

Summer fades as domestic stocks gain

The S&P 500, Dow Jones Industrial Average and NASDAQ moved higher for the month of August, along with the Russell 2000. Technical momentum is strong, according to Raymond James Senior Equity Research Analyst Andrew Adams, and all major U.S. equity indices were at or near highs on the back of strong second-quarter earnings and good economic data.

However, investors showed signs of caution toward the end of the month, seemingly concerned about U.S. trade and foreign policy, as tariffs on \$200 billion worth of Chinese goods could be imposed in early September, according to Senior Equity Portfolio Analyst Joey Madere. In addition, negotiations between U.S. and Mexico ended without a new trade deal, but will continue under deadline pressure as the Trump administration informed Congress that a deal is forthcoming. Negotiators now have 30 days to strike a deal among Canada, Mexico and the U.S. and submit the final details to Congress, explains Washington Policy Analyst Ed Mills. As a result, domestic stocks slipped slightly on the news, even as the dollar strengthened. However, the momentary slip wasn't enough to erase gains from earlier in the month, according to Bloomberg.

"We believe ... a trilateral deal will be struck before the end of [September] and that will boost general market sentiment and relieve some of the trade fears," Mills added.

The U.S. economy was expected to be pushed and pulled by three factors in 2018: fiscal policy, monetary policy and labor market constraints. Judging by the increase in the federal budget deficits, fiscal stimulus now appears to be larger than anticipated, adding to the economy's momentum for the last few months of the year. The pace of job growth has remained strong, beyond a long-term sustainable pace, as there appears to have been more available slack than earlier thought. Data for early third quarter are consistent with moderately strong growth in the near term, explains Raymond James Chief Economist Scott Brown.

	12/29/17 Close	8/31/18 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	24,719.22	25,964.82	+1,245.60	+5.04%
NASDAQ	6,903.39	8,109.54	+1,206.15	+17.47%
S&P 500	2,673.61	2,901.52	+227.91	+8.52%
MSCI EAFE	2,050.79	1,962.05	-88.74	-4.33%
Russell 2000	1,535.51	1,740.75	+205.24	+13.37%
Bloomberg Barclays Aggregate Bond	2,046.37	2,026.72	-19.65	-0.96%

Should anything change, I'll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in me.

Sincerely,

Amy Smith, CFP®
 Financial Advisor, RJFS

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