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Market Monitor



- The S&P 500 recorded its strongest August performance since 2014, topped its prior January 26 peak, and posted four consecutive all-time highs for the month. The Dow Industrials rose 2.56% in August, while the Nasdaq Composite advanced 5.85%, topping the 8,000 mark for the first time.
- U.S. crude oil futures rose 3.20% in August, while gold futures (-1.85%) retreated a fifth month.
- The Bloomberg Commodity Index fell by 1.77% last month, extending a year-to-date (YTD) loss to 3.87%.

U.S. stocks extended gains for a fifth straight month, allowing the S&P 500 to fully emerge from its February correction cloud that had undermined investor optimism since the late January peak. Broader market gains in technology stocks also lifted the Nasdaq Composite to its best August since 2000. Last month's performance was decidedly atypical, as thin summer trading tends to push August returns over the past two decades toward the worst of the year. Also unusual, the S&P 500 recorded its least volatile August in 50 years, never gaining or losing more than 0.8% on any given day. This occurred as investors cheered strong U.S. corporate earnings reports amid an escalation in trade tensions, mixed economic data and emerging market turmoil. Overall, S&P 500 companies posted annualized earnings growth of 24% for a second straight quarter. Wall Street also welcomed milestone-setting news that the present equity bull market has lasted the longest in American history, and the S&P 500 finished the month above 2,900 for the first time ever.

By market capitalization, small cap stocks (+4.31%) outperformed large and mid caps (+3.11%) in August, with small caps extending YTD gains to 14.26%. Sector returns again were led by cyclically-oriented companies in August and YTD, while large cap growth reasserted leadership over value stocks. Internationally, emerging markets and ex-U.S. developed markets widely underperformed relative to domestic equities.

Treasuries advanced last month, sending the yield on 10-year Treasury notes down ten basis points to end August at 2.861%. Investment-grade bonds of all types edged higher in August, while state and local municipal bonds posted a fourth straight monthly gain, the longest winning streak in over a year. Non-investment grade high-yield corporate bonds outperformed within U.S. fixed-income markets in both time periods.

Top Performers – August 2018 ¹	Bottom Performers – August 2018
Technology (+6.93%)	Energy (-3.30%)
Consumer Discretionary (+5.13%)	Materials (-0.35%)
Healthcare (+4.37%)	Industrials (+0.30%)
Top Performers – YTD 2018	Bottom Performers – YTD 2018
Technology (+21.03%)	Consumer Staples (-4.33%)
Consumer Discretionary (+19.39%)	Telecom (-3.36%)
Healthcare (+13.31%)	Materials (-0.66%)

¹Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

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Glossary

Bloomberg Barclays Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973. The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The MSCI All-Country World Ex-U.S. Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, but excludes the United States. The S&P 500 consists of 45 country indexes comprising 22 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.