



# August 2018 Investment Report

## Highlights

- U.S. equity markets rose to new highs, despite continued trade tensions. Investors remained focused on the strength of the U.S. economy supported by strong employment market, higher income levels, increased consumer confidence as well as discretionary spending.
- Emerging market securities continued to weaken, a trend that began during the second quarter.
- In August, the U.S. Equity Fund, Inflation Protection Fund and Multiple Asset Fund outperformed their respective benchmarks, while the International Equity Fund and Fixed Income Fund underperformed.

## Monthly Overview

### Longest bull market for U.S. equities

U.S. equity markets rose during the month despite continued trade tensions. The S&P 500 achieved the landmark of the longest bull market in modern history. Investors continue to focus on the strength of the U.S. economy as opposed to the potential impact of trade wars. The Commerce Department reported that second quarter corporate profits, boosted by tax cuts and strong economic growth, rose 16% over the prior year. In addition, the labor market remains strong, though inflation is approaching 3%. The only sign of weakness is in several housing indicators such as new and existing home sales, attributable to higher interest rates due to Fed tightening and higher home prices.

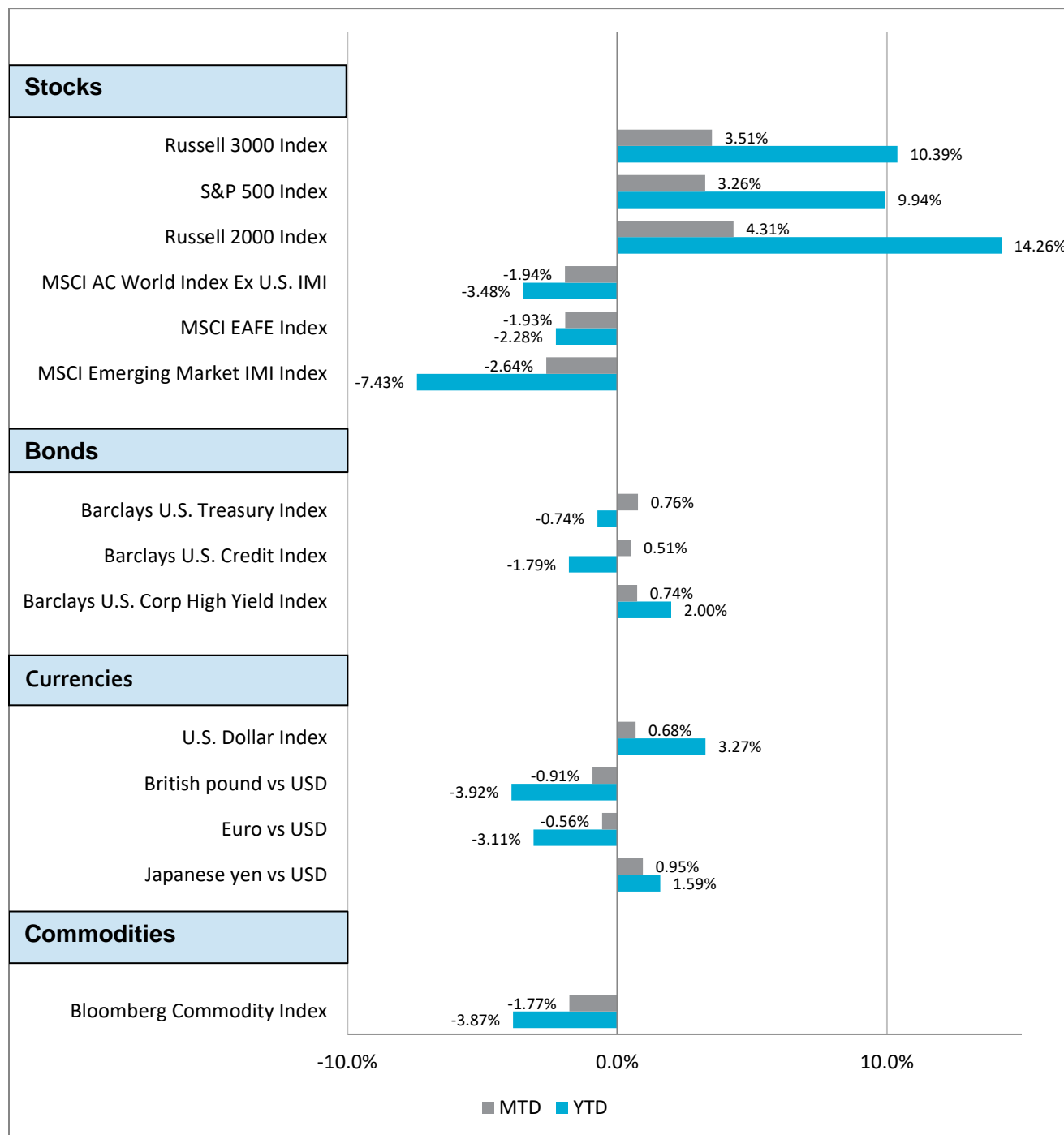
### Emerging markets deteriorated

Argentina and Turkey led the continued decline in the value of emerging market securities during the month. Argentina's President Mauricio Macri asked the International Monetary Fund for a \$50 billion bailout to cover debt payments while Argentina's central bank raised short-term interest rates from 45% to 60% to defend the peso. In addition, Turkish President Erdogan continued to pressure Turkey's central bank to keep interest rates low even after inflation hit a 15-year high of nearly 18% in August. There is concern the specific events in these countries will fuel contagion fears in other emerging markets.

