

# THE PRIVATE CLIENT GROUP

WEALTH MANAGEMENT



~ AUGUST 2015 NEWSLETTER ~

## Monthly Summary

Signs of a slowdown in China, the world's second largest economy, jolted stocks, bonds, currencies, and commodities in August. During the month, the S&P 500 experienced its worst single day decline since 2011 and all major U.S. market indexes fell into correction territory (down over 10% from previous high). Commodities had their share of pain as well. Dollar strength, cooling in China, and strong supply dynamics in many categories drove 18 of the 22 components in the Bloomberg Commodity index into a bear market (down at least 20%). As the month drew to a close, the oil market experienced its strongest three day rally in a quarter of a century. Absent this move, the most dramatic since Iraq's invasion of Kuwait in 1990, aggregate commodity results would have been far more dismal than a decline of just 0.9%.

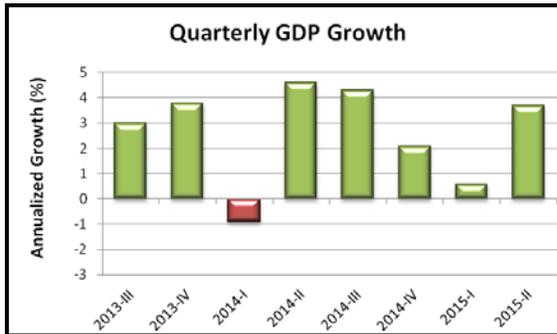
For now, most economists believe the U.S. is fairly insulated from China's turmoil. Indeed, China accounts for less than 1% of U.S. GDP and under 2% of S&P 500 revenues. That said, China is a massive user of natural resources and its slowing has wreaked havoc on commodity prices. Add to that the nation's mid-month currency devaluation and you have a recipe for a strong deflationary pulse to the U.S. and other areas of the globe. For this reason, there is great uncertainty as to the path of the U.S. Federal Reserve. Just weeks ago, odds favored an interest rate hike on September 17. Following recent turmoil, however, those odds dropped precipitously. For now, Fed member comments suggest a hike is reliant on a reasonably robust labor market report on Friday, September 4, as well as less volatile capital markets. Lacking either or both, the Fed is likely on hold off until at least October if not later.

## Economic Data

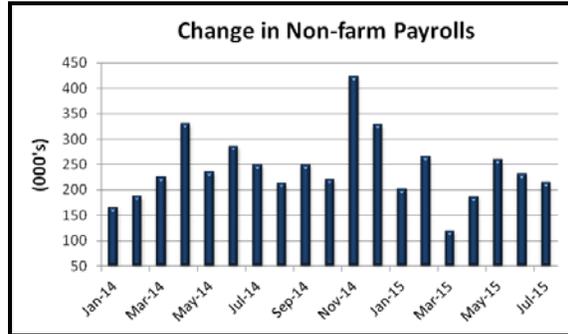
<b>General</b>	<b>Prior</b>	<b>Current</b>
GDP growth	0.6% (Q1)	3.7% (Q2)
Trade balance	-\$40.9B (May)	-\$43.8B (Jun)

<b>Employment</b>	<b>Prior</b>	<b>Current</b>
Initial jobless claims	277,000 (8/15)	271,000 (8/22)
Continuing claims	2.3MM (7/8)	2.3MM (8/15)
Change in nonfarm payrolls	231,000 (Jun)	215,000 (Jul)
Unemployment rate	5.3% (Jun)	5.3% (Jul)
Average weekly hours	34.5 (Jun)	34.6 (Jul)

<b>Consumer</b>	<b>Prior</b>	<b>Current</b>
Consumer confidence index (Conf. Board)	91.0 (Jul)	101.5 (Aug)
Retail sales growth (YoY)	3.3% (Jun)	2.9% (Jul)
Change in consumer credit	\$16.5B (May)	\$20.7B (Jun)



Data Source: U.S. Bureau of Economic Analysis



Data Source: U.S. Bureau of Labor Statistics

**Manufacturing & Service**

	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	53.5 (Jun)	52.7 (Jul)
ISM non-manufacturing index	56.0 (Jun)	60.3 (Jul)
Durable goods orders growth	4.1% (Jun)	2.0% (Jul)
Industrial production growth	0.1% (Jun)	0.6% (Jul)
Capacity utilization	77.7% (Jun)	78.0% (Jul)

**Real Estate**

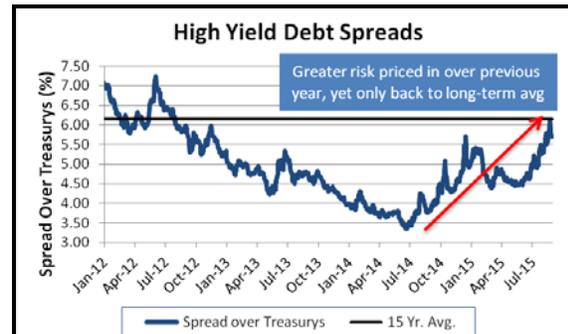
	<b>Prior</b>	<b>Current</b>
New home sales	481,000 (Jun)	507,000 (Jul)
Existing home sales	5.5MM (Jun)	5.6MM (Jul)
Case-Shiller home price index (YoY)	5.0% (May)	5.0% (Jun)

**Inflation**

	<b>Prior</b>	<b>Current</b>
Consumer price index/Core (YoY growth)	0.1%/1.8% (Jun)	0.2%/1.8% (Jul)
Producer price index/Core (YoY growth)	-0.7%/0.8% (Jun)	-0.8%/0.6% (Jul)



Data Source: Institute for Supply Management



Data Source: BofA Merrill Lynch

**Market Returns**

	<b>August 2015</b>	<b>YTD 2015</b>
<b>Fixed Income</b>		
Barclays Aggregate Bond	-0.1%	0.4%
Barclays Municipal Bond	0.2%	1.0%
Barclays Gbl Agg. ex. U.S.	0.4%	-5.2%
<b>Alternatives</b>		
Bloomberg Commodity	-0.9%	-12.8%
DJ US Real Estate	-5.7%	-6.3%
<b>Domestic Equities</b>		
Wilshire 5000	-6.0%	-2.7%
S&P 500	-6.0%	-2.9%
Russell 2000	-6.3%	-3.0%
<b>International Equities</b>		
MSCI EAFE (Developed)	-7.4%	-0.2%
MSCI EM (Emerging)	-9.0%	-12.9%

Data Source: Morningstar

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