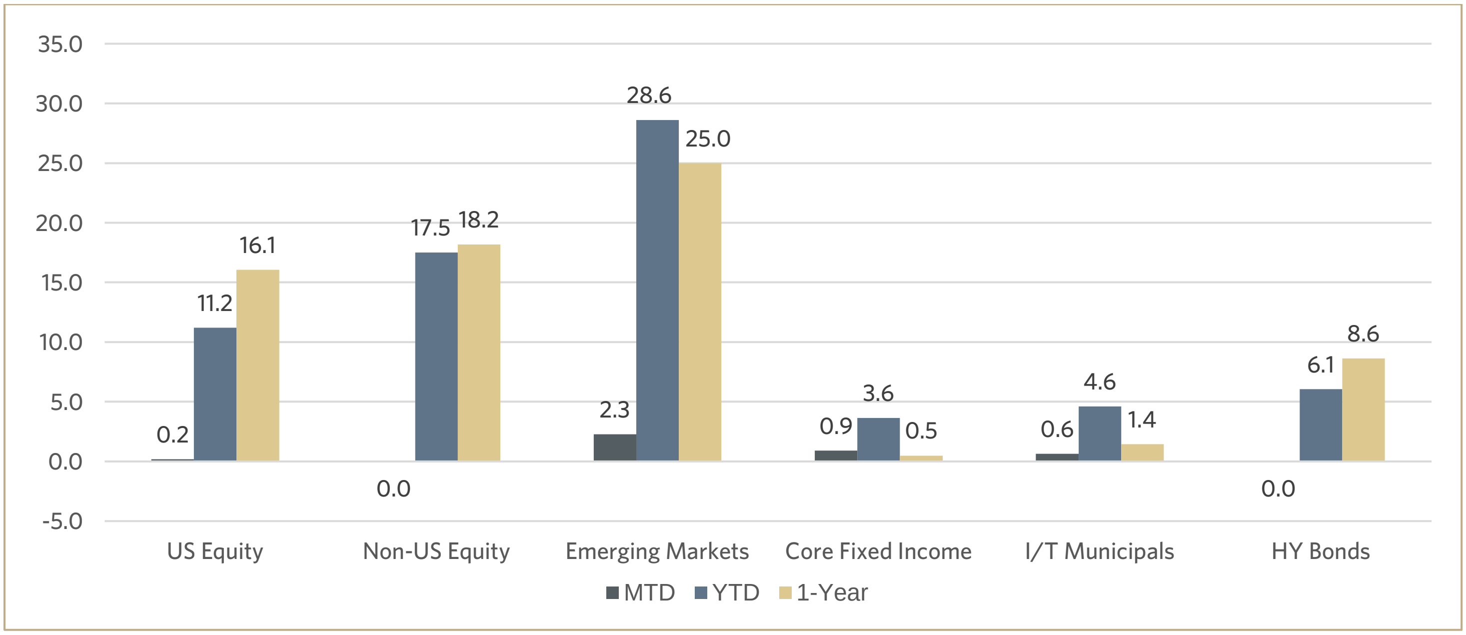
HIGHTOWER
ACACIA WEALTH ADVISORS

Capital Markets Recap

August 2017

Market Returns as of August 31, 2017



Source: Morningstar, Inc.- Barclays Capital, Russell and MSCI.

Both U.S. equity and International equity returns were muted as the broad markets paused from their recent rallies. Emerging market equities outperformed U.S. and International developed market equities and continued to post impressive returns through August. U.S. interest rates declined in the month leading to positive returns for investors.

Economic Data

- **Real U.S. GDP** in the second quarter was revised upward to 3.0% from the initial estimate of 2.6%. Stronger than previously estimated consumer spending and business capital investments accounted for most of the change.
- **Inflation** grew by 0.1% in July as the increase in the indexes for shelter, medical care, and food offset decreases in the energy and natural gas indexes. Core inflation rate (CPI minus food and energy) and the overall CPI (Consumer Price Index) rose by 0.1% for the month and by 1.7% over the past 12 months.
- **U.S. unemployment rate** again showed little change at 4.3% in July, with the job market gaining 209,000 jobs during the month. The largest growth occurred in food services and drinking places, professional and business services, and healthcare. The average job market growth of 184,000 per month in 2017 is consistent with the 2016 average of 187,000.
- **Consumer confidence** rose in August, a further improvement from July. Lynn Franco of The Conference Board said, “Consumers’ short-term expectations were relatively flat, though still optimistic, suggesting that they do not anticipate an acceleration in the pace of economic activity in the months ahead.”
- **Global manufacturing growth** accelerated in August, hitting its highest level in over six years. Led by Germany, the Netherlands, and Austria, the Eurozone continued its strong manufacturing growth as production, demand, and employment reinforced improving operating conditions. U.S. manufacturing declined slightly from July, but still signaled an improvement in domestic demand.

U.S. Equities

- Broad U.S. stocks rose slightly in August.
- Size – Large-caps (up 0.3%) outperformed mid- and small-cap stocks (down -0.8% and -1.3%, respectively) during the month.
- Style – Growth stocks meaningfully outperformed value stocks in August (1.7% vs. -1.3%) and continue to outpace value stocks on a year-to-date basis (up 18.5% versus 4.3%, respectively).

S&P 500 Sector Returns for August 2017:

Best		Worst	
Information Technology	3.47%	Energy	-5.18%
Utilities	3.25%	Telecom Services	-3.02%
Health Care	1.85%	Consumer Discretionary	-1.84%

Source: Morningstar, Inc.

International Equities

- International developed stocks were essentially flat in both local and U.S. dollar terms (both down -0.02%) in August. However, on a year-to-date basis, international equity returns remained robust (up 8.7% in local terms and 17.5% in U.S. dollar terms).
- The emerging market equity rally surged ahead in August as it gained another 2.3% for the month in U.S. dollar terms and 2.2% in local terms. The asset class recovery remains strong as market gains during the year continue to mount (up 23.3% in local and 28.6% in U.S. dollar terms).

Fixed Income

- Interest rates dropped during the month leading to positive returns for bondholders (interest rates and bond prices move inversely). The U.S. 10-Year Treasury yield began the month at 2.3% and ended the month at 2.1%. A limited supply of municipal bonds yielded the best August performance since 2014 (Bloomberg Barclays Municipal Index was up 0.8% for the month).
- High yield bonds registered flat performance for the month of August as the asset class has experienced net redemptions in eight of the past ten weeks. Despite the recent stall, they posted equity-like returns over the past 12 months (up 8.6%).

Looking Ahead

- Aided by a low unemployment rate and strong consumer confidence, the fundamental health of the U.S. economy remains solid.
- We continue to believe in staying fully invested in a globally diversified portfolio of stocks and bonds. Rebalancing regularly remains critical to achieving long-term objectives.

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Sources: Morningstar, Inc., U.S. Bureau of Labor Statistics, The Conference Board, IHS Markit, The Federal Reserve (central bank of United States), The Bureau of Economic Analysis (U.S. Department of Commerce) & U.S. Department of Treasury