



C.W. O'Conner Wealth Advisors, Inc.

Market Commentary

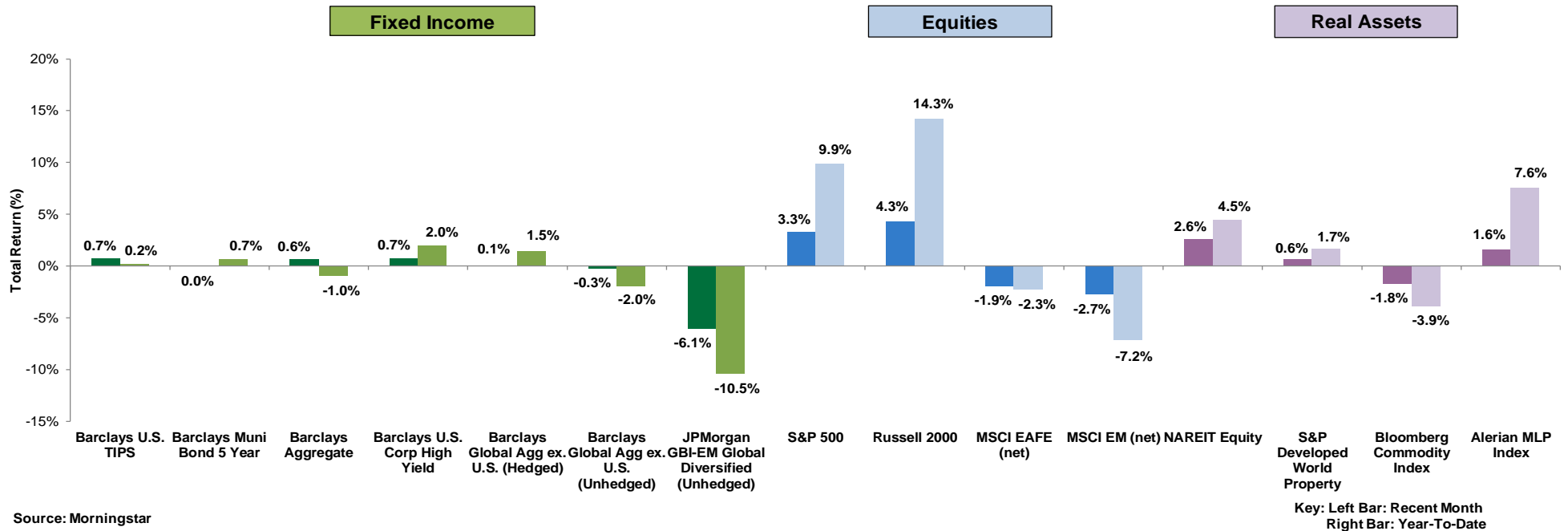
August 2018

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Global Markets Summary

August 2018

Asset Class Returns



Fixed Income

- The spread between the 2-year and 10-year Treasury fell as low as 19 bps during the month, setting a new post-crisis low.
- Returns across domestic fixed income were relatively muted during the month. Rates fell, yet heavy supply weighed on IG spreads which moderately widened.
- Trade talks and currency volatility continued in emerging markets resulting in EM bonds falling just over 6% during the month.

