



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), rose 3.72% in July.
- Sector performance within the S&P was positive across the board, with all 11 sectors posting positive returns in July. Industrials, Healthcare and Financials led with 7.32%, 6.61% and 5.27%, respectively. Real Estate, Energy and Consumer Discretionary lagged during the month, returning 1.08%, 1.42% and 1.83%, respectively.
- By market capitalization, large-caps (Russell 1000 Index) were the best performers during the month, returning 3.45%. The second-best performers during the period were mid-caps (Russell Midcap Index), returning 2.49%, followed by small-caps (Russell 2000 Index) with a return of 1.74%. Value stocks outperformed growth stocks within all three market capitalization indices.

Non-U.S. Equity

- Non-U.S. equity markets, represented by MSCI ACWI ex-U.S. Index, ended the month up 2.39%. Developed Markets, represented by MSCI EAFE Index, finished up 2.46%, while the Emerging Markets (EM), represented by MSCI Emerging Markets Index, returned 2.20% in July.
- Within the MSCI ACWI ex-U.S. Index, all sectors returned positively, with Healthcare, Telecom and Utilities being the best performers, returning 4.24%, 4.20% and 2.83%, respectively. Information Technology and Consumer Discretionary lagged the index in July, returning 0.22% and 0.34%, respectively.
- Latin America was the best-performing region in July, returning 9.22%. Japan and EM Asia were the worst-performing regions, returning 0.40% and 0.70%, respectively.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned 0.02% in July. Yields across the yield curve rose, while spreads on investment-grade (IG) corporate bonds narrowed.
- IG credit within the Aggregate returned 0.72%. Returns within the IG credit spectrum were positive across all qualities. AAA-rated bonds returned 0.02%, AA-rated bonds returned 0.18%, A-rated bonds returned 0.66% and BBB-rated bonds returned 1.03%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 1.09% in July.
- The U.S. Treasury yield curve shifted upward during July. Yields across the curve increased at least nine basis points (bps). Yields for three- and six-month bills rose 11 and nine bps, respectively. The yield on 30-year bonds rose nine bps. Two- and three-year bonds experienced the largest increase in yields, 14 and 15 basis points, respectively.

Other Asset Classes

- Real Estate Investment Trusts (REITs), represented by FTSE Nareit All Equity REITs Index, returned 0.80% in July, bringing the year-to-date (YTD) return to 1.83%. Returns were positive for six of the nine individual real estate sectors. Data Centers, Retail and Residential Real Estate were the strongest performers, returning 4.85%, 2.41% and 1.22%, respectively. The worst performer of the month was Self-Storage, which had a return of -4.35%, followed by Office and Industrial, which returned -0.67% and -0.46%, respectively. Lodging/Resorts remains one of the best-performing sectors in 2018, with a return of 8.45% YTD.
- Commodities, represented by the Bloomberg Commodity Index, posted a -2.31% return. The active contract for West Texas Intermediate (WTI) crude closed at \$68.76/barrel, down significantly from \$74.15/barrel in June.

Items to Watch

- In July, the Bureau of Economic Analysis announced that U.S. real Gross Domestic Product (GDP) increased 4.1% in the second quarter, up from 2.2% growth in the first quarter. It is the highest growth rate since the third quarter of 2014. Positive contributors include personal consumption expenditures (PCE), exports, nonresidential fixed investment and federal government spending.
- The U.S. added 157,000 jobs in July. The unemployment rate fell from 4.0% to 3.9%, while the labor force participation rate remained unchanged at 62.9%. The tightening labor market has coincided with an increase in average hourly earnings of seven cents, bringing the new average to \$27.05. The year-over-year (YoY) gain remained unchanged at 2.7%.
- President Donald Trump placed more pressure on China in July by proposing 25% tariffs on \$200 billion worth of goods imported from China. The U.S. has already imposed 25% tariffs on Chinese goods worth \$34 billion.
- Leading up to the July 25 summit between President Trump and Jean-Claude Juncker, President of the European Commission, there was uncertainty surrounding whether the U.S. would place a tariff on European-crafted cars; however, it now appears that such a tariff is unlikely. In addition, the summit resulted in a verbal agreement that the European Union will purchase more U.S. soybeans and liquefied natural gas. Sales have suffered since China placed a 25% tariff on U.S. soybean imports; the sudden drop in demand resulted in a price drop of 19%, resulting in the lowest U.S. soybean prices in a decade.

