

# Quarterly Market Update: Q2 2018

July 2018

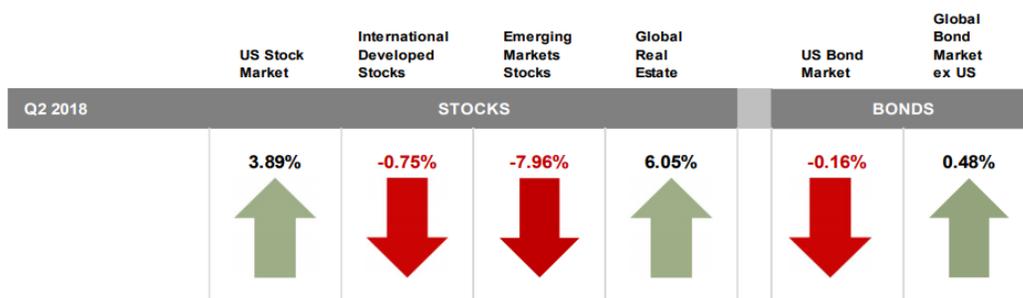
Volatility may have the markets in a tempest, but no reason to jump ship yet.

As of June 30, we have reached the halfway point of 2018 and it has certainly been a wild ride. Unlike the calm we had seen in most of 2016 and all of 2017, the first half of 2018 has been quite the opposite. While the bull market of 2017 roared into January, it seemed to hit a wall.

If we take a look at the past quarter, we see growth of +3.89% in the Russell 3000, mainly driven by smaller companies. The MSCI World ex USA Index (net div.) was down -0.75% while the MSCI Emerging Markets Index (net div.) dropped -7.96%.

## Market Summary

Index Returns



The S&P Global REIT Index (net div.) was positive +6.05%. In the Fixed income Arena, the Bloomberg Barclays US Aggregate Bond Index was down -0.16% while the Bloomberg Barclays Global Aggregate ex-USA Bond Index (hedged to USD) was up +0.48%

#### **US STOCKS (RUSSELL 3000) Q2 2018 RETURN +3.89%**

The US equity market posted a positive return, outperforming both non-US developed and emerging markets in the second quarter. Large cap value stocks underperformed large cap growth stocks in the US; however, small cap value stocks outperformed small cap growth. There was a positive size premium, as small cap stocks generally outperformed large cap stocks in the US.

#### **INTERNATIONAL DEVELOPED STOCKS (MSCI WORLD EX-USA INDEX (NET DIV.)) Q2 2018 RETURN: -0.75%**

In US dollar terms, developed markets outside the US underperformed the US but outperformed emerging markets during the second quarter. Value underperformed growth in non-US developed markets across large and small cap stocks. Small caps underperformed large caps in non-US developed markets.

#### **EMERGING MARKET STOCKS (MSCI EMERGING MARKETS INDEX (NET DIV.)) Q2 2018 RETURN -7.96%**

In US dollar terms, emerging markets posted negative returns in the second quarter, underperforming developed markets including the US. The value effect was negative in large caps; however, value and growth stocks had similar performance among small cap stocks within emerging markets. Small caps underperformed large caps in emerging markets.

#### **FIXED INCOME (SEE BELOW)**

Interest rates increased in the US during the second quarter. The yield on the 5-year Treasury note rose 17 basis points (bps), ending at 2.73%. The yield on the 10-year T-note rose 11 bps to 2.85%. The 30-year Treasury bond yield climbed 1 bps to 2.98%.

The 1-month Treasury bill yield rose 14 bps to 1.77%, while the 1-year Treasury bill yield increased 24 bps to 2.33%. The 2-year Treasury note yield finished at 2.52% after increasing 25 bps.

In terms of total return, short-term corporate bonds gained 0.29%, while intermediate-term corporate bonds declined 0.10%.

Short-term municipal bonds added 0.66%, while intermediate-term munis returned 0.81%. Revenue bonds performed in-line with general obligation bonds, returning 0.90% and 0.87%, respectively.

#### **CONCLUSION**

As we look ahead to Q3 2018, we should see continued volatility in the markets as well as plenty of headline items in the news to make you wonder if you need to jump ship. At Williams Financial Planning, Inc., we can help investors review their current journey, take a lifeboat drill and help you on your voyage. As always, we believe it starts with a conversation. Take a moment to contact us and let's start talking.

## IMPORTANT DISCLOSURES

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*Economic forecasts set forth may not develop as predicted.*

*Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.*

*Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price.*

*Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2018, all rights reserved. Bloomberg Barclays data provided by Bloomberg. FTSE fixed income © 2018 FTSE Fixed Income LLC, all rights reserved.*

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