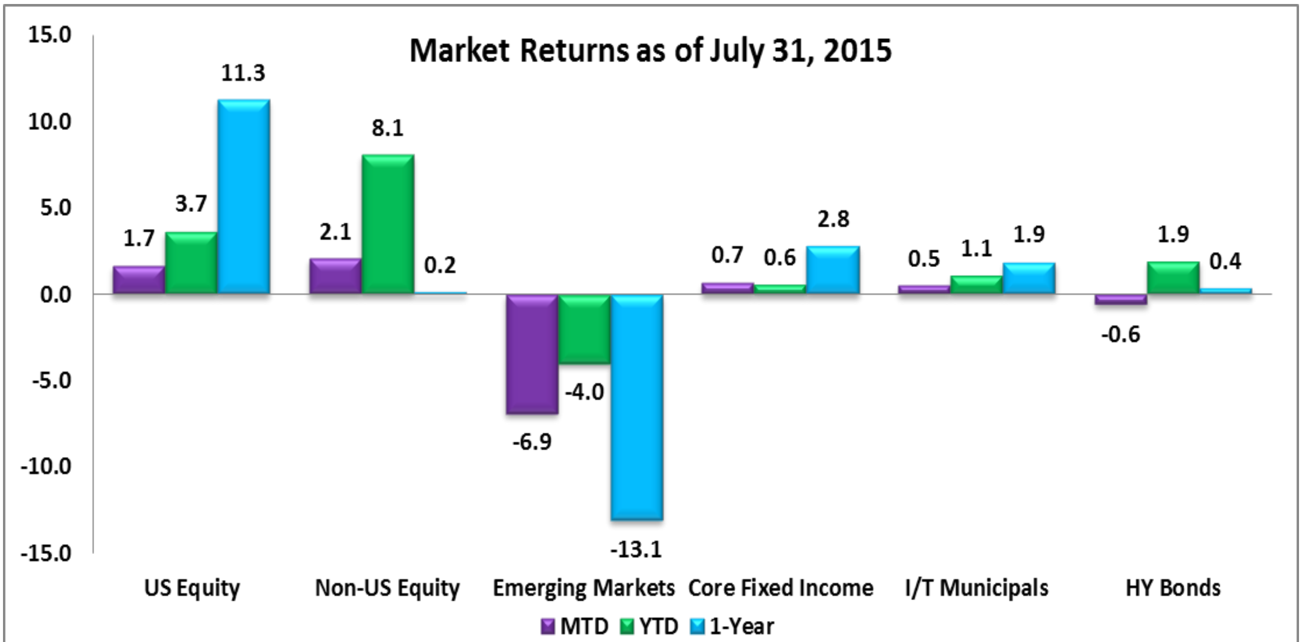
CAPITAL MARKETS RECAP

ACACIA Wealth Advisors

JULY 2015



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

After a volatile month, during which the Greek tragedy and the Chinese drama played out, both U.S. and developed international stocks posted positive returns for July. In contrast, emerging markets suffered a sharp decline. Awaiting the Fed's first rate increase, bonds were mainly flat for the month.

Economic Data

- Real GDP for the 2nd quarter is estimated at 2.3%, reflecting increased consumer spending, exports, residential investment, and state and local government spending. In addition, first quarter GDP was revised from -0.2% to 0.6%.
- Inflation rose 0.3% in June, driven largely by price increases in gasoline, shelter, and food. The overall inflation index showed a 12-month increase of 0.1%, the first increase since December. However, the 12-month Core CPI index (CPI less food and energy) remained relatively stable at 1.8%.
- Unemployment rate declined by 0.2% to 5.3% in June. Industries contributing to job creation were professional/business services, health care, retail trade, financial activities, transportation, and warehousing.
- Consumer confidence index declined in July, mostly because of a less optimistic outlook for the job market as well as increased uncertainty about the financial markets caused mainly by the Greek debt crisis and the Chinese stock market crash. However, the index is still at a level (90.9) indicative of a growing economy and a confident consumer.
- Global manufacturing growth continued to be lackluster in July. Growth from North America, Japan, and Western Europe were offset by continued weakness in Asia, Russia, and Brazil.

U.S. Equities

- The U.S. stock market was up 1.7% in July, contributing to the gains experienced so far this year.
- Size – large caps (1.9%) outperformed both midcap (0.7%) and small cap (-1.2%) stocks.
- Growth stocks continued to outperform value stocks for the month and the year.
- Sector performance of the S&P 500 sector was mixed for the month:

Best		Worst	
Utilities	6.06%	Energy	-7.65%
Consumer Staples	5.51%	Materials	-5.02%
Consumer Discretionary	4.81%	Telecom Services	-0.01%

International Equities

- Rebounding from a weak 2014, developed international stocks outperformed U.S. stocks both for the month and year-to-date. This outperformance persists both in local currency and U.S. dollar terms.
- Emerging market equities experienced another month of decline in both local and U.S. dollar terms. Volatility in the Chinese stock market and slower global demand coupled with declining energy and commodity prices contributed to the negative performance.

Fixed Income

- Both the broad bond market and municipals were positive for the month. On a year-to-date basis, municipals posted higher returns. At its July meeting, the Fed continued to remain vague about the timing of its first rate increase citing their decision to be data-dependent.
- High yield bonds fell in July as the investor appetite for risk waned.

Looking Ahead

- In July, markets were roiled by global events that were not as significant as one would believe based on the headlines. For example, Greece is not a major player in the world economy since it only represents approx. 0.3% of the world's GDP. Most Chinese companies do not trade on its stock markets but rather obtain financing through bank loans. Therefore, the volatility of the Chinese stock market affects only a small number of companies.
- Being in a global economy and market place increases the odds and frequency of becoming aware of geopolitical and/or financial crises. On the other hand, globalization increases the opportunity set for investors who take a more steady and disciplined approach to investing rather than reacting to the crises du jour.

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