Total Return of Major Indices as of 7/31/18

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	3.72%	3.72%	6.47%	16.23%
Russell 3000	3.32%	3.32%	6.64%	16.38%
Russell 2000	1.74%	1.74%	9.54%	18.73%
Russell 1000	3.45%	3.45%	6.40%	16.18%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	2.39%	2.39%	-1.46%	5.94%
MSCI EAFE	2.46%	2.46%	-0.36%	6.40%
MSCI Emerging Markets	2.20%	2.20%	-4.61%	4.36%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.02%	0.02%	-1.59%	-0.80%
Bloomberg Barclays Global Agg	-0.17%	-0.17%	-1.62%	-0.48%
Bloomberg Barclays U.S. HY	1.09%	1.09%	1.25%	2.60%
Alternatives	MTD	QTD	YTD	1 YR
FTSE Nareit All Equity REITs	0.80%	0.80%	1.83%	3.07%
Bloomberg Commodity	-2.31%	-2.31%	-3.14%	1.19%

Economic Indicators

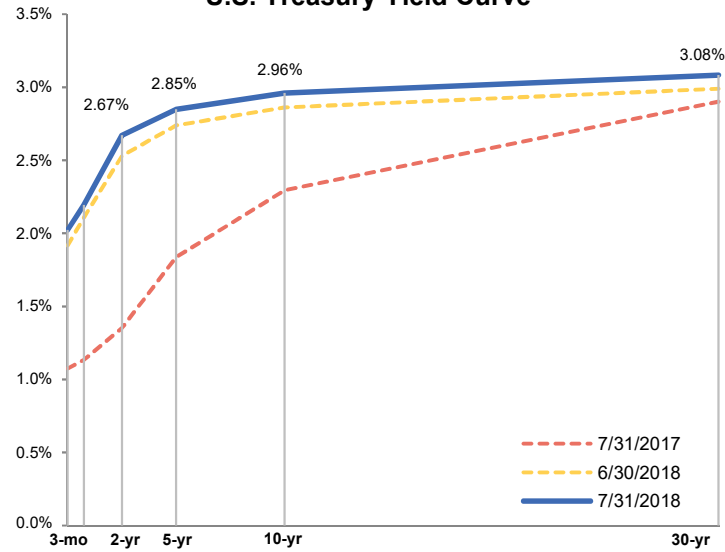
Domestic	Current	Previous
Unemployment Rate (%)	4.0%	3.8%
Initial Jobless Claims (4-week avg.)	218 K	220.8 K
CB Leading Economic Indicators	0.5	0.0
Capacity Utilization	78.0%	77.7%
GDP (annual growth rate)	4.1%	2.2%
University of Michigan Consumer Confidence	97.9	98.2
New Home Starts	631 K	666 K
Existing Home Sales	5.4 MM	5.4 MM
Retail Sales (YoY)	7.1%	7.0%
U.S. Durable Goods (MoM)	1.0%	-0.3%
Consumer Price Index (YoY)	2.9%	2.8%
Producer Price Index (MoM)	0.0%	1.0%
Developed International*	3/31/2018	12/31/2017
Market GDP (annual rate)	2.0%	2.2%
Market Unemployment	4.9%	5.1%

Stock Market Sector Performance (S&P 500)

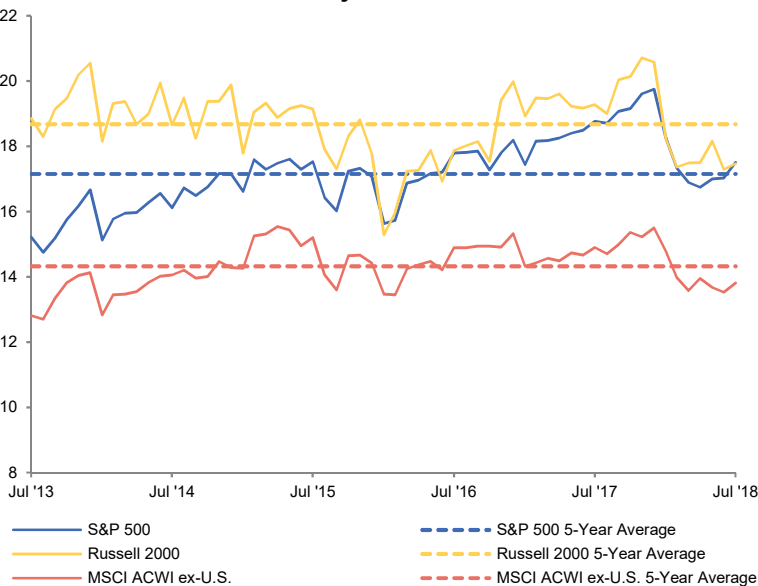
For the period ended July 31, 2018



U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of July 31, 2018, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of March 31, 2018, due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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