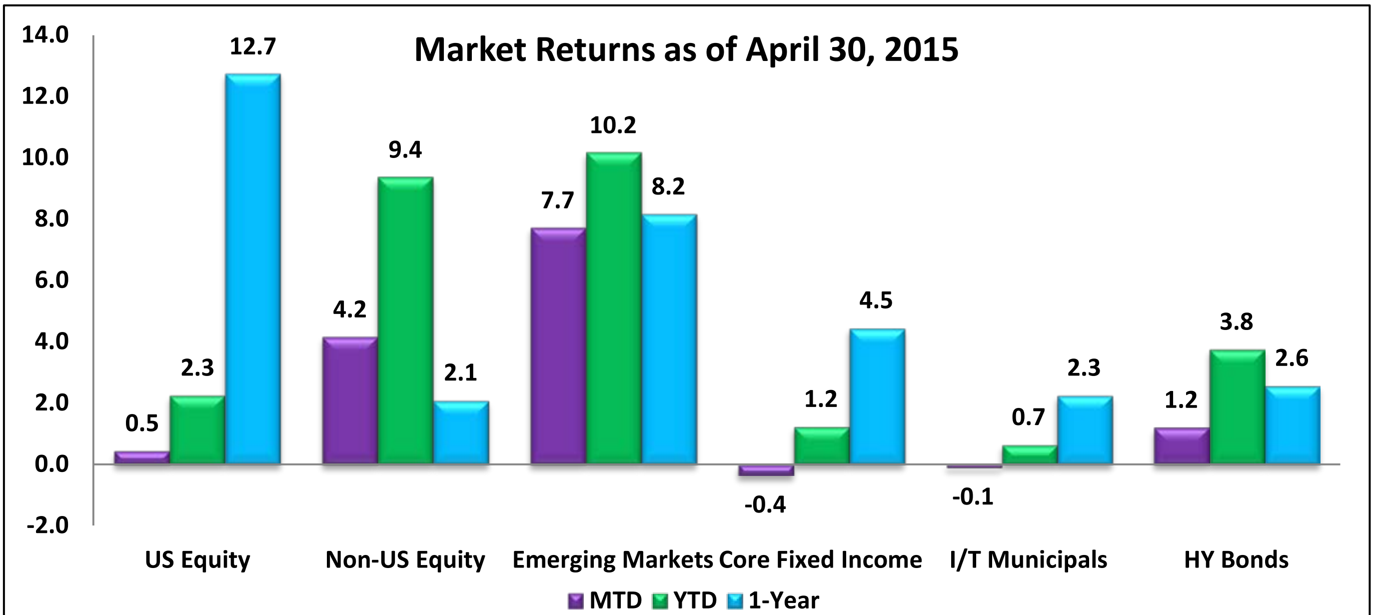
CAPITAL MARKETS RECAP

Acacia Wealth Advisors

APRIL 2015



Source: Barclays Capital, Russell and MSCI . Returns are preliminary.

U.S. equities increased in April after declining in March, but still trailed international developed and emerging market equities on a year-to-date basis. Accommodative monetary policies by central banks in Europe, Japan and China continue to support risk assets overseas. The broad U.S. bond market declined as domestic rates edged up in April. High yield bond returns in April were aided by a rebound in the energy sector.

Economic Data

- Real GDP grew at a paltry 0.2% in the first quarter, a marked slow down from the 2.2% reported in the fourth quarter. New York Federal Reserve president, William Dudley, attributed the weakness to transitory factors, including bad weather in the Northeast and Midwest.
- The U.S. unemployment rate held steady at 5.5% in March and remains meaningfully lower than the 6.6% rate reported one year ago. Job gains in most sectors were offset by losses in the mining sector, particularly in services that support oil & gas extraction.
- Inflation remained benign in March, increasing 0.2% for the month and 1.1% over the past year. The increase in inflation in March was driven by the gasoline index which was up 3.9%, after declining 29.2% over the past year. Core inflation (all items less food and energy) remained stable with the 12-month change at 1.8%.
- Consumer confidence declined in April. Consumers reported being less optimistic about the labor market and the short-term outlook for business conditions.
- Growth in global manufacturing slowed in April. In the U.S., new export business declined due to the stronger U.S. dollar. The U.K. also saw slower export growth due to the stronger sterling versus the euro, however, the consumer goods sector remained strong. In the Eurozone, growth slowed in Germany and France, but the region showed pockets of strength in the periphery. Japan continued to report flat growth, despite a weakening yen. Growth in China continued to slow as demand weakened and job cuts continued in the manufacturing sector.

U.S. Equities

- The U.S. stock market edged up in April.
- Size – Market performance was led by large caps (up 0.7%) as both mid caps and small caps declined at 0.9% and 2.6%, respectively during the month.
- Value stocks outperformed growth stocks during the month, but growth stocks still lead value stocks on a year-to-date basis.
- Energy was the best performing sector in the S&P 500 in March, but continued to be the worst performing sector over the past 12 months (down 9.9%):

Best		Worst	
Energy	6.65%	Health Care	-1.34%
Telecommunications	5.87%	Consumer Staples	-0.76%
Materials	3.08%	Utilities	-0.45%

International Equities

- The U.S. dollar weakened during the month, positively impacting developed international equity returns for U.S. based investors. In local terms, the MSCI EAFE index was up 1.2%, but U.S. based investors experienced a higher return of 4.2%. On a year-to-date basis, developed international equities widely outperformed U.S. equities both in local and U.S. dollar terms.
- Emerging market equities also outperformed domestic equities in April. The MSCI Emerging Markets index returned 5.7% in local terms and 7.7% in U.S. dollar terms for the month.

Fixed Income

- Despite unprecedented low rates globally, domestic rates rose slightly during the month, negatively impacting U.S. bond returns (interest rates and bond prices move inversely).
- In April, the Swiss government issued a 10-year bond with a -0.055% yield. This was the first time a sovereign nation issued debt with a negative yield. Some institutional investors, such as European banks, would rather pay 5 basis points to buy a Swiss government bond than pay the European Central Bank (ECB) 20 basis points to hold their excess deposits. In an attempt to encourage lending, the ECB actually charges banks on deposits held with them.

Looking Ahead

- Markets continue to focus on the Federal Reserve Bank (Fed) and timing of the first interest rate increase. Although the Fed left the door open for higher interest rates this year, they emphasized that their actions will be dependent upon incoming data and stated that they "…see the risks to the outlook for economic activity and the labor market as nearly balanced."
- In the Eurozone, future growth is more uncertain. The ECB's massive quantitative easing program has not aided growth in France and Germany, but appears to be helping the rest of the region. Although, Greece continues to be a risk to that region.
- China is in the process of engineering a soft landing as growth continued to slow in that region. The Chinese central bank has recently implemented aggressive monetary policies such as lowering interest rates twice since last November and cutting reserve requirements for banks in April.

www.acaciawealth.com

Meloni M. Hallock
310.246.0570
mhallock@acaciawealth.com

Alev Lewis
310.246.0530
alewis@acaciawealth.com