can differ greatly from that of the accounts held in the strategy shown. Investments cannot be made directly in an index. “Standard & Poor’s®”, “S&P®”, “S&P 500® Index”, and “Standard & Poor’s 500®” are trademarks of McGraw-Hill, Inc., and have been licensed for use by Elite Wealth Management. The Products mentioned are not sponsored, endorsed, sold, or promoted by Standard & Poor’s, and Standard & Poor’s makes no representation regarding the advisability of investing in the Products.

All reasonable efforts were used to gather and provide accurate and complete information; there is no warranty or representation of accuracy or completeness. All index performance information has been obtained from third parties and should not be relied upon as complete or accurate. Indices are based on total return (including re-investment of dividends if applicable). Indices are shown for comparison purposes only. An investor cannot invest directly in an index. Indices are unmanaged, and do not charge fees or expenses.

Risk Disclosure: All investments include a risk of loss that clients should be prepared to bear. The principal risks of the Elite Wealth Management strategies are disclosed in the publicly available Form ADV Part 2A.

Elite Wealth Management Option Strategies Risk Disclosure Statement: Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options in your account. If you are interested in margin lending (a loan to purchase securities that is secured or collateralized by securities in your account) or option trading, please Click Here to read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options", or call the Interactive Brokers, LLC (“IB”) office @ 1-877-442-2757 for a current copy, before considering any option transaction.

Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value.

References

1. FactSet Earnings Insight July 2018
2. Trading Economics
3. Bloomberg