

MARKET COMMENTARY

Global equities slumped during the month on the largest contraction in the Chinese manufacturing sector in over six years. This called into question the sustainability of the global economic expansion, which caused investors to sell equities across the board. Developed equities lost 5-6%, emerging markets lost 9-10%, and Chinese equities lost over 12%. The S&P 500 finished the month -6.0% and experienced its first 10% correction in four years. Bonds provided a relative safe haven, with intermediate investment grade losing -0.1% as yields on U.S. Treasuries were largely unchanged given the uncertainty of a Fed rate hike in this environment.

MARKET NEWS

- U.S. GDP in Q2 was revised higher to 3.7%, above the consensus estimate of 3.2%, as consumer spending increased at an annual rate of 3.1% and corporate investment and inventory growth were higher than expected (BEA)
- The Chinese central bank (PBOC) adjusted the yuan's exchange rate relative to the U.S. dollar, devaluing the currency and signalling that Chinese economic growth is declining; the Shanghai Composite finished August down -12%
- Global oil demand increased at its fastest pace in five years and is expected to continue into 2016, as global growth continues to expand and consumers respond to sub-\$50 oil (IEA)

INDEX RETURNS & MARKET LEVELS<sup>1, 2</sup>

	Description	Month	3 Months	YTD	1yr
<b>Equities</b>					
S&P 500	<i>U.S. large cap</i>	-6.03%	-5.92%	-2.88%	0.48%
Russell 2000	<i>U.S. small cap</i>	-6.28%	-6.68%	-2.97%	0.03%
MSCI EAFE	<i>Non-U.S. developed</i>	-7.36%	-8.11%	-0.21%	-7.47%
MSCI EM	<i>Emerging markets</i>	-9.04%	-17.55%	-12.85%	-22.95%

**Fixed Income**

Barclays U.S. Aggregate	<i>U.S. core inv. grade</i>	-0.14%	-0.55%	0.45%	1.56%
Barclays Municipal	<i>U.S. municipal</i>	0.20%	0.83%	1.04%	2.52%
BofAML High Yield Master II	<i>U.S. sub inv. grade</i>	-1.76%	-3.86%	0.07%	-3.07%
JPMorgan EMBI Global TR	<i>Emerging markets</i>	-1.08%	-2.35%	1.08%	-2.98%

**Alternatives**

HFRX Global Hedge Fund	<i>Hedge funds</i>	-2.21%	-3.45%	-1.00%	-3.47%
Alerian MLP	<i>MLPs</i>	-4.96%	-15.66%	-18.17%	-29.34%
S&P U.S. REIT	<i>REITs</i>	-6.22%	-5.45%	-6.99%	-0.01%
Bloomberg Commodity TR	<i>Commodities</i>	-0.92%	-9.91%	-12.82%	-28.14%

**U.S. Economic Measures**

U.S. GDP <sup>3</sup>		3.7%	(Q2 2015, second est.)
CPI-U ex Food & Energy <sup>4</sup>	<i>"Core" inflation</i>	1.8%	(7/31/2015)
Unemployment Rate		5.3%	(7/31/2015)

	Levels		
	8/28/2015	12/31/2014	8/28/2014
<b>Rates</b>			
2yr U.S. Treasury	0.72%	0.67%	0.50%
10yr U.S. Treasury	2.19%	2.17%	2.34%
3mo LIBOR	0.33%	0.26%	0.23%
Prime Rate	3.25%	3.25%	3.25%
30yr Mortgage Fixed	4.08%	4.04%	4.28%

**Commodities**

Gold (\$/oz.)	1,135	1,206	1,292
Copper (\$/MT)	5,095	6,359	7,033
Oil-WTI (\$/barrel)	45.20	53.49	94.51
Corn (\$/bushel)	3.57	3.80	3.58

**Currencies**

Euro (\$/€)	1.12	1.21	1.32
Pound (\$/£)	1.54	1.56	1.66
Jap. Yen (¥/\$)	121.01	119.90	103.76

*Notes:* 1) Sources: Bloomberg, J.P. Morgan Asset Management, Morningstar, Hedge Fund Research, Bureau of Labor Statistics, Bureau of Economic Analysis. 2) Data as of the date of this report unless otherwise noted. 3) U.S. GDP measures the percentage change during the referenced quarter as published by BEA. 4) Consumer Price Index for All Urban Consumers: U.S. City Average, All Items Less Food and Energy is based on 12-month percent change as published by BLS.

*Disclosures:* This material is provided for informational purposes only and does not constitute an offer or solicitation by HFS, or its subsidiaries or affiliates, to invest in these indices or their constituent products. The data contained herein are from referenced sources which HFS believes to be reliable. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. The views expressed are those of HFS. They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm. Investing involves a high degree of risk, and all investors should carefully consider their investment objectives and the suitability of any investment. Past performance is not