### Fed Chairman Powell defends gradualist approach

Central bankers from around the world gathered at the Jackson Hole Economic Policy Symposium, where Chairman Jerome Powell addressed the gathering for the first time as the Fed Chair. He expects the economy's strong performance will continue and he confirmed the Fed's normalization process of gradual rate increases to keep inflation near target. The 10-year Treasury bond yield decreased by 12 basis points during the month, but the yield remained within the 2.75%-3.0% range as investors shifted to higher quality bonds amid emerging market concerns.

## Market Performance



Source: FactSet, as of August 31, 2018

## Key Monthly Economic Statistics

Statistic	Monthly/Yearly Change	Positive
Consumer Confidence	Aug: 133.4 (Jul: 127.9)	▲
Institute for Supply Management Index	Aug: 61.3% (Jul: 58.1%)	▲
Nonfarm Payrolls	Aug: 201,000 (Jul: 147,000)	▲
Real Gross Domestic Product	Jun: 4.2% (Mar: 2.2%); Q/Q-SAAR	▲
S&P/Case-Shiller 20-City Home Price Index	Jun: 6.3% (May: 6.5%); Y/Y	▲
Unemployment Rate	Aug: 3.9% (Jul: 3.9%)	▲
		Neutral
Consumer Price Index core	Aug: 0.1% (Jul: 0.2%); M/M-SA	□
Consumer Price Index	Aug: 0.2% (Jul: 0.2%); M/M-SA	□
Housing Starts	Jul: 0.9% (Jun: -12.9%); M/M-SAAR	□
Retail Sales ex-auto	Aug: 0.3% (Jul: 0.9%); M/M-SA	□
Retail Sales	Aug: 0.1% (Jul: 0.7%); M/M-SA	□
Durable Goods Orders	Jul: -1.7% (Jun: 0.9%); M/M-SA	▼
Existing Home Sales	Jul: -0.7% (Jun: -0.6%); M/M-SAAR	▼
Factory Orders	Jul: -0.8% (Jun: 0.6%); M/M-SA	▼
New Home Sales	Jul: -1.7% (Jun: -2.4%); M/M-SAAR	▼
Producer Price Index core	Aug: -0.1% (Jul: 0.1%); M/M-SA	▼
Producer Price Index	Aug: -0.1% (Jul: 0.0%); M/M-SA	▼

M/M Month-over-month (% change since last month)

Q/Q Quarter-over-quarter (% change since last quarter)

Y/Y Year-over-year (% change since the same month, last year)

SA Seasonally Adjusted

SAAR Seasonally Adjusted Annual Rate

Source [FactSet](#)



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