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Stocks were slightly higher in August. The S&P 500 finished up just 0.14% for the month and is up 7.8% year-to-date through the end of August. The Small Cap Russell 2000 index performed better for the month with a gain of 1.8% in August and a gain of 10.2% year-to-date. International stocks in the MSCI EAFE index continue to lag domestic stocks and were lower by 0.3% for the month bringing their year-to-date return to -0.9%. The Ten Year US Treasury Bond continues to signal concern with historically low yields. At the end of August its yield was 1.57%.

The Fed is still garnering significant attention as they contemplate a second increase in the Fed Funds rate. Janet Yellen's speech last week seemed to hint that the Fed believes conditions have improved enough to raise rates soon. Most Fed watchers still believe that September is too early and that December is a more likely time frame.

One focus of Janet Yellen's speech in Jackson Hole was the recent strength of the job market. While our most recent employment report came in a little soft, we have seen relatively steady job growth over the past several months despite slow GDP growth. With the unemployment rate below 5% we're beginning to see a little better wage growth.

Economists are expecting economic growth to pick up in the second half of the year. After revisions, GDP growth last quarter was up only 1.1% after economists had expected growth to come in at 2.6%. The economy is expected to get a boost from Inventory rebuilding, improved industrial production and a strong labor market. We're also seeing a reduction in global risks over the short-term which may prove helpful.

Now that we're past Labor Day, more attention is being directed at the upcoming Presidential election. Coming out of the debates, Clinton had a commanding lead in the polls. Recently the polls have tightened up and some polls show the candidates in a statistical dead heat. Washington insiders who study the intricacies of the data say that when you look at polls in terms of the Electoral College, Clinton is still leading by a wide margin. The market has taken the polls in stride and hasn't wavered much due to political news.

Regardless of the outcome of the election, it seems there is currently quite a bit of support in Washington for providing some incentive to encourage companies holding large amounts of cash in overseas accounts to repatriate some of that cash. Currently S&P 500 companies are holding an estimated $2.4 trillion overseas. In 2005, companies were given incentives to participate in a similar repatriation and it resulted in the US dollar and equities both moving higher. Companies also increased dividends, bought back shares, increased Mergers & Acquisitions activity, increased capital investment, created more jobs and paid down debt. The dollar amount of the cash hoard is currently 4 times as much as 2005 so the impact this time should be even greater. Tax revenues from repatriation could also be used for broader tax reform and infrastructure spending, something both candidates have advocated.

With stocks, bonds and real estate all at high valuations and cash yielding close to zero, the investing environment remains challenging. Don't hesitate to contact your advisor to ask questions or schedule an appointment.