Equities

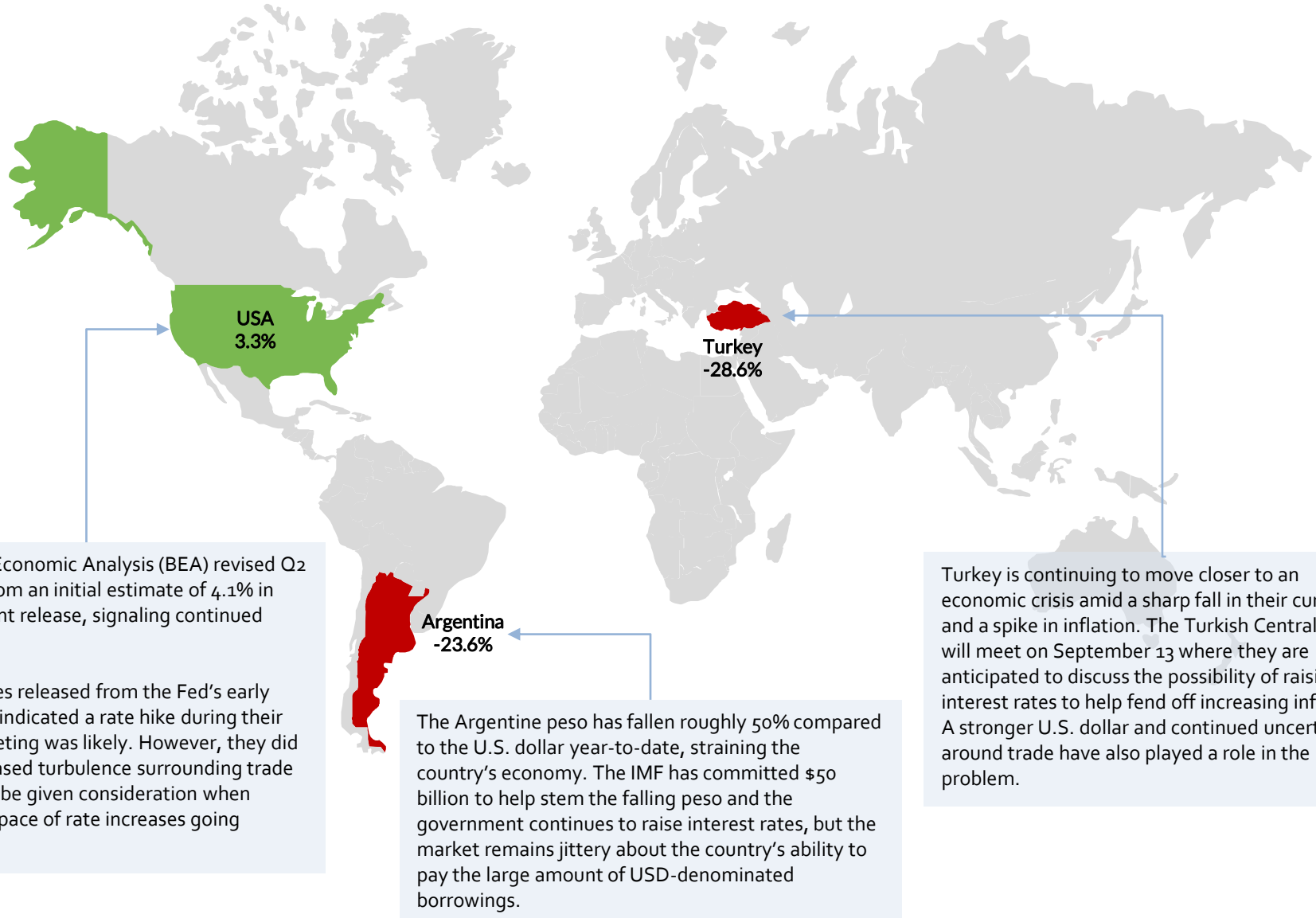
- Domestic equities finished higher during the month as earnings momentum pushed stocks higher with positive sentiment from positive GDP revisions.
- Consumer discretionary and technology sectors led other sectors with growth names broadly outperforming value across market capitalizations.
- Developed Europe underperformed while volatility in Brazil continued to be a primary drag on emerging markets indices.

Real Assets

- Positive economic data and continued low supply helped REITs outperform within real assets. They also benefitted from lower interest rates.
- MLPs added to year-to-date performance as positive sentiment in the space was supported by positive operating results and fundamentals.
- Higher crude and natural gas prices were not enough to overcome soft agriculture prices which drug down the commodity index.

Global Highlights

August 2018



The Bureau of Economic Analysis (BEA) revised Q2 GDP to 4.2% from an initial estimate of 4.1% in their most recent release, signaling continued strength.

Meeting minutes released from the Fed's early August session indicated a rate hike during their September meeting was likely. However, they did note that increased turbulence surrounding trade tensions would be given consideration when addressing the pace of rate increases going forward.

Argentina
-23.6%

The Argentine peso has fallen roughly 50% compared to the U.S. dollar year-to-date, straining the country's economy. The IMF has committed \$50 billion to help stem the falling peso and the government continues to raise interest rates, but the market remains jittery about the country's ability to pay the large amount of USD-denominated borrowings.

Turkey
-28.6%

Turkey is continuing to move closer to an economic crisis amid a sharp fall in their currency and a spike in inflation. The Turkish Central Bank will meet on September 13 where they are anticipated to discuss the possibility of raising interest rates to help fend off increasing inflation. A stronger U.S. dollar and continued uncertainty around trade have also played a role in the problem.

