



### ***Ropes Wealth Encourages Courage in the Face of Convictions***

Donald Trump became the first U.S. president to be convicted of a crime on Thursday when a New York jury found him guilty of falsifying documents to cover up a payment to silence a porn star ahead of the 2016 election. After deliberations over two days, the twelve-member jury announced it had found Trump guilty on all 34 counts he faced. Unanimity was required for any verdict.

The verdict plunges the U.S. into unexplored territory ahead of the Nov. 5 presidential election, when Trump, the Republican candidate, will try to win the White House back from Democratic President Joe Biden. While some cheered the result, Trump supporters crashed his campaign website with donations. His sentencing is set for July 11, days before the GOP convention.

The outcome doesn't change the picture that this still looks like a very close election (at the margin, the election outcome now looks even harder to call) and given the divergence of policy proposals, it means a great deal of uncertainty for our country.

Markets will likely be less emotional than we are personally until it gets closer to November. Which is why we encourage however you may be feeling in this moment to stand strong in your plan. Economic data, interest rates, politics, and geopolitics influence markets in the short-term, but in the long run it is company earnings that matter.

On that note, markets have wobbled a bit this week on some earnings news. On Wednesday, Salesforce plunged -20% after the cloud software company reported an -11% drop in first-quarter revenue and provided softer-than-expected guidance. Salesforce weakness weighed on technology shares, though other sectors held up better. Retailers were strong after companies including Best Buy and Foot Locker posted stronger-than-expected quarterly numbers.

To recap, first-quarter earnings season is mostly finished. Robust results from mega cap technology companies including Nvidia and Microsoft accounted for much of the 6% year-over-year earnings-per-share (EPS) gain for S&P 500 companies. Analysts estimate S&P 500 EPS growth of 9.3% for the second quarter and 11.4% growth for the full year. Communications services and technology led S&P 500 sectors in the first quarter, posting year-over-year EPS gains of 34% and 25%, respectively. Those sectors picked up the slack for health care, materials, and energy companies, each of which fell more than -20%. It is fair to say companies still have some work to do before market performance sustainably broadens beyond a few segments and sectors.

In economic news, today's inflation report on the Personal Consumption Expenditure (PCE) showed inflation remains sticky with prices up 2.7% in April versus a year ago. The core PCE, which excludes volatile food and energy prices, rose 2.8%. While the release was largely in-line with expectations, the Fed has lost momentum this year on their fight to bring inflation down to the 2% target. The committee meets again in two weeks, but we expect no change in rates until more progress is reflected in the data. Elsewhere, we learned this week that the government revised its first-quarter gross domestic product (GDP) estimate to an annually adjusted rate of 1.3% from 1.6% previously, but the GDP price deflator, which measures the cost of goods and services across the economy, eased to 3% in the second estimate from 3.1% initially.

Ahead of the blackout period before their next meeting, the Fed was busy on the speaking circuit, tempering enthusiasm for interest rate cuts in what has now become a consistent drumbeat. Notably, the Fed's latest edition of the Beige Book showed economic activity continued to *"expand from early April to mid-May; however, conditions varied across industries and Districts."* There was also a note of growing uncertainty and pessimism amid an uncertain outlook with consumers adjusting behaviors in the face of additional prices increases, resulting in smaller profits. *"Contacts in most Districts noted consumers pushed back against additional price increases, which led to smaller profit margins as input prices rose on average,"* according to the Beige Book. Inflation pressures remain ever present and will continue to cast a shadow over the outlook for the economy, the consumer, and profits in the near term.

With all the other news in the cycle this week, one might have overlooked the passing of Bill Walton. Walton was a legendary college basketball player for UCLA, an activist arrested for protesting the Vietnam War, an NBA champion for the 1977 Portland Trail Blazers, an NBA champion for the 1986 Boston Celtics, the father of four college basketball players and one NBA champion, an entertaining broadcaster for ABC/ESPN who famously overcame a stutter, and a tie-dye wearing Deadhead who loved Bob Dylan and Neil Young. Walton had an infectious laugh and amazing human spirit who offered spot-on color commentary mixed in with life lessons like this: *"There are four pillars to happiness, which is the ultimate goal in life-to be happy. Health is first, family is second, home is third. That safe place where you can go to and regroup, be in a safe place by yourself, start over. Those three things lead to the fourth pillar which is the hope and dream that tomorrow is going to be better. Without that you have not much at all."* A good reminder to all of us about priorities. With all due respect to the Dallas Mavericks and their fans, go Celtics!

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