



August 2018: Market Review

Global equity indexes were mixed in August, as strong domestic economic data pushed U.S. equity indexes higher despite continuing geopolitical tensions. The S&P 500 Index hit a record high during the month, adding +3.26% in August and posting gains of +9.94% year-to-date. The Dow Jones Industrial Average was up +2.56% for the month, ending with a +6.73% return since December. The NASDAQ Composite rose +5.85% during the month and has added +18.31% year-to-date, also hitting a new record high during the month as the rally in technology stocks continued.

Higher-than-expected second quarter U.S. GDP growth and rising corporate profits were the major focus for investors in August, as after-tax corporate profits grew at the fastest pace in six years. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up +0.78% in June, while on a year-over-year basis, prices were +6.24% higher than a year ago. Among commodities, WTI crude oil ended July at \$70 a barrel, up modestly from July's closing price of \$69. Gold closed the month at \$1,200 per troy ounce, down from \$1,224 at the end of July.

Growth-style equities rebounded in August after a value-led July as growth stocks outperformed across all capitalizations. Growth equities also continued their year-to-date outperformance by a wide margin. Among large cap stocks, the Russell 1000 Growth Index gained +5.47% in August, returning +16.44% year-to-date. The Russell 1000 Value Index added +1.48% for the month, which brought its year-to-date return to +3.71%. For small cap stocks, the Russell 2000 Growth Index posted gains of +6.23% for the month and is up +18.53% so far this year. The Russell 2000 Value Index gained +2.38% and is up +9.86% so far in 2018. In mid cap equities, the Russell Midcap Growth Index was up +5.76% in August and has added +13.87% year-to-date. The Russell Midcap Value Index gained +1.36% for the month and has risen +3.95% so far this year.

Most international equity indexes sank in August in response to escalating trade tensions and a strengthening U.S. dollar. The MSCI EAFE Index fell -1.93%, resulting in a year-to-date loss of -2.28%. Despite an upward revision in second quarter EU GDP and an easing of trade tensions with the U.S., the European market index was overshadowed by political events and experienced losses for the month. The MSCI Europe Index declined -2.79% in August and has posted a -2.80% return so far this year. The MSCI Pacific Index lost -0.46% during the month and has fallen -1.58% in 2018. The MSCI Emerging Markets Index dropped -2.70% as returns were negatively impacted by turmoil in Turkey (-29.03%), weakness in Brazil (-12.00%), and ongoing headwinds from China (-3.90%). The MSCI Emerging Markets Index is down -7.18% so far this year.

U.S. fixed income markets were positive in August as interest rates modestly declined. The yield on the 10-Year Treasury closed July at 2.85%, down from July's close of 2.96%. The Bloomberg Barclays U.S. Aggregate Bond Index rose +0.64% for the month, curbing its losses to -0.96% year-to-date. The Bloomberg Barclays U.S. Treasury Index gained +0.76% in August and is down -0.74% so far this year. The Bloomberg Barclays Treasury 20+ Year Index added +1.60% during the month, leaving it with a return of -2.96% so far in 2018. The Bloomberg Barclays Corporate High Yield Index rose +0.74% in August and is up +2.00% year-to-date.

Strong U.S. macroeconomic data continues to push domestic indexes higher. However, uncertainty surrounding geopolitical tensions as well as historically high valuations and a strengthening U.S. dollar continue to be a cause for concern in global equity markets.