Stated returns reflect each country's MSCI Gross Country Index in U.S. dollars

Financial Markets Performance

Total Returns as of August 31, 2018

Periods greater than one year are annualized

All returns are in U.S. dollar terms

Global Fixed Income Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg Barclays 1-3-Month T-Bill	0.2%	0.5%	1.1%	1.4%	0.7%	0.4%	0.3%	0.3%	1.2%
Bloomberg Barclays US TIPS	0.7%	0.6%	0.2%	0.8%	2.2%	1.9%	1.4%	3.0%	4.2%
Bloomberg Barclays Municipal Bond (5 Year)	(0.0%)	0.6%	0.7%	(0.7%)	1.6%	2.2%	2.0%	3.2%	3.4%
Bloomberg Barclays HY Muni	0.8%	1.7%	4.9%	6.2%	7.2%	7.1%	6.6%	6.0%	6.1%
Bloomberg Barclays US Aggregate	0.6%	0.5%	(1.0%)	(1.0%)	1.8%	2.5%	2.2%	3.7%	4.0%
Bloomberg Barclays U.S. Corporate High Yield	0.7%	2.2%	2.0%	3.4%	7.0%	5.6%	7.0%	8.5%	7.9%
Bloomberg Barclays Global Aggregate ex-US Hedged	0.1%	0.5%	1.5%	2.1%	3.3%	4.0%	4.0%	4.2%	4.2%
Bloomberg Barclays Global Aggregate ex-US Unhedged	(0.3%)	(1.4%)	(2.0%)	(1.6%)	2.9%	0.4%	(0.5%)	2.0%	3.8%
Bloomberg Barclays U.S. Long Gov / Credit	0.9%	0.5%	(3.9%)	(2.1%)	4.2%	5.6%	5.1%	6.8%	6.4%
JPMorgan GBI-EM Global Diversified	(6.1%)	(7.0%)	(10.5%)	(10.0%)	3.2%	(1.3%)	(1.9%)	1.9%	6.1%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	3.3%	7.8%	9.9%	19.7%	16.1%	14.5%	15.6%	10.9%	9.5%
Dow Jones Industrial Average	2.6%	7.0%	6.7%	21.0%	19.2%	14.6%	15.0%	11.3%	9.7%
NASDAQ Composite	5.9%	9.2%	18.3%	27.5%	20.7%	19.1%	19.2%	14.4%	11.6%
Russell 3000	3.5%	7.6%	10.4%	20.2%	15.9%	14.3%	15.5%	10.9%	9.8%
Russell 1000	3.4%	7.7%	10.1%	19.8%	15.8%	14.4%	15.6%	10.9%	9.7%
Russell 1000 Growth	5.5%	9.6%	16.4%	27.2%	19.3%	17.5%	17.3%	12.8%	10.5%
Russell 1000 Value	1.5%	5.8%	3.7%	12.5%	12.3%	11.2%	13.7%	8.9%	8.8%
Russell Mid Cap	3.1%	6.4%	8.2%	17.9%	13.4%	12.8%	14.5%	10.9%	11.0%
Russell Mid Cap Growth	5.8%	8.5%	13.9%	25.1%	15.3%	14.2%	15.2%	11.6%	11.0%
Russell Mid Cap Value	1.4%	5.0%	4.0%	12.7%	12.1%	11.8%	14.1%	10.3%	10.8%
Russell 2000	4.3%	6.9%	14.3%	25.4%	16.1%	13.0%	14.9%	10.5%	10.2%
Russell 2000 Growth	6.2%	8.9%	18.5%	30.7%	16.4%	14.2%	15.9%	11.6%	10.6%
Russell 2000 Value	2.4%	4.8%	9.9%	20.0%	15.7%	11.7%	13.8%	9.3%	9.6%
MSCI ACWI (net)	0.8%	3.3%	3.4%	11.4%	11.8%	9.7%	10.0%	6.7%	8.1%
MSCI ACWI ex. U.S. (net)	(2.1%)	(1.6%)	(3.5%)	3.2%	8.1%	5.4%	5.4%	3.4%	7.4%
MSCI EAFE (net)	(1.9%)	(0.7%)	(2.3%)	4.4%	7.0%	5.7%	6.6%	3.7%	7.0%
MSCI EAFE Growth (net)	(0.3%)	0.6%	0.8%	8.1%	8.9%	7.1%	7.5%	4.5%	7.5%
MSCI EAFE Value (net)	(3.6%)	(2.1%)	(5.4%)	0.6%	5.1%	4.3%	5.6%	2.7%	6.4%
MSCI EAFE Small Cap (net)	(0.8%)	(2.1%)	(1.5%)	7.5%	11.4%	10.0%	9.8%	7.7%	10.0%
MSCI Emerging Markets (net)	(2.7%)	(4.7%)	(7.2%)	(0.7%)	11.4%	5.0%	2.8%	3.4%	9.7%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	2.6%	7.9%	4.5%	6.0%	9.6%	10.4%	10.3%	7.7%	9.8%
S&P Developed World Property ex-US	(1.8%)	(2.2%)	(1.9%)	4.0%	7.9%	6.6%	7.7%	5.7%	9.2%
S&P Developed World Property	0.6%	2.8%	1.7%	5.5%	8.7%	8.3%	8.8%	6.6%	9.3%
Bloomberg Commodity Total Return	(1.8%)	(7.2%)	(3.9%)	0.5%	(1.9%)	(8.0%)	(8.8%)	(7.6%)	(1.2%)
Alerian MLP	1.6%	6.6%	7.6%	7.3%	(0.7%)	(2.0%)	3.3%	7.3%	9.5%

Source: Morningstar



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