



WEEKLY MARKET WRAP

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The Turkish currency crisis dominated the week and pressured global stock markets. Despite continued strong U.S. earnings releases, the S&P 500 took a breather after six positive weeks and posted its first weekly loss. Globally, the Turkish lira crisis pressured markets down, especially in Europe where the Stoxx 600 Index fell 0.7% as the failure of lira may translate into losses for southern European banks. The increased global currency uncertainty caused Treasuries to rally and yields to decline slightly on global flight to quality. U.S. aggregate fixed income performance was positive; while global and emerging market fixed income performance was negative.

- Economic Data:** U.S. *consumer prices (CPI)* continue to march higher, rising 0.2% in July and, at 2.9%, matched June's reading for the largest 12-month increase going back to 2011-12. The *core CPI*, which excludes food and energy, increased 0.2% in July, matching the consensus. Core prices are up 2.4% versus a year ago. The July U.S. *producer price index (PPI)* was flat for the first month in 2018. However, the index is up 3.3% year over year. Furthermore, *core prices* rose 0.1% in July and are up 2.7% in the past year. With both core and headline PPI measures exceeding the Fed's 2% inflation target, further rate hikes are likely in both 2018 and 2019.
- Equity:** The Turkish currency crisis pressured global stock markets and despite continued strong earnings releases, the U.S. equity market took a breather after six positive weeks and posted its first weekly loss. EM currencies depreciated significantly against the U.S. dollar led by the slide in the Turkish lira, which slid over 20% after President Trump's announcement of additional Turkish tariffs. The U.S. Dollar Index approached a one-year high, increasing 1.4%. WTI crude hit a three-week low amid threats that China is considering imposing additional tariffs on U.S. imports.
- Fixed Income:** The yield curve flattened as Treasury yields decline on global flight to quality. All domestic taxable sectors posted positive total returns, led by the securitized sectors. Investment grade corporates extended their recent gains, but lagged Treasuries. The U.S. Aggregate index was up while non-U.S. aggregate fixed income was down, led by emerging markets who saw currency pressure as the dollar strengthened.
- Corporate News / Earnings:** With 91% of the companies in the S&P 500 have reported, the year-over-year earnings growth rate for the second quarter is 24.6%.
- Political and Policy News:** President Trump's announcement of additional Turkish tariffs put pressure on the Turkish lira, which depreciated over 20% and caused concern throughout Europe and emerging markets.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Agg Bond TR	0.42%	0.54%	-1.08%
Barclays US Corp High Yield TR	0.12%	1.38%	1.54%
Barclays Global Aggregate TR	-0.11%	-0.55%	-2.00%
JPM EMBI Global TR	-1.42%	0.33%	-4.92%
S&P 500 TR	-0.18%	4.44%	7.21%
Russell 3000 TR	-0.02%	4.19%	7.55%
Russell 2000 TR	0.82%	2.76%	10.63%
NASDAQ Composite TR	0.40%	4.48%	14.27%
S&P Global BMI NR	-0.65%	2.02%	1.76%
MSCI EAFE NR	-1.46%	-0.24%	-2.98%
MSCI EAFE Small Cap NR	-1.23%	-1.53%	-2.83%
MSCI Europe NR	-2.09%	-0.40%	-3.62%
MSCI EM NR	-0.99%	-0.07%	-6.72%

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