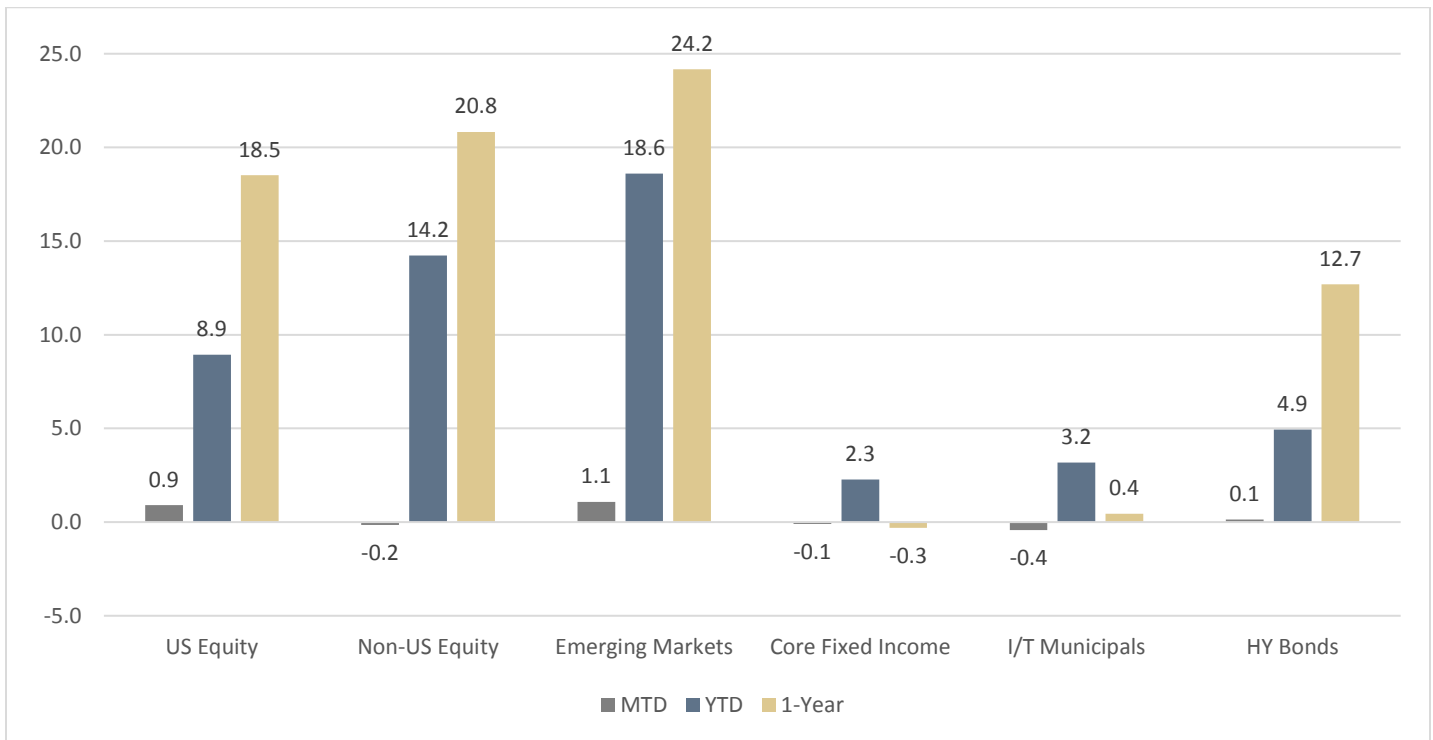




CAPITAL MARKETS RECAP

JUNE 2017

MARKET RETURNS AS OF JUNE 30, 2017



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

U.S. equities rose in June, adding to the gains experienced so far this year. International equities declined slightly during the month, taking a breather after posting robust returns earlier in the year. Emerging market equities continued to rise in June as economic conditions showed improvement.

ECONOMIC DATA

- **Real U.S. GDP** in the first quarter of 2017 rose 1.4%, higher than the initial estimate of 0.7%. Despite two upward revisions to GDP growth, the overall shape of economic growth remained largely unchanged.
- **Inflation** fell 0.1% in May primarily due to the decline in the energy index. During the month, the gasoline index dropped 6.4%. Over the past year, the overall CPI (Consumer Price Index) rose 1.9% and the core inflation rate (CPI minus food and energy) rose 1.7%.
- **U.S. unemployment rate** remained essentially the same at 4.3% in May, and the job market gained 138,000 jobs during the month. Some of the largest job gains were experienced in health care and professional and business services. Since the beginning of the year, the unemployment rate has declined 0.5% and the number of unemployed persons has fallen by 774,000.
- **Consumer confidence** rose in June after declining slightly in May. Lynn Franco of The Conference Board said, "Overall, consumers anticipate the economy will continue expanding in the months ahead, but they do not foresee the pace of growth accelerating."
- **Global manufacturing growth** remained in expansion in June, but growth was uneven. Eurozone experienced its fastest growth in over six years, aided by increased domestic demand as well as improving exports. In contrast, U.S. manufacturing growth continued to be subdued.

U.S. EQUITIES

- Broad U.S. stocks rose in June.
- Size - Small-caps (up 3.5%) meaningfully outperformed mid- and large-cap stocks (up 1.0% and 0.7%, respectively).
- Style - Value stocks outperformed growth stocks again in June. However, on a year-to-date basis, growth stocks lead value stocks by a wide margin (up 13.7% versus 4.3%, respectively).

S&P 500 SECTOR RETURNS FOR JUNE 2017:

Best		Worst	
Financials	6.43%	Telecom Services	-2.92%
Health Care	4.62%	Information Technology	-2.70%
Real Estate	1.92%	Utilities	-2.70%

INTERNATIONAL EQUITIES

- International developed stocks declined in both local and U.S. dollar terms (down -0.8% and -0.2%, respectively) in June. However, on a year-to-date basis, international equities experienced strong returns (up 7.9% in local terms and 14.2% in U.S. dollar terms).
- Emerging market equities were up 1.1% for the month of June in U.S. dollars, and they have experienced robust returns so far in 2017 (up 18.6% in U.S. dollar terms).

FIXED INCOME

- Interest rates rose during the month leading to slight negative returns for bondholders (interest rates and bond prices move inversely). The U.S. 10-Year Treasury yield began the month at 2.2% and ended the month at 2.3%.
- Despite lower energy prices and higher rates, high yield bonds eked out a small gain in June. The asset class posted equity-like returns over the past year, up over 12%.

LOOKING AHEAD

- Equity returns have been strong this year, which may have led investors to exposing their portfolios to more risk than they desire.
- Although it is difficult, if not impossible, to predict equity returns over the short-term, it may be a good time to rebalance portfolios back to their strategic asset allocation in order to help mitigate risk.

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