



M Holdings Securities, Inc.™

Q3 2017

## Quarterly Economic News

### July–September 2017

| Index                                | Qtr   | 1 Yr Return | 5 Yr Return | 10 Yr Return |
|--------------------------------------|-------|-------------|-------------|--------------|
| Barclays U.S. Aggregate Index        | 0.85% | 0.07%       | 2.06%       | 4.27%        |
| MSCI AC World Ex US Net Total Return | 6.16% | 19.61%      | 6.97%       | 1.28%        |
| Russell 2000 Total Return            | 5.67% | 20.74%      | 13.79%      | 7.85%        |
| S&P 500 Composite Total Return       | 4.48% | 18.61%      | 14.22%      | 7.44%        |

#### Capital Markets Overview

The U.S. equity market posted its eighth consecutive quarterly gain in the third quarter, returning 4.6%. July started off strong as investors responded favorably to positive economic data, strong corporate earnings reports, and the Fed's decision to leave short-term interest rates unchanged. Performance for August was flat amid escalating tensions with North Korea, the disbandment of two CEO advisory councils to the President, and the disruption caused in the aftermath of Hurricane Harvey. September finished the quarter on a positive note.

The value of the U.S. dollar fell against most other currencies as the improved global growth outlook led to increased discussion among many other central banks to remove some monetary stimulus. The U.S. dollar also fell on the lack of confidence investors had that U.S. tax reform and infrastructure spending bills would be passed in 2017. The price of oil rose over 14% in the quarter due to increased global demand and loss of refinery production caused by Hurricane Harvey. The prices of industrial metals rose as the Chinese economy continued its steady pace of growth. The rise in commodity prices led to favorable returns in many Latin American countries, and Emerging Markets overall posted a 7.9% return in the quarter. Despite the launch of North Korean ballistic missiles that passed over Japan on multiple occasions, Japan and Pacific ex-Japan returned 4.0% and 3.7% in the quarter.

#### GDP (LAGGING INDICATOR)

**Q2 2017 (Third Estimate)**  
Increased at an annual rate of 2.6%.

#### EXISTING HOME SALES

**Through August 2017**  
Decreased 1.7%. Strained supply levels subdue overall activity.

#### UNEMPLOYMENT RATE

**Through September 2017**  
Fell to 4.2% (seasonally adjusted).

#### CONSUMER PRICE INDEX

**August 2017**  
Increased 0.4% (seasonally adjusted).

# Quarterly Economic News

## July–September 2017

### U.S. Equity Market

All capitalization segments of the market posted positive results in the quarter, with small-cap stocks outperforming both the mid- and large-cap segments of the market. Large-cap stocks continue to outperform small- and mid-cap stocks over the year-to-date period. Growth Stocks outperformed Value Stocks by 2.7% in the quarter, expanding the year-to-date performance advantage to 12.7 percentage points. Strong performance from the Technology Sector was the primary reason for the relative outperformance, as it accounts for approximately 35% of the Growth segment of the market. The Technology Sector was the best performing sector in the quarter and year-to-date period. Investors reacted positively to favorable earnings results and continued revenue growth. The Energy sector also had strong performance for the quarter. The anticipation of a spike in demand in the wake of Hurricane Harvey and uncertainty in the Iraqi Kurdistan region after the Kurdish independence referendum sent oil prices up sharply at the end of the quarter. Consumer Staples was the only sector to post a negative return in the quarter, as it reversed gains it experienced earlier in the year. Increasing competition and shifting consumer preferences added downward pressure on the sector.

### U.S. Fixed Income Market

U.S. Government issues advanced 0.4% during the quarter. The Federal Reserve elected not to increase short-term interest rates during the quarter, but announced the planned reduction in its balance sheet assets through bond sales, beginning in October. All maturities saw positive investment returns for the quarter and year-to-date periods. The bellwether 10-year Treasury yield increased 0.02 percentage points in the quarter to end at 2.33%. Agency Mortgages returned 1.0% in the quarter. TIPS experienced a positive 0.9% return for the quarter due to increasing inflation expectations. The breakeven inflation rate implied in 10-year U.S. TIPS ended the quarter at 1.84%, versus 1.73% at the end of the prior quarter. The realized annual CPI was 1.9% through August 2017.

Municipal bonds advanced 1.1% despite concerns that potential tax reform could disadvantage tax-exempt municipal issues. High yield municipal bonds posted a 1.5% return for the quarter.

*“Price is what you pay.  
Value is what you get.”*

—Warren Buffett

# Quarterly Economic News

## July–September 2017

*Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.*

*This information has been taken from sources we believe to be reliable, but there is no guarantee as to its accuracy. It is not a replacement for any account statement or transaction confirmation issued by the provider. This material is not intended to present an opinion on legal or tax matters. Please consult with your attorney or tax advisor, as applicable.*

*The Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude U.S. Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the U.S. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks. The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. Nothing contained in this newsletter is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed. M Holdings Securities, Inc. makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.*



### CONTACT INFORMATION

To learn more, please contact:

**Raymond Nash, CEO & Principal**  
**Christine Millen, VP of Operations & Marketing**  
**Larry Rothstein, Senior Advisor, CLU®, AEP®**

**HEIRMARK**  
**7005 South Edgerton Road, Suite 101**  
**Cleveland, OH 44141**

**T: 440.630.9400**  
**F: 440.630.9401**

[www.heirmark.com](http://www.heirmark.com)

For Educational Purposes Only

**CONFIDENTIALITY NOTICE:** This document is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized use, disclosure, or distribution is prohibited.

© Copyright 2017 M Financial Group. All rights reserved. 1625-2017