

# August 2017 Market Watch

Domestic markets finished August mixed. The NASDAQ Composite was again the best performing index for the month (+1.3% MTD), while the Dow Jones Industrial Average (DJIA, +0.3% MTD) and S&P 500 (+0.1% MTD) finished up modestly. The small-cap dominated Russell 2000 was this month's laggard, finishing down -1.4% MTD. Six of the eleven S&P 500 sectors finished the month in positive territory, led again by the Technology (+3.5% MTD) sector. The Energy sector (-5.2% MTD) was the laggard in August and remains one of only two sectors, along with Telecom, that have negative returns year-to-date (YTD). The Energy and Telecom sectors are down -15.1% YTD and -7.9% YTD, respectively, as Energy has suffered from weakness in the underlying commodity prices and Telecom has suffered from pricing wars.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	8/31/2017	8/24/2017	%chg	7/31/2017	% chg	8/31/2016	% chg	Return*
<b>DJIA</b>	21,948.1	21,783.4	0.8%	21,891.1	0.3%	18,400.9	19.3%	11.1%
<b>S&amp;P 500</b>	2,471.7	2,439.0	1.3%	2,470.3	0.1%	2,171.0	13.9%	10.4%
<b>NYSE Comp Index</b>	11,875.7	11,773.8	0.9%	11,967.7	-0.8%	10,764.8	10.3%	7.4%
<b>NASDAQ Composite</b>	6,428.7	6,271.3	2.5%	6,348.1	1.3%	5,213.2	23.3%	19.4%
<b>Russell 2000</b>	1,405.3	1,373.9	2.3%	1,425.1	-1.4%	1,239.9	13.3%	3.5%
<b>Japan Nikkei 225</b>	19,646.2	19,353.8	1.5%	19,925.2	-1.4%	16,887.4	16.3%	2.8%
<b>MSCI EM (Emerging Markets)</b>	1,087.7	1,082.5	0.5%	1,066.2	2.0%	893.7	21.7%	26.1%
<b>MSCI EAFE</b>	1,930.8	1,919.5	0.6%	1,936.9	-0.3%	1,685.6	14.5%	14.7%
<b>FTSE 100</b>	7,430.6	7,407.1	0.3%	7,372.0	0.8%	6,781.5	9.6%	7.3%
<b>SSE Comp Index</b>	3,360.8	3,271.5	2.7%	3,273.0	2.7%	3,085.5	8.9%	8.3%

With two-thirds of the year complete, domestic and international markets remain sharply positive year-to-date (YTD). For the year, the DJIA (+11.1% YTD), S&P 500 (+10.4% YTD), and Russell 2000 (+3.5% YTD) remain in positive territory, yet their performance significantly trails that of the technology-heavy NASDAQ Composite (+19.4% YTD). The strength in the technology sector (+26.6% YTD), which makes up roughly 50% of the index, has largely been responsible for the NASDAQ's strong outperformance over the past year. Growth in areas ranging from e-commerce, electric and autonomous vehicles, cloud computing, and online advertising have begun to or are expected to upend many traditional

## US Equity Sector Performance

	August	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	-1.8%	11.0%	13.2%
<b>Consumer Staples</b>	-1.1%	7.5%	3.8%
<b>Energy</b>	-5.2%	-15.1%	-6.1%
<b>Financials</b>	-1.6%	7.0%	26.0%
<b>Health Care</b>	1.8%	19.1%	13.8%
<b>Industrials</b>	0.2%	9.7%	17.5%
<b>Information Tech</b>	3.5%	26.6%	31.2%
<b>Materials</b>	0.9%	11.9%	15.7%
<b>Telecom</b>	-3.0%	-7.9%	-4.4%
<b>Utilities</b>	3.3%	15.0%	15.6%
<b>Real Estate</b>	1.3%	8.8%	2.4%

## US Equity Style Performance

	August	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	2.3%	12.7%	11.5%
<b>AMEX DJ TRANS Avg.</b>	1.8%	4.1%	20.0%
<b>Russell 1000 Value</b>	-1.2%	4.8%	11.6%
<b>Russell 1000 Growth</b>	1.8%	19.2%	20.8%
<b>Russell 2000 Value</b>	-2.5%	-1.3%	13.5%
<b>Russell 2000 Growth</b>	-0.1%	10.8%	16.4%

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businesses that were previously thought less prone to rapid technological innovation.

International markets also finished the month relatively mixed. China's SSE Composite (+2.7% MTD) and MSCI Emerging Markets (+2.0% YTD) indices were the best performers in August. Japan's Nikkei 225 was this month's worst performer, finishing down -1.4% MTD. For the year, emerging markets have experienced some of the strongest outperformance as seen in the MSCI EM index, which is up +26.1% YTD.

The fixed income markets saw Treasury yields contract across the yield curve. Bond prices move inversely to bond yields, therefore a decline in bond yields results in an increase in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill decreased nine basis points (bps) to 0.99%, while the yield on the 10-Year U.S. Treasury bond declined seventeen bps to 2.12%.

The Bloomberg Commodity Index increased slightly during the month (+0.3% MTD) as gold rallied and crude oil sold off. Gold was up +3.8% MTD to finish at \$1,322.20/ounce and remains up +14.8% YTD. Crude oil continued its downward trend (-5.9% MTD and -12.1% YTD) in August to finish at \$47.23/barrel. The U.S. Dollar Index continued its decline throughout the month (-0.1% MTD) and remains sharply lower than where it stood at the beginning of the year (-9.4% YTD). A weaker U.S. currency is seen by some experts as a positive for U.S. corporate profits as it makes exports less expensive for foreign buyers and increases the value of companies' international earnings. Roughly 30% of the S&P 500 earnings are derived internationally.

## Bond Markets (%)

	8/31/17	1 Mth Ago	1 Yr Ago
US Benchmark Bond - 3 Mth	0.99	1.08	0.33
US Benchmark Bond - 6 Mth	1.07	1.14	0.46
US Benchmark Bond - 2 Yr	1.32	1.36	0.81
US Benchmark Bond - 5 Yr	1.70	1.83	1.20
US Benchmark Bond - 10 Yr	2.12	2.29	1.58
US Benchmark Bond - 30 Yr	2.72	2.90	2.23

## US Bond Sector Performance

	August	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.6%	0.1%	0.1%

## Exchange Rates (per US dollar)

	8/31/17	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.254	1.251	1.312
Mexican New Peso	17.823	17.849	18.869
Euro	0.841	0.848	0.898
British Pound	0.776	0.759	0.764
Swiss Franc	0.961	0.965	0.983
Chinese Yuan	6.597	6.729	6.678
Indian Rupee	63.926	64.151	66.970
Japanese Yen	110.060	110.495	103.435

## Commodities (In US dollars)

	8/31/2017	1 Mth Ago	1 Yr Ago
Gold	1,322.20	1,273.40	1,311.40
Crude Oil	47.23	50.17	44.70
US Dollar Index	92.63	92.72	96.01
DJ UBS Commodity IDX	84.66	84.39	82.77

## Interest Rates (%)

	8/31/17	1 Mth Ago	1 Yr Ago
Prime Rate	4.25	4.25	3.50
Federal Funds Rate	1.16	1.16	0.38
Libor Rate 30 Day	1.23	1.23	0.52
Libor Rate 3 Months	1.32	1.31	0.84
30yr Fixed Mortgage	3.82	3.93	3.46

## Economic Sentiment

	8/31/17	1 Yr Ago
Unemployment Rate	4.40%	4.90%
Average Single Family Home	300,200	283,200
Capacity Utilization	76.73%	75.80%

\*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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