

DeMarche Dashboard

July 2017

Global Economy and Markets

- **Global Overview** - Global equity markets continued to advance in July. Second quarter GDP in the U.S. showed a rebound from the beginning of the year while initial corporate earnings reports were stronger than expected. The Federal Reserve maintained short-term interest rates at its July meeting, and reiterated the timeline for reducing the size of its balance sheet in the near term. Chinese economic growth also rebounded in the second quarter despite central government controls on liquidity, which were put in place earlier in the summer. Political uncertainty in Japan and a stronger Yen negatively impacted Japanese markets, but they still finished positive for the month. In Europe, markets began to anticipate the possibility that the ECB would remove some of its stimulus program, possibly in the fall. The Euro gained ground against the dollar while Euro zone inflation remained low but positive.
- **Emerging markets** strongly outperformed non-U.S. international developed markets during the month. Strong Chinese growth helped lift commodity prices and market indexes in commodity producing countries while the dollar and improved forecasts for global growth helped emerging economies overall. The prospect of additional rate cuts helped boost Indian markets to all-time highs. In Brazil, continuing political uncertainty was offset by a strong currency and the introduction of labor market reforms. The prime minister of Pakistan was disqualified from office following a year's long corruption scandal, dropping the Karachi stock index from its high in May.
- In **developed markets**, Japan's ruling party was dealt a setback in local elections around Tokyo. The results cast further doubts about the prospect of additional reform and stimulus measures from the Abe government. In Britain, the opening phase of Brexit negotiations gave little indication of the path the country will eventually take as competing factions, both in and outside the government, lobbied for influence. In Europe, both Spain and France saw stronger economic growth in the second quarter.

U.S. Economy and Markets

- The S&P 500 gained 2.1% in July. All 11 sectors were positive for the month.
- Large-cap stocks strongly outperformed small cap stocks. Growth led value across all market capitalizations.
- Telecommunication Services, Information Technology, and Energy were the strongest performing sectors. Industrials, Consumer Staples, and Healthcare were the weakest performing sectors on a relative basis, rising less than 1% each.
- The Russell 2000 advanced 0.7%. Nine out of 11 sectors were positive.
- Telecommunication Services, Information Technology, and Consumer Staples were the strongest performing sectors. Healthcare and Consumer Discretionary were the only sectors to post losses.

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- Job creation exceeded expectations in July with payrolls increasing by 209,000, ahead of expectations of a gain of around 180,000. The unemployment rate fell to 4.3%. Employment increased in healthcare related occupations, food services, and professional services. Despite the increase in hiring, wage growth continued to show a slow increase at 2.5% year over year and labor force participation rates remained little changed. The Consumer Confidence Index increased modestly to 121.1, up from 117.3 in June. Consumers' assessment of current conditions remained at a 16-year high.
- The 10-year Treasury yield ended July little changed at 2.30%, vs. 2.31% to start the month. Investment-grade corporate spreads tightened during the month, ending at 1.09%. High-yield spreads came in as well. Spreads over Treasuries fell to 361 basis points from 377 at the end of June.
- The Bloomberg Barclays Aggregate gained 0.4%, while the Investment Grade Corporate index rose 0.7%. The Bloomberg Barclays US High Yield Index gained 1.1%.

International Markets

- The MSCI EAFE Index gained 2.9% in July. Norway, Austria, and Belgium were the strongest performing countries. Israel, Ireland, and Sweden were the weakest performers on a relative basis with Ireland and Sweden posting weak gains and Israeli markets declining. Small-cap stocks outperformed large-caps. The MSCI EAFE Small Cap gained 3.6%.
- The MSCI Japan index rose 2.0%, while Asia excluding Japan gained 5.4%. The Europe wide index gained 3.0%, slightly better than the United Kingdom's 2.6% return.
- By style, international developed markets' performance was opposite of the United States with value leading growth. The MSCI EAFE value gained 3.3%, ahead of the indexes' Growth variant at 2.4%.
- The MSCI Emerging Markets Index advanced 6.0% during the month. Brazil, China, and Chile were the strongest performing countries with Brazil posting nearly an 11% gain. Pakistan was the only country in the index to post a loss falling almost 7%.
- MSCI's China index advanced 8.9%. Latin America overall gained ground in July. Chile in particular stood out, rising nearly 9.0%. South Africa posted solid gains, climbing 6.8% to lead all African and Middle East markets.
- The MSCI Frontier Markets index gained 2.1%. Estonia, Romania, and Nigeria were the strongest performers with Estonia and Romania posting double digit-gains. Argentina, Jordan, and Bangladesh were the weakest performing countries, all declining for the month.
- Yields on German government bonds rose, finishing at 0.5% after briefly reaching 0.6% during the month. Italian yields narrowed on the prospect of better economic growth in the Euro area while long term British debt was little changed. The Bloomberg Barclays Euro Universal Index advanced 3.7% in dollar terms, while global treasury markets also rose with the Global Treasury ex US Index rising 2.5%.



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- Emerging Markets debt rallied on increased expectations of growth and a weaker dollar. The Bloomberg Barclays EM Hard Currency Aggregate gained 1.2%.

Looking Ahead

- Earnings season continues in most of the developed world. Initial reports were strong in the U.S. and Japan. Investors will be watching closely for signs of continued strength.
- The U.S. Congress will return from its summer recess on September 5th following the Labor Day holiday. Among the most pressing items facing lawmakers will be the need to raise the debt ceiling and avoid the potential for a default on payments. Given the lack of agreement and legislative accomplishments thus far, markets could easily be impacted by any hint of failure to reach an agreement.
- In the long term, the outcome of the debt ceiling debate may give insight into the chances for meaningful policy action during the remainder of the year.
- OPEC will meet during the second week of August. Previous agreements have failed to reduce global inventory levels, this meeting may focus on compliance among cartel members.
- The German general election on September 24th is the next major European election with the potential for major policy impacts on the continent. Populist parties appear to have lost some ground in Europe. Early polling indicates Angela Merkel's Christian Democratic Union party is the favorite to capture a legislative majority and secure a fourth term as chancellor for Merkel. A surprise result, however, could jolt markets and further complicate Brexit talks as well as the continent's relations with Russia and the U.S.

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates	
	Latest (Q1)	2017 ^A	2018 ^A	(Most recently available)	Sovereign Bonds, 10 Year ^B	per US \$	
						Current	1 Year Ago
United States	2.10	2.20	2.30	4.30	2.27	-	-
China	6.90	6.70	6.30	4.00	1.50	6.74	6.65
Japan	1.26	1.30	1.10	3.20	0.04	110.87	104.86
United Kingdom	1.99	1.60	1.20	4.50	1.08	1.31	1.32
Euro Area	1.70	1.90	1.70	9.10	0.25	1.18	1.11
Germany	1.66	1.80	1.70	3.90	0.25	1.18	1.11
France	1.18	1.50	1.60	10.00	0.66	1.18	1.11
Italy	1.20	1.10	1.00	11.30	2.05	1.18	1.11
Canada	2.27	2.30	2.00	6.60	1.48	1.24	1.32
India	6.20	7.10	7.60	5.00	6.50	64.44	67.16
Mexico	2.50	2.00	2.10	3.50	7.24	17.75	18.91
Brazil	-0.41	0.60	1.90	13.00	11.75	3.14	3.27

A. *The Economist* or The Economist Intelligence Unit estimate/forecast

B. Most recently available data

Sources: Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, and *The Economist*

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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	2.39	4.96	13.31	16.12	6.64	11.63	4.45
	BBgBarc US Agg Bond TR USD	0.43	1.10	2.71	-0.51	2.71	2.02	4.44
	DeMarche 3000	2.42	4.45	11.68	15.80	8.09	12.61	6.07
	Russell 3000 TR USD	1.89	3.86	10.99	16.14	10.52	14.79	7.83
	S&P 500 TR USD	2.06	4.14	11.59	16.04	10.87	14.78	7.74
	DJ Industrial Average TR USD	2.68	5.21	12.28	21.81	12.54	13.79	8.01
	NASDAQ Composite PR USD	3.38	4.97	17.93	22.97	13.26	16.65	9.57
	MSCI EAFE NR USD	2.88	6.47	17.09	17.77	2.79	9.06	1.46
	Citi Treasury Bill 3 Mon USD	0.08	0.21	0.38	0.51	0.23	0.16	0.48
	Bloomberg Commodity TR USD	2.26	0.71	-3.11	0.77	-12.69	-9.98	-6.48
Domestic Equities	S&P 500 TR USD	2.06	4.14	11.59	16.04	10.87	14.78	7.74
	S&P MidCap 400 TR	0.88	2.02	6.92	14.69	10.44	15.13	9.13
	S&P SmallCap 600 TR USD	0.97	1.78	3.79	17.66	11.76	15.88	9.11
	DeMarche Large Cap	2.62	4.99	12.51	15.62	8.05	12.15	5.51
	DeMarche Large Cap Growth	2.86	6.10	17.33	18.72	11.59	14.29	7.52
	DeMarche Large Cap Value	2.34	3.71	7.32	12.27	3.90	9.92	3.05
	DeMarche Small Cap	-0.01	1.52	3.99	22.22	7.78	14.24	7.25
	DeMarche Small Cap Growth	-0.16	2.26	6.24	23.76	7.83	12.91	6.27
	DeMarche Small Cap Value	0.12	0.90	2.18	20.96	7.68	15.04	7.82
	Russell 1000 TR USD	1.98	4.00	11.44	15.95	10.58	14.85	7.84
	Russell 1000 Growth TR USD	2.66	5.05	17.02	18.05	12.66	15.60	9.36
	Russell 1000 Value TR USD	1.33	2.88	6.05	13.76	8.45	14.00	6.21
	Russell Mid Cap TR USD	1.47	3.42	9.58	13.04	9.31	15.00	8.24
	Russell Mid Cap Growth TR USD	1.67	4.41	13.26	13.39	9.53	14.60	8.30
	Russell Mid Cap Value TR USD	1.33	2.52	6.57	12.69	9.00	15.32	7.99
Russell 2000 TR USD	0.74	2.11	5.77	18.45	9.89	14.19	7.76	
Russell 2000 Growth TR USD	0.85	3.37	10.91	17.76	10.22	14.58	8.49	
Russell 2000 Value TR USD	0.63	0.91	1.18	19.21	9.50	13.76	6.94	
International Equities	MSCI EAFE NR LCL	0.67	1.98	8.27	17.36	7.33	12.36	2.42
	MSCI EAFE NR USD	2.88	6.47	17.09	17.77	2.79	9.06	1.46
	MSCI EAFE Growth NR USD	2.42	6.91	19.51	12.98	4.44	9.34	2.39
	MSCI EAFE Value NR USD	3.34	6.06	14.83	22.74	1.06	8.71	0.46
	MSCI Japan NR USD	2.02	6.21	12.14	14.19	6.04	10.53	1.43
	MSCI AC Asia Ex Japan NR USD	5.35	11.68	29.38	27.34	5.54	8.54	4.01
	MSCI Europe NR USD	2.99	6.80	18.80	19.71	2.05	9.21	1.13
	MSCI United Kingdom NR USD	2.58	5.24	12.84	13.14	-1.72	5.57	0.76
	MSCI EAFE Small Cap NR USD	3.62	7.42	20.95	20.27	7.71	13.66	3.82
	MSCI EM NR USD	5.96	10.19	25.49	24.84	2.39	4.76	1.98
Fixed Income	Citi HY Market TR USD	1.14	2.10	5.67	10.77	4.83	6.28	7.72
	Citi Benchmark STRIPS 20 Yr USD	-0.97	2.10	6.43	-11.41	6.87	2.50	8.60
AA/S	FTSE NAREIT All REITs TR	1.19	3.09	6.69	-1.23	9.37	9.75	7.12
	Bloomberg Commodity TR USD	2.26	0.71	-3.11	0.77	-12.69	-9.98	-6.48

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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