

# August 2018 Market Watch

Corporate profits boomed in the second quarter in the U.S., driven by large tax cuts and stronger economic growth than initially expected. After-tax profits across the U.S. rose 16.1% in the second quarter compared to a year earlier according to data by the U.S. Commerce Department that looks at both public and private companies. This marks the largest year-over-year gain in six years. Sales and earnings per share for companies in the S&P 500 rose 9.5% and 24.8%, respectively, from the second quarter of 2017. The change in tax rates is driving the big difference in the pace of sales and earnings growth. Consensus estimates now anticipate an additional 9% of earnings per share growth over the next year. The good economic news and strong corporate earnings growth overshadowed concerns about tariffs and trade wars and resulted in another month of positive returns across domestic equity indices.

In August, the NASDAQ Composite was again the best performer (+5.7% MTD) followed by the Russell 2000 (+4.2% MTD). The S&P 500 (+3.0% MTD) and Dow Jones Industrial Average (DJIA; +2.2% MTD) were also positive for the month. The NASDAQ extended its long stretch of outperformance and YTD has generated returns that are 410 bps ahead of the second best performing index, the Russell 2000 (+17.5% YTD vs. +13.4% YTD). The NASDAQ has been

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	8/31/18	8/24/18	%chg	7/31/18	% chg	8/31/17	% chg	Return*
<b>DJIA</b>	25,964.8	25,790.4	0.7%	25,415.2	2.2%	21,948.1	18.3%	5.0%
<b>S&amp;P 500</b>	2,901.5	2,874.7	0.9%	2,816.3	3.0%	2,471.7	17.4%	8.5%
<b>NYSE Comp Index</b>	13,016.9	12,999.4	0.1%	12,963.3	0.4%	11,875.7	9.6%	1.6%
<b>NASDAQ Composite</b>	8,109.5	7,946.0	2.1%	7,671.8	5.7%	6,428.7	26.1%	17.5%
<b>Russell 2000</b>	1,740.8	1,725.7	0.9%	1,670.8	4.2%	1,405.3	23.9%	13.4%
<b>Japan Nikkei 225</b>	22,865.2	22,601.8	1.2%	22,553.7	1.4%	19,646.2	16.4%	0.4%
<b>MSCI EM (Emerging Markets)</b>	1,056.0	1,050.2	0.5%	1,087.5	-2.9%	1,087.7	-2.9%	-8.8%
<b>MSCI EAFE</b>	1,962.0	1,957.0	0.3%	2,006.1	-2.2%	1,930.8	1.6%	-4.3%
<b>FTSE 100</b>	7,432.4	7,577.5	-1.9%	7,748.8	-4.1%	7,430.6	0.0%	-0.2%
<b>SSE Comp Index</b>	2,725.3	2,729.4	-0.2%	2,876.4	-5.3%	3,360.8	-18.9%	-17.6%

## US Equity Sector Performance

	August	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	5.1%	19.4%	32.3%
<b>Consumer Staples</b>	0.5%	-4.3%	1.0%
<b>Energy</b>	-3.3%	4.8%	22.1%
<b>Financials</b>	1.4%	2.4%	16.9%
<b>Health Care</b>	4.4%	13.3%	16.1%
<b>Industrials</b>	0.3%	2.6%	13.2%
<b>Information Tech</b>	6.9%	21.0%	32.8%
<b>Materials</b>	-0.5%	-0.7%	10.0%
<b>Telecom</b>	3.0%	-3.4%	3.6%
<b>Utilities</b>	1.1%	3.3%	0.7%
<b>Real Estate</b>	2.6%	4.3%	5.8%

## US Equity Style Performance

	August	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	0.3%	0.4%	-2.3%
<b>AMEX DJ TRANS Avg.</b>	2.3%	7.6%	23.0%
<b>Russell 1000 Value</b>	1.5%	3.7%	12.5%
<b>Russell 1000 Growth</b>	5.5%	16.4%	27.2%
<b>Russell 2000 Value</b>	2.4%	9.9%	20.0%
<b>Russell 2000 Growth</b>	6.2%	18.5%	30.7%

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aided by the strong returns seen in the Information Technology (+32.8% YoY & +21.0% YTD) and Consumer Discretionary (+32.3% YoY & +19.4% YTD) sectors, which make up greater than 60% of the index's weight.

The breadth of August's positive performance can be seen in the fact that nine of the eleven sectors finished in positive territory. The Information Technology (+6.9% MTD), Consumer Discretionary (+5.1% MTD), and Health Care (+4.4% MTD) sectors were the best performers for the month, while the Energy (-3.3% MTD) and Materials (-0.5% MTD) sectors were negative in August.

International markets were mostly negative throughout the month. Japan's Nikkei 225 (+1.4% MTD) was the best performer in August, while China's SSE Composite Index (-5.3% MTD) was this month's laggard. Year-to-date, Japan's Nikkei 225 (+0.4% YTD) has been the best performer, while the other major international indices are lower for the year.

The yield curve flattened in August as short term rates moved up while longer term rates declined. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased seven basis points (bps) to 2.10%, while the yield on the 10-Year U.S. Treasury bond decreased twelve bps to 2.85%.

The Bloomberg Commodity Index finished down -1.9% MTD in August. Crude oil closed the month at \$69.80/barrel (+1.5% MTD), while gold settled at \$1,206.70/ounce (-2.2% MTD).

## Bond Markets (%)

	8/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond - 3 Mth	2.10	2.03	1.02
US Benchmark Bond - 6 Mth	2.27	2.19	1.07
US Benchmark Bond - 2 Yr	2.62	2.67	1.32
US Benchmark Bond - 5 Yr	2.73	2.85	1.70
US Benchmark Bond - 10 Yr	2.85	2.97	2.13
US Benchmark Bond - 30 Yr	3.01	3.08	2.74

## US Bond Sector Performance

	August	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.59%	-0.01%	-1.25%

## Exchange Rates (per US dollar)

	8/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.304	1.302	1.254
Mexican New Peso	19.121	18.659	17.823
Euro	0.859	0.855	0.841
British Pound	0.769	0.762	0.776
Swiss Franc	0.967	0.990	0.961
Chinese Yuan	6.830	6.827	6.597
Indian Rupee	70.926	68.586	63.926
Japanese Yen	110.885	111.940	110.060

## Commodities (In US dollars)

	8/31/18	1 Mth Ago	1 Yr Ago
Gold	1,206.70	1,233.60	1,322.20
Crude Oil	69.80	68.76	47.23
US Dollar Index	95.08	94.28	92.63
Bloomberg Commodity IDX	83.74	85.40	84.66

## Interest Rates (%)

	8/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	5.00	5.00	4.25
Federal Funds Rate	1.92	1.92	1.16
Libor Rate 30 Day	2.11	2.08	1.23
Libor Rate 3 Months	2.32	2.35	1.32
30yr Fixed Mortgage	4.52	4.60	3.82

## Economic Sentiment

	8/31/18	1 Yr Ago
Unemployment Rate	3.90%	4.40%
Average Single Family Home	309,400	295,500
Capacity Utilization	78.10%	75.73%

\*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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