



WEEKLY MARKET WRAP

REVIEW & PREVIEW

August 18, 2015

VOLUME 22, ISSUE 33

Stocks and bonds were mixed across major indexes last week, with emerging markets moving down sharply following China's currency devaluation. The currency stabilized by Friday after declining by 4% on the week. This week is light on economic data and earnings reports, with market attention shifting to the FOMC minutes release on Wednesday.

- Economic Update:** Productivity rose by 1.3% during the 2nd quarter, rebounding from a 1.1% decline in the first quarter. Home prices rose in metro areas by 8% and homebuilder sentiment rose to its highest level in a decade according to recent NAHB Housing Index. Job openings (JOLTS) fell slightly to \$5.25 million, but both the hiring and quit rates were up. Both retail sales and industrial production rose 0.6% in July, slight improvements for both.
- Merger Mania:** Global merger and acquisition activity (M&A) is at a record pace according to Dealogic. If the current pace is maintained throughout 2015, M&A activity will reach \$4.5 trillion globally, surpassing the \$4.3 trillion record in 2007. Slowing profit and revenue growth is forcing many companies to merge for growth.
- China Currency Surprise:** In a surprise move, China devalued its currency by 2% on Tuesday, the largest daily drop since 1994. Several reasons were behind the move: 1) The Chinese renminbi has been the strongest currency since June 2014, and the currency has risen more than 25% against the dollar in the last decade; 2) China also announced it will let the currency float by 2% from daily prices, creating a more flexible and market based currency, required by the IMF for reserve currency status. IMF applauded China's move; and 3) Inflation has fallen in recent months in China, a weaker currency will combat deflation risk.
- Japan's Economy Slows:** Japan's economy contracted by 1.6% during the 2nd quarter as exports slowed. The decline added pressure to Prime Minister Abe to step up his policy changes to pull the economy out of decades of deflation.
- SEC CEO Pay Ratio Rule:** Five years after becoming law, the SEC finally approved rules for disclosing the CEO to average worker pay ratio, which must be updated every three years. McDonald's CEO to average worker pay ration is 644:1, the highest according to Bloomberg data.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	-0.14	0.61	0.51
Barclays High Yield Bond	-0.57	-1.95	0.53
Barclays Glb Agg Bond	0.42	0.24	-2.84
JPM Emerging Mkts Bond	-0.23	-0.39	1.36
S&P Equity 500 Index	0.73	1.63	2.88
Russell 3000 All Cap Index	0.72	1.07	3.03
Russell 2000 Small Cap Index	0.52	-3.17	1.43
NASDAQ Composite	0.12	1.37	7.35
S&P Global BMI	-0.27	-0.80	2.71
MSCI EAFE Index	-1.36	0.15	5.68
MSCI EAFE Small Cap	0.35	0.59	10.79
MSCI Emerging Markets	-2.33	-10.74	-8.11

Robert Klefsaas, CFP[®], AIF[®], CFDS
 Bruce Bonner, CFA[®]
 Brian Senske, MA
 David Osterberg, CPA
 Carl Ermisch, AIF[®]
 Paula Zilka
 Jill Smith
 Adam

President
 Portfolio Manager
 COO, CCO
 Tax Advisor
 Analyst & Paraplanner
 Executive Assistant
 Executive Assistant
 Intern #93

Phone: 952-896-3820 · Fax: 952-896-3819 · Toll Free: 888-809-7901

Email: asf@allstarfinancial.com · Website: www.allstarfinancial.com



3800 AMERICAN BLVD W, SUITE 1450 · MINNEAPOLIS, MN · 55431