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### *“Strong Fundamentals Help Equity Markets Edge Up”*

**Despite lingering trade uncertainty and geopolitical events, global equity markets finished in positive territory in July. U.S. stocks were fueled by expectations of a strong second-quarter increase in both economic and corporate profit growth. These fundamentals continue to provide tailwinds for the ongoing bull market in equities along with a healthy labor market, accelerating growth in both manufacturing and consumer spending, improving net trade, and relatively low inflation.**

In the second quarter of 2018, gross domestic product (GDP) posted the strongest quarterly growth rate in nearly four years with a solid annualized pace of 4.1%, slightly below the Bloomberg consensus of 4.2%. The robust second-quarter economic growth marked a significant improvement from the first-quarter’s upwardly revised pace of 2.2%. With lower personal taxes and a strong labor market, personal consumption expenditures, which accounts for 70% of GDP, experienced a stronger-than-expected increase of 4% last quarter, versus the consensus forecast of 3% growth. Additionally, a strong improvement in net trade helped boost economic growth to above-trend levels, as exports surged 9.3% in the second quarter, compared to the first quarter’s muted gain of 3.6%. On balance, declining inventories and continued weakness in the housing market were net drags on second-quarter GDP.

Surging economic growth and tax cuts continue to boost corporate profits. This earnings season is headed for another strong quarter, with market consensus of an annual earnings growth rate exceeding 20%. This would represent the eighth consecutive quarter of positive earnings per share growth for the S&P 500 companies.

Robust economic data and optimism for corporate earnings helped domestic markets push higher with all three major domestic indices closing on a positive note in July. The Dow Jones Industrial Average advanced 4.8% last month, bringing the year-to-date return to 4.1%. The S&P 500 edged 3.7% higher last month which resulted in a 6.5% gain year to date. Finally, the tech-heavy NASDAQ continued to lead the way thus far in 2018, ending 2.2% higher in July and posting a solid return of 11.1% year to date.

Developed international markets also regained their footing last month with the MSCI EAFE Index generating a solid 2.5% return in response to a stronger earnings season and easing trade tension, particularly between the U.S. and Europe. President Trump and European Union commission leader Jean-Claude Juncker reached an agreement to work towards resolving their current trade dispute and eliminating tariffs and barriers on trade. Emerging markets also finished the month on a positive note, adding 2.2% in June which lowered the year-to-date loss to 4.6%.

	July 2018	YTD
DJIA	4.83%	4.07%
S&P 500	3.72%	6.47%
NASDAQ	2.15%	11.13%
MSCI EAFE	2.46%	-0.36%
MSCI Emerging Markets	2.20%	-4.61%
Barclays Aggregate	0.02%	-1.59%
Barclays Corp High Yield	1.09%	1.25%
	7/31/2018	6/30/2018
US 10-Year Treasury	2.96%	2.85%

U.S. Treasury yields rose in July in response to solid second quarter economic growth and strong corporate earnings releases. The flattening trend continued as shorter Treasuries led the increase and the spread between the 10-year and 2-year Treasury yields continued to compress, falling to less than 29 basis points. The Barclays Aggregate Bond index inched higher by 0.1% while the Barclays U.S. High Yield Index finished up 1.1%.

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Strong economic growth and stellar corporate earnings continue to provide support and push stock prices higher. Despite favorable fundamentals, investors remained concerned about the uncertainty over the future of trade policy. If trade tensions continue to ease, equity markets and bond yields could benefit and inch higher.

## LEGAL UPDATE | RETIREMENT PLAN FIDUCIARIES & PLAN GOVERNANCE

Although there is no legal requirement to do so, fiduciaries responsible for the oversight of ERISA retirement plans, often form committees as part of best practices. The structure and formalities of these committees vary based on such things as the size of the company, the size of the plan, and the capabilities of those who may serve on the committee. However, regardless of the size and structure of the committee, it is customary to document the responsibilities of the fiduciary committee through a committee charter or by-laws.

All ERISA fiduciaries are expected to act solely in the interests of the plan participants and beneficiaries with the exclusive purpose of providing benefits to them. The plan fiduciaries are required to carry out their responsibilities prudently. They are expected to follow the terms of the plan documents; to diversify the plan investments (minimizing large investment losses); and to ensure the plan pays only reasonable plan expenses. Each plan fiduciary is personally liable for his/her actions, and has the potential liability for the actions of their co-fiduciaries. In order to understand these responsibilities and potential liabilities, each fiduciary member should receive training on the basic ERISA fiduciary duties and the investment review procedures.

USI Consulting Group helps plan fiduciaries limit liability by providing fiduciary education, and by assisting fiduciaries with formalizing committees and governance documentation procedures for plan oversight. If you are interested in learning more about these services, please contact your USI Consulting Group representative.

For previous market commentaries please click [here](#).

*An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.*

*The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.*

*The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.*

*The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.*

*Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.*

*The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.*

*The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.*

*The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.*

*The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.*

*The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.*