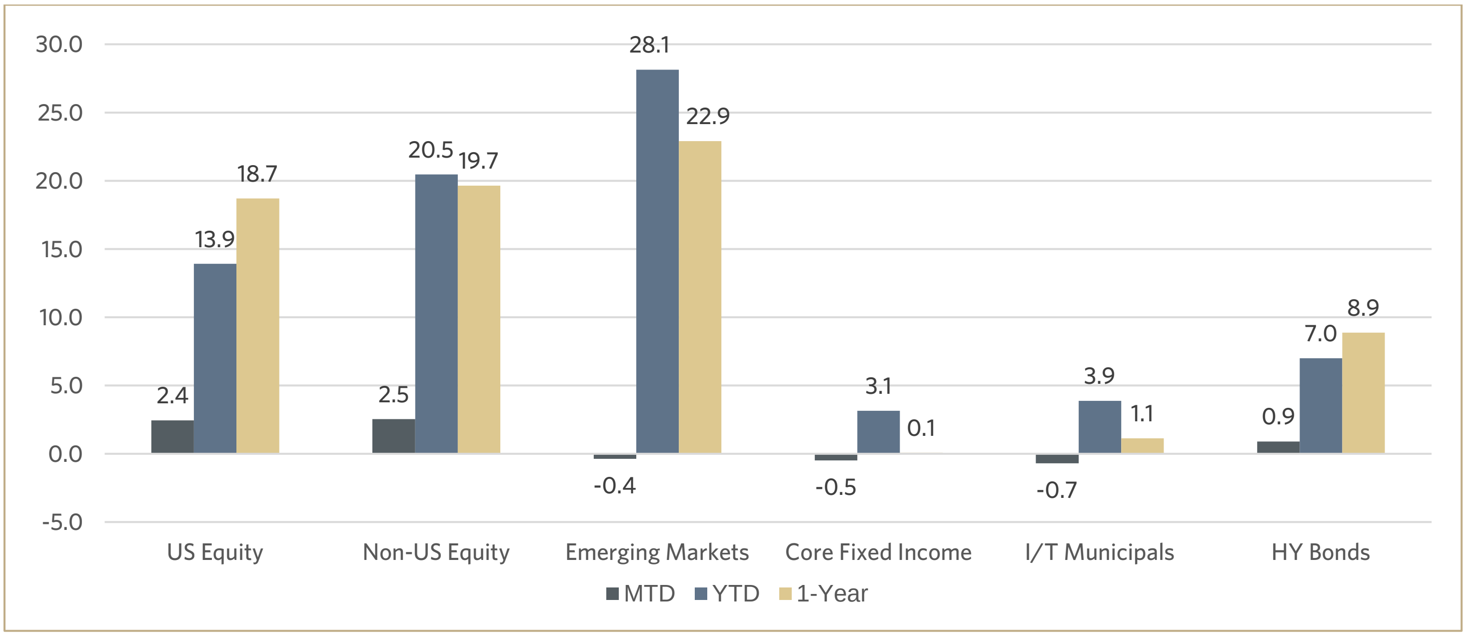
HIGHTOWER
ACACIA WEALTH ADVISORS

CAPITAL MARKETS RECAP

SEPTEMBER 2017

MARKET RETURNS AS OF SEPTEMBER 30, 2017



Source: Morningstar, Inc.- Barclays Capital, Russell and MSCI.

Both U.S. and developed international equities posted strong returns for the month as investors focused on improving economic conditions and shrugged off geopolitical tensions and mass destruction by hurricanes and earthquakes. Emerging market equities reversed recent trend and declined slightly in September, but still lead the way on a year-to-date and one-year basis. U.S. interest rates rose in the month as the Fed announced its much anticipated balance sheet normalization program.

ECONOMIC DATA

- **Real U.S. GDP** in the second quarter was revised upward to 3.1% from the second estimate of 3.0%. Stronger than previously estimated private inventory accounted for the change, but economic growth generally remained the same.
- **Inflation** gained 0.4% in August as the rise in the indexes for shelter and gasoline accounted for the majority of the adjusted increase. Over the past 12 months, the overall CPI (Consumer Price Index) rose 1.9% and the Core inflation rate (CPI minus food and energy) rose 1.7%.
- **U.S. unemployment rate** changed little in August (4.4%), with the job market gaining 156,000 jobs during the month. The largest growth occurred in manufacturing, construction, and professional and technical services. Averaging 176,000 per month in 2017, the employment growth rate is consistent with the 187,000 gain per month in 2016.
- **Consumer confidence** declined in September after a modest improvement in August. Lynn Franco of The Conference Board said, "Despite the slight downtick in confidence, consumers' assessment of current conditions remains quite favorable and their expectations for the short-term suggest the economy will continue expanding at its current pace."
- **Global manufacturing growth** continued expanding in September as new orders led to one of the sharpest rises in backlogs of work in over three years. Improving market conditions along with new export business led the way for the upsurge in manufacturing growth in the Eurozone. U.S. manufacturing increased again in September even as new order growth eased.

U.S. Equities

- Broad U.S. stocks rose in the month of September.
- Size – Small-caps (up 6.2%) outperformed large- and mid- cap stocks (up 2.1% and 2.8%, respectively) during the month.
- Style – Value stocks meaningfully outperformed growth stocks in September (3.3% vs. 1.6%), but continue to significantly trail growth stocks on a year-to-date basis (up 7.7% versus 20.4%, respectively).

S&P 500 Sector Returns for September 2017:

Best		Worst	
Energy	9.94%	Utilities	-2.74%
Financials	5.14%	Real Estate	-1.39%
Industrials	4.00%	Consumer Staples	-0.86%

Source: Morningstar, Inc.

International Equities

- International developed stocks posted notable gains in both local (up 2.8%) and U.S. dollar (up 2.5%) terms in September. On a year-to-date, international equities were up 11.6% in local terms, however the decline in the U.S. dollar helped lift returns to 20.5% for the U.S. based investors.
- Emerging market equities reversed their recent upward trend by ending the month lower in U.S. dollar terms (down -0.4%), but in slightly positive territory in local terms (up 0.5%) due to a declining U.S. dollar. Gaining 28.4% year-to-date, puts this asset class at the top of the list.

Fixed Income

- Interest rates increased during the month leading to negative returns for bondholders (interest rates and bond prices move inversely). The U.S. 10-Year Treasury yield began the month at 2.2% and ended the month at 2.3%.
- Despite rising interest rates, high yield bonds saw an uptick in performance (up 0.9%) for the month of September. The asset class continued to post strong returns over the past 12 months (up 8.9%).

Looking Ahead

- As we begin the final quarter of the year, it is important to review your tax situation in light of the government's proposed tax law changes.
- Timing the market is difficult and we continue to believe successful investors have the discipline to rebalance, maintain a globally diversified portfolio, and remain focused on long-term investment goals.

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Sources: Morningstar, Inc., U.S. Bureau of Labor Statistics, The Conference Board, IHS Markit, The Federal Reserve (central bank of United States), The Bureau of Economic Analysis (U.S. Department of Commerce) & U.S. Department of Treasury