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Market Monitor

At-A-Glance

• The S&P 500 set a new all-time high of 2,481 on August 7th , and solidly rebounded from a 1.8% midmonth slump to extend its 2017 rally from 11.59% in July to 11.93% in August.

• Gains in tech and biotech sent the NASDAQ Composite (+1.43%) to end at an all-time high in August, its first record close since July 26th (+20.34% YTD). The NASDAQ Biotech Index rose 4.59% in August.

• Emerging market stocks continued to widely outpace domestic equities in August and so far this year.

U.S. stocks ended a volatile and traditionally weak August with a five-day rally that pushed the S&P 500 fractionally above breakeven to extend positive returns for a 10th straight month. Volatility returned to Wall Street with the S&P 500 experiencing four separate sessions with moves of 1% or greater (two up and two down), ending months of relative calm. Worldwide investors were challenged by a series of unprecedented provocations by North Korea as Kim Jung Un ordered a resumption of ballistic missile launches, the latest of which flew over Japan, and was said to be a direct warning against Guam, the U.S. territorial Pacific island. Investor sentiment was also tested by Hurricane Harvey's deluge of record-setting rainfall in the greater Houston region and northward along a coastal path into southwest Louisiana. Harvey's disastrous and deadly outpouring, the worst rainfall event in U.S. history, knocked out upwards of 25% of U.S. refinery operations and spiked gasoline prices by nearly 14%. Yet solid corporate earnings, prospects for meaningful tax reform and an accelerating economy helped stave off bearish selling. Global markets also were energized by an upward revision of second quarter U.S. GDP growth from 2.6% to 3% and an increase in July consumer spending along with wage and salary gains

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Within the S&P 500, 6 of its 11 major sectors advanced in August, led by Technology (+3.47%), Utilities (+3.25%) and Healthcare (+1.85%). Energy (-5.18%) and Telecom (-3.02%) declined the most last month. On a YTD basis, Technology (+26.56%) and Healthcare (+19.13%) remain this year's best performing sectors, while Energy (-15.07%) and Telecom (-7.93%) once again are the only sectors that remain negative in 2017. Large cap stocks, as measured by the S&P 500, performed best in August, outperforming small and mid cap companies. Small cap companies, as measured by the Russell 2000 Index, fell 1.27% last month, while the Russell Mid Cap Index declined 0.78%. Large cap stocks also gained the most this year, up 11.9% YTD versus 8.73% for mid caps and 4.42% for small caps. Growth stocks outperformed value stocks in August, with the Russell 1000 Growth Index up 1.83%, while the Russell 1000 Value Index fell 1.16%. The outperformance in growth stocks has continued to widen on a year-to-date basis, with growth shares advancing 19.17% YTD, while value stocks trailed with a 4.81% YTD gain.

Hurt by the euro rising to a two-year high against the dollar, the MSCI EAFE Index, a broad performance measure of global developed markets outside the U.S. and Canada, underperformed relative to domestic equities last month, falling by 0.04%. Germany's DAX Index (-0.51%) fell for a third month in a row. In contrast, the MSCI Emerging Markets Index outperformed the U.S., posting a 2.23% gain in August. The MSCI All Country World Index excluding the U.S. rose 0.56% last month and 19.37% YTD.

Turning to bonds, prices on benchmark 10-year U.S. Treasury notes rallied in August, sending its yield lower by 18 basis points to end the month at a 2017 low of 2.118%. The Bloomberg Barclays U.S. Municipal Bond Index gained 0.76% last month, underperforming relative to the Bloomberg Barclays U.S. Aggregate Bond Index for only the second month since November 2016. The Aggregate Bond Index, a broader measure of U.S. investment grade bonds, advanced 0.9%. At the other end of the credit risk spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, slipped 0.04% in August, trimming its YTD gain to 6.05%.