Cambridge ADVISORS inc.
INVESTMENT MANAGERS

LORI L. LIFFRING, CFA ♦ MICHAEL L. BRIDGMAN, ChFC ♦ JUSTIN S. ANDERSON, MBA AAMS ♦ KAREN K. BENEFIEL, CMT CPA
GAYLAN C. ABOOD, CHAIRMAN EMERITUS

Stocks took a breather in August finishing the month close to where they started. The S&P 500 finished the month up just 0.3% which brought its year-to-date return to 11.9%. The small cap stocks in the Russell 2000 index stumbled slightly and were down -1.3% for the month and are up 4.4% year-to-date. International stocks in the MSCI EAFE index were flat for the month and are up 17.1% year-to-date. Emerging markets continued their march higher with a 2.0% return for the month and a 26.1% year-to-date return. Yields on the ten-year US Treasury declined and finished the month at 2.1%. The Barclays Aggregate Bond Index gained 0.9% in August to post a year-to-date return of 3.6%.

August brought a continuation of favorable economic and earnings growth providing support to the markets. The good news was curbed however, by geopolitical tensions and concern for Texas as they struggle in the aftermath of Hurricane Harvey.

Second quarter US GDP growth was revised to an annual rate of 3.0% from the previous estimate of 2.6%. Additionally, preliminary evidence shows a good indication that third quarter growth could be even higher. Corporate earnings have also continued a healthy trend. The S&P 500 trailing 12-month earnings growth rate was 9.7% in the 2nd quarter. This continues a recent trend of improving earnings which looks to continue through 2018.

The US economy added 156,000 jobs month-over month in August. This is a reasonably good report since we're nearly at full employment with an unemployment rate of just 4.4%. The strength of the jobs report can often give us some insight as to whether the Fed will raise interest rates when we're in a tightening cycle. A strong reading may encourage a rate hike and a weak number may lead to a pause. This number falls between the extremes.

We are currently in the season of the year when stocks experience increased volatility and a greater tendency toward weakness. Geopolitical issues, storm damage and dysfunction in Washington DC are all feeding into seasonal weakness this year. So far stocks have been surprisingly resilient, however, the bond market is indicating a flight to quality with the 10-year Treasury yield declining to recent lows. By mid-October we should be through the weak seasonality and could be on track for a decent finish to the year barring unexpected circumstances. If we do see disruption in the markets, it may be a good time to be opportunistic if it fits with your goals and circumstances.

Stocks rose sharply after Trump was elected largely on the hope that tax reform (or at least tax cuts) would give the economy a boost. So far little of the Trump agenda has been passed and it looks like tax reform will be delayed until the first half of 2018 and may not happen at all. Some worry about whether Congress will increase the debt ceiling in December but it seems politicians are tripping over each other to assure voters that it will pass. Right now it seems that Washington is neither helping markets nor hurting them. Stocks are mostly responding to an economy that is still growing with reasonable earnings and few good alternatives. If you have questions about your investments, please talk with your advisor.

17330 WRIGHT ST, STE 205 | OMAHA, NE 68130 | P: (402) 697-1166 | F: (402) 697-9271
CAMBRIDGEADVISORS.NET