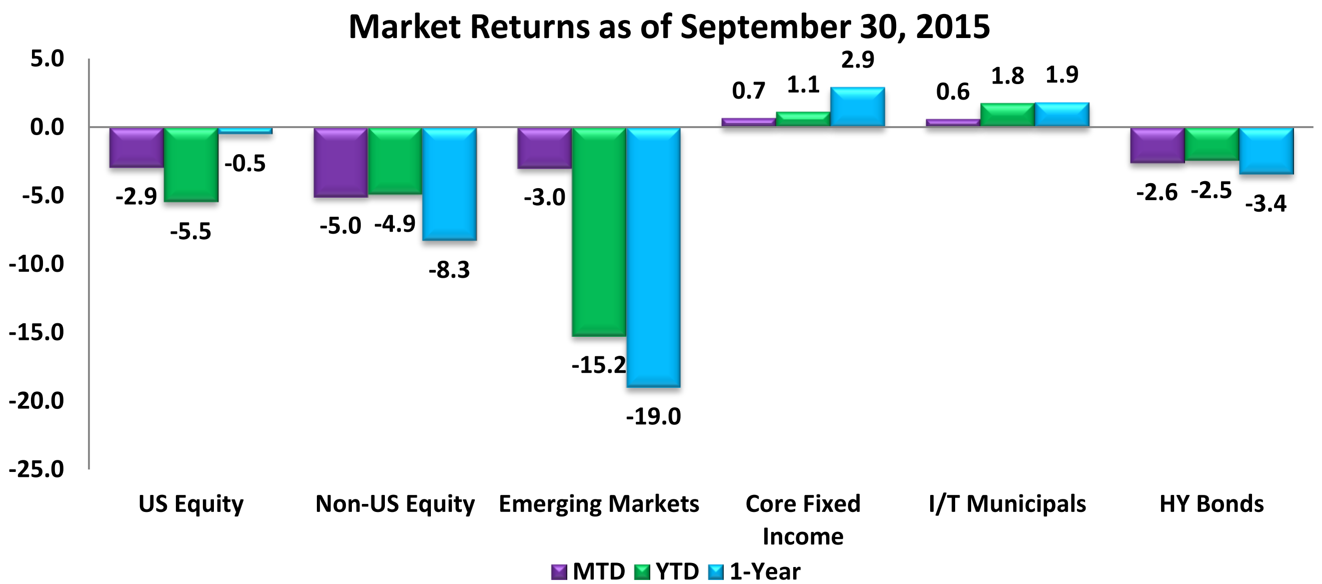
CAPITAL MARKETS RECAP

Acacia Wealth Advisors

SEPTEMBER 2015



Source: Barclays Capital, Russell and MSCI . Returns are preliminary.

Stock prices continued to tumble in September as investors grappled with China's slowing economy and its potential impact on growth in the rest of the world. Despite the continued improvement in the U.S. labor market, the Federal Reserve opted to not raise interest rates after the September meeting. The Fed cited low inflation and global economic concerns for maintaining their current 0% to 0.25% interest rate policy, but reaffirmed their expectations that the first rate hike should occur in 2015.

Economic Data

- Real GDP for the 2nd quarter was upwardly revised to 3.9% from the prior estimate of 3.7%. The upward adjustment reaffirmed the bounce back from the lackluster 0.6% increase reported in the first quarter.
- Inflation declined in August 0.1%, driven by lower oil and gas prices. The energy index is the main driver of the low overall rate as it fell 15% since August 2014. Core CPI (CPI less food and energy) remained stable increasing 1.8% over the past 12 months.
- The employment picture continued to improve in August as the unemployment rate declined to 5.1% from 5.3% reported in July. Over the past year, the unemployment rate declined by 1% or 1.5 million people. The economy added 173,000 new jobs in August. Job gains were experienced in the health care, social services, and financial services, while mining and manufacturing sectors continued to shed jobs.
- Despite global uncertainty, consumer confidence in the U.S. remained solid, improving slightly in September following August's strong rebound. According to the Conference Board, consumers' assessment of the current situation hit an 8-year high in September.
- Global manufacturing in September grew at its slowest rate since July 2013, driven by weakness in Asia. China has seen declines in manufacturing growth for the past 7 months and declined in September to its lowest level since March 2009. The U.S. and European Union positively contributed to global manufacturing growth, although growth rates remained subdued.

U.S. Equities

- The U.S. stock market fell again in September, pushing year-to-date returns further into negative territory.
- Size – Large caps declined less than small and mid cap stocks on a relative basis.
- Growth stocks held up better than value stocks for the month and on a year-to-date basis. Energy stocks declined 6.7% for the month and 21.3% so far in 2015, which has negatively impact performance of value indexes.
- All but two S&P 500 sectors declined in September:

Best		Worst	
Utilities	2.92%	Materials	-7.36%
Consumer Staples	0.52%	Energy	-6.67%
Consumer Discretionary	-0.62%	Health Care	-5.67%

International Equities

- International developed equities declined more than domestic stocks in both local and U.S. dollar terms.
- Emerging market equities declined less than developed equities, but continued to significantly underperform developed equities on a year-to-date and one-year basis due. Emerging markets continue to be impacted by the slower growth in China and lower commodity prices.

Fixed Income

- Interest rates rose in the early part of September leading up the Fed meeting, but ultimately ended the month lower after the Fed decided not to raise rates in September. The 10-Year U.S. Treasury yield began the month at 2.2% and traded as high as 2.3%, but fell to 2.1% by the end of the month.
- High yield bonds fell again in September as credit spreads continued to widen as investors preferred quality over yield.

Looking Ahead

- Softer manufacturing growth in the U.S. can be explained by the stronger U.S. dollar and weaker global demand, but this sector only represents roughly 10% of the U.S. economy. The more domestically oriented service sector remains solid, although there is some indication that the future outlook is not as robust.
- Some of the factors creating uncertainty for investors are China's ability to orchestrate a "soft landing", the Fed's timing and pace of interest rate hikes, and another potential governmental shut-down in December.
- Despite a steady stream of issues, historically, stocks have gone up over the long term, but the return patterns are uneven. Being a successful investor takes a focus on the long term when short term gyrations in the markets may be distracting.

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