

KEY TAKEAWAYS

- The gains for U.S. stocks continue. The S&P 500 index has not had a losing month yet this year, despite recently experiencing small bouts of volatility amid tax reform delays and geopolitical events (North Korea, Hurricanes Harvey and Irma). As is frequently the case during summer months, trading volume has been relatively light. On a positive note, the postponement of the debt ceiling showdown has helped abate some political stress.
- The recent severe storms have been devastating for residents of two populous regions of the country (Houston and Florida), but the bulk of the economic damage should be localized while the long-term impact to the national economy is limited. The energy markets have also been impacted, with fuel prices rising nation-wide as refineries along the Gulf Coast have been disrupted.
- While investors have recently shown some skepticism towards pricey U.S. equities, international stocks are still in favor thanks to widespread global economic growth and a falling U.S. dollar. Per the Investment Company Institute, August will mark the fifth consecutive month that investors have pulled money out of U.S. stock funds (mutual funds and ETFs) while at the same time piling dollars into international equities.
- With inflation nowhere to be seen, many are questioning whether the Federal Reserve will hike rates again later this year. Futures markets suggest the probability of another 2017 increase is now less than 30%. However, the Fed's plans to start curtailing its balance sheet appear to remain on track.

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INDEX PERFORMANCE (as of 08/31/17)

Equity	August	Year-to-Date	One-Year
U.S. Large Cap	0.3%	11.9%	16.2%
U.S. Small Cap	-1.3%	4.4%	14.9%
Developed Non-U.S.	0.0%	17.5%	18.2%
Emerging Market	2.3%	28.6%	25.0%
Real Assets			
Real Estate	0.4%	11.4%	4.8%
Commodities	0.4%	-2.7%	3.0%
Natural Resource Equities	-3.8%	-11.4%	-3.5%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	0.0%	6.1%	8.6%
Emerging Market Debt	1.8%	14.7%	9.9%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	0.9%	3.6%	0.5%
U.S. Treasuries	1.1%	3.1%	-0.9%
U.S. Municipal Bonds	0.6%	4.3%	1.2%
Month-End Values/Yields	Current	Prior Month	One-Year Ago
CBOE Volatility Index	10.6	10.3	13.4
10-Year Treasury Yield	2.1%	2.3%	1.6%

Sources: Bloomberg, Morningstar

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