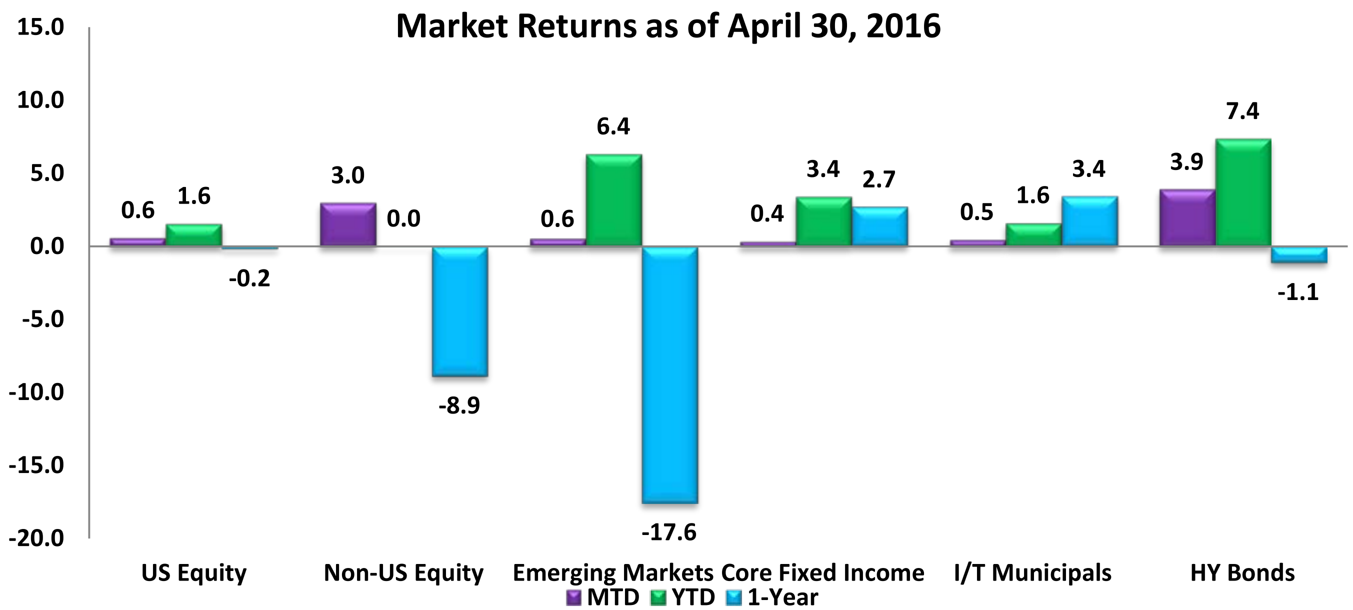
CAPITAL MARKETS RECAP

Acacia Wealth Advisors

APRIL 2016



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

Global stock prices continued to recover from lows experienced earlier in the year as many of the common themes that took hold in March persisted through April. Equity investors breathed a sigh of relief that a global recession would be diverted, at least for the time being.

Economic Data

- **Real GDP** for the 1st quarter grew at an annual rate of 0.5%, lower than the 1.4% annual rate recorded in the 4th quarter of 2015. The decline in the pace of growth for the quarter was due to decelerations in business capital investments, consumer and governmental spending, and an increase in imports.

- **Inflation** edged up 0.1% in March, aided by the energy index which increased for the first time since November 2015. Over the past 12 months, the CPI index increased by 0.9%, however, core CPI (CPI minus food and energy) remained stable, rising 2.2% over the same period.

- **U.S. unemployment rate** in March was 5% and has changed very little since August 2015. The economy added 215,000 jobs during March, close to the 209,000 average from the prior 3 months. Sectors adding jobs included retail, construction, and health care, while manufacturing and mining sectors continued to shed jobs.

- **Consumer confidence** declined modestly in April after improving in March. Lynn Franco of the Conference Board stated, “Consumers’ assessment of current conditions improved, suggesting no slowing in economic growth. However, their expectations regarding the short-term have moderated, suggesting they do not foresee any pickup in momentum.”

- **Global manufacturing growth** remained stagnant in March. Declines in manufacturing growth in Japan were partly due to a slump in international demand as well as the recent earthquakes, one of which impacted a key manufacturing region for the country.

U.S. Equities

- Broad U.S. stocks closed higher in April following a strong rebound in March.
- Size – Small cap stocks continued to outperform both mid and large cap stocks in April.
- Style – Value stocks outperformed growth stocks for the month. Value stocks were aided by strong returns in the energy and materials sectors.
- S&P 500 sector returns for the month of April:

Best		Worst	
Energy	8.70%	Information Technology	-5.39%
Materials	4.95%	Utilities	-2.41%
Financials	3.40%	Telecom Services	-2.11%

International Equities

- In April, international developed equities outperformed U.S. equities. The U.S. dollar continued to decline during the month from multi-year highs at the end of 2015, which aided international equity returns for U.S. based investors (MSCI EAFE was up 1.4% in local terms and 3% in U.S. dollar terms).
- Emerging market equities were up for the month of April, but underperformed developed equities. Returns in emerging markets were mixed with strong returns in Brazil and Russia, while China and South Korea experienced declines.

Fixed Income

- U.S. interest rates remained low in March. The 10-year U.S. Treasury ended the month little changed from the prior month at 1.8%, but lower than where it started the year at 2.3%.
- Conditions in the high yield bond market continued to improve and bonds rallied up 4% April. However, high yield bonds are still down around 1% on a 12-month basis, but are well off the lows experienced earlier in the year.

Looking Ahead

- After a tumultuous start to the quarter, the markets have recovered meaningfully from the lows set in February. We are starting to see early signs of the headwinds of a persistently high U.S. dollar beginning to reverse. Further, although low oil prices have negatively impacted the U.S. energy sector, the benefits should start to filter through the economy and aid the U.S. consumer, which represents close to 70% of U.S. GDP.
- It is difficult, if not impossible, to guess how the stock markets will perform over the next month, quarter, or even year. However, having a balanced portfolio, including international developed and emerging market equity exposure, has historically provided higher risk adjusted returns over longer periods than a 100% U.S. equity portfolio. We continue to believe having a diversified approach remains valid over longer periods.

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