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"The Ascent Continues"

There seems to be nothing that can stop this market from continuing its climb. As mentioned in last month's market update, lingering trade uncertainty and geopolitical events are still prevalent. However, domestic equity markets performed admirably yet again in August. U.S. stocks were driven higher by solid economic releases and strong corporate profit growth. International markets did not experience the same results however, with developed and emerging markets both falling for the month.

Economic releases were primarily positive in the month of August. Second-quarter gross domestic product (GDP) was revised up from an already solid 4.1%, to an even more impressive 4.2%. Upward revisions to inventories and net exports were the main drivers of a higher reading. Consumer spending continued to be robust, while consumer confidence, as measured by the Conference Board, surged to 133.4, which is the strongest reading since the dot-com bubble back in October of 2000. Moreover, personal income continued to trend higher.

Corporate earnings were yet another significant driver of the markets in August, as after-tax corporate profits rose 6.7% on a year-over year basis in the second quarter of 2018. As such, the Dow Jones Industrial Average jumped 2.6% for the month, bringing the year-to-date return to 6.7%. The S&P 500 was even stronger, rising 3.3% in August, resulting in a year-to-date gain of slightly below 10%. Finally, the tech-heavy NASDAQ has continued to lead the way thus far in 2018, surging an impressive 5.7% in August while generating an impressive 18.3% for the first eight months of the year.

After posting a solid July, developed international markets took another step back in August, with the MSCI EAFE Index experiencing a loss of almost 2% and a year-to-date return of -1.9%. Emerging markets also finished the month in negative territory after rebounding in July. The MSCI Emerging Markets Index was down 2.7% for the month and has fallen 6.9% through the first eight months of the year.

Within the fixed income space, the yield curve continued to flatten in August, as shorter Treasuries climbed while intermediate and longer-term yields fell amidst resurgent trade worries and turmoil in emerging markets. The spread between the 10-year and 2-year Treasury yields continued to compress falling to 24 basis points from 29 basis points in July. The Barclays Aggregate Bond index gained 0.6% for the month, but is still down 1% thus far in 2018. The Barclays U.S. High Yield Index finished up 0.7% and is up an even 2% year-to-date.

	August 2018	YTD
DJIA	2.56%	6.73%
S&P 500	3.26%	9.94%
NASDAQ	5.71%	18.31%
MSCI EAFE	-1.93%	-1.87%
MSCI Emerging Markets	-2.70%	-6.93%
Barclays Aggregate	0.64%	-0.96%
Barclays Corp High Yield	0.74%	2.00%
	8/31/2018	7/31/2018
US 10-Year Treasury	2.86%	2.96%

Solid economic releases, strong economic growth and robust corporate earnings continue to push equity markets higher, despite uncertainty regarding trade tensions, geopolitical issues and inflation fears. If trade tensions continue to ease and corporations continue to thrive, equity markets could continue their ascent.

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LEGAL UPDATE | PRESIDENT SIGNS AN EXECUTIVE ORDER TO EXPAND ACCESS TO RETIREMENT SAVINGS PLANS FOR AMERICAN WORKERS

On August 31st, the President directed the Department of Labor and the IRS to identify policies and issue regulations that would make it easier for small businesses to offer retirement plans. Additionally, the IRS has been directed to review the rules on required minimum distributions (RMD), which currently must begin at age 70 ½ , and to consider raising the minimum age, as life expectancy has increased.

The government fact sheets report that while 98% of workers in companies with 500 or more employees have workplace retirement plans, only 53% of workers in companies with fewer than 100 employees have a workplace retirement plan. This initiative would look for ways to make it easier for small businesses to join together to offer Association Retirement Plans (ARPs), also known as Multiple Employer Plans. Since high costs often prevent small businesses from offering retirement plans, ARPs would leverage economies of scale by expanding the number of employees who can participate, and would reduce the cost for small businesses that join together. The hope is to close the retirement gap and give more American workers access to workplace retirement plans.

According to the government fact sheets, polling indicates that nearly half of all Americans are concerned that they will not have enough money to live on during retirement. By potentially raising the age at which RMDs must begin beyond 70 ½ , retirees would be allowed to spread their savings over a longer period of time and be better prepared for their financial futures.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

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