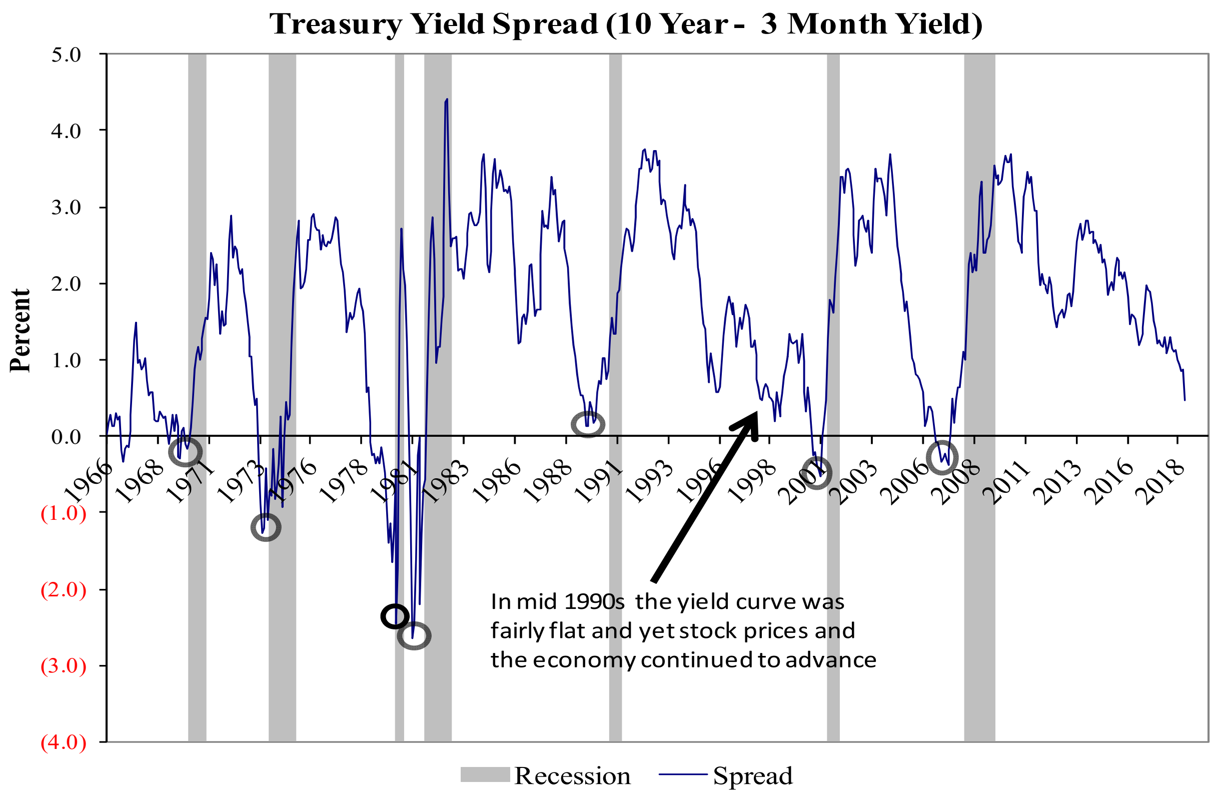
F&V Capital Management, LLC
805 Third Avenue, 12th Floor
New York, NY 10022

H. Terrence Riley III, CFA
December 6, 2018

Contact: Karin Mueller-Paris
+1(212) 326 9533 kmm@fvcm.us



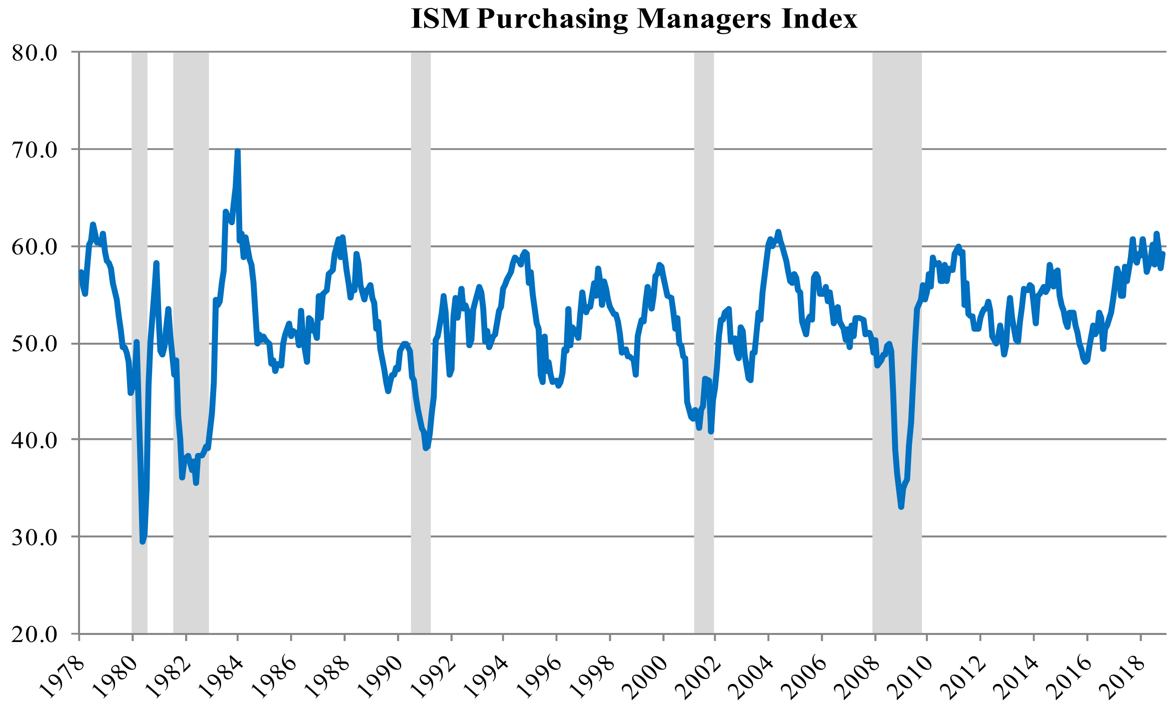
The yield on the 10 year U.S. Treasury bonds fell very sharply over the past week and is now down to 2.91%. At the same time the yield on the 90 day Treasury Bill has been rising and now stands at 2.42%. The 49 basis point spread between those two rates is the lowest it's been since the before the Great Recession (see chart above). Naturally, investors are worried that the flattening of the yield curve may be flashing a warning sign that a recession is imminent. Stock prices have come under great pressure. We think that a recession is not imminent and stock prices are more likely to head higher in the year ahead:

1. The ISM Purchasing Managers Index for November came out this week and was stronger than expected. The PMI rose to 59.3 from 57.7, and the New Order Index was up to 62.1 from 57.4 (see charts below). These are signs of growing U.S. economic strength, not weakness.
2. Real GDP growth was up 3.0%, year to year, as of the 2018 third quarter and current indications are that growth will exceed 3% in the quarter now underway.
3. The problem we are witnessing is one similar to what happened in 1998. Then, like now, the dollar was rising in the foreign exchange markets, oil prices started falling, inflation was slowing, and investors had to deal with the external shocks of an emerging

market currency crisis (Asia, Russia currency crisis'). And yet, U.S. real GDP growth was 4.5% and 4.8% in 1998 and 1999, respectively.

4. During that turmoil, the S&P 500 experienced an 18% correction in 1998, but then proceeded to rise more than 50% over the next 15 months.

Nothing is guaranteed, but it looks like the financial markets are reacting to concerns about China, Argentina and other emerging economies, not the U.S. If this is correct, it's a good idea to stay Bullish.



The information contained in this report is intended solely for the clients of F&V Capital Management, LLC in the United States, and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. Investments in securities discussed herein may be unsuitable for investors, depending on their specific investment objectives, risk tolerance and financial position.

The information is obtained from specified sources and is believed to be reliable, but that accuracy is not guaranteed. Any opinions contained herein reflect F&V's judgment as of the original date of publication, without regard to the date on which you may receive such information, and are subject to change without notice. F&V may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.