August 2017: Market Review

Large-cap U.S. equities moved higher in August, despite political tensions, Hurricane Harvey, and increased market volatility. The Dow Jones Industrial Average gained 0.65% in August and is now up 13.01% year-to-date. The S&P 500 Index returned 0.31% and has added 11.93% thus far in 2017. The NASDAQ Composite Index was up 1.27% in August, bringing its year-to-date return to 19.42%.

In U.S. economic news, revised GDP showed growth of 3.0% in the second quarter, and was higher than expectations of 2.7% growth. The Trump administration announced intentions to release its plans for tax reform within the next few weeks, which will likely have an impact on financial markets. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.9% in June, while on a year-over-year basis, prices were 5.8% higher than a year ago. Among commodities, WTI crude oil took a hit from Hurricane Harvey, ending August at $47 a barrel, down from July’s closing price of $50. Gold closed the month at $1,316 per troy ounce, up from $1,267 at the end of July.

Growth-style equities continued to outperform value-style equities across all capitalizations in August. Among large cap stocks, the Russell 1000 Growth Index added 1.83% during the month and has risen 19.17% year-to-date, while the Russell 1000 Value Index fell -1.16% and is up 4.81% year-to-date. For small cap stocks, the Russell 2000 Growth Index fell -0.12% and is now up 10.78% in 2017, while the Russell 2000 Value Index fell -2.46% in August and has returned -1.31% year-to-date. The Russell Midcap Index fell -0.78% for the month and has gained 8.73% year-to-date.

International equities were mixed in August as developed markets struggled while emerging markets posted solid returns. The MSCI EAFE Index was down -0.04% for the month and has returned 17.05% thus far in 2017. The euro continued to rally amidst expectations that the European Central Bank will begin to taper its monthly bond buying as it runs out of assets to purchase. The euro is up 13% against the dollar this year. The MSCI Europe Index rose 0.06% and is up 18.87% year-to-date. The MSCI Pacific Index added 0.05%, lifting its gain so far this year to 14.28%. The MSCI Emerging Markets Index gained 2.23% in August and is up 28.29% year-to-date, which leads all major equity benchmarks in 2017. Peru (+8.53%), Russia (+8.13%), and Hungary (+7.55%) were particularly strong performers in emerging markets in August.

U.S. fixed income markets were mostly positive in August, as increased volatility and geopolitical uncertainty caused investors to send bond yields lower. The yield on the 10-Year Treasury closed the month at 2.19%, down from July’s close of 2.29%. The Bloomberg Barclays U.S. Aggregate Bond Index added 0.90% and is up 3.64% year-to-date. The Bloomberg Barclays U.S. Treasury Index returned 1.08% in July and has gained 3.15% for the year. The Bloomberg Barclays Treasury 20+ Year Index gained 3.57% in August and 8.67% in 2017. The Bloomberg Barclays Corporate High Yield Index dipped -0.04% for the month but has gained 6.05% year-to-date.

U.S. equity markets remain near all-time highs despite Hurricane Harvey, concerns over North Korea and political fallout from Charlottesville. Investors will be watching closely to see how markets react to tax reform proposals and the September debt ceiling debate/deadline within the context of heightened equity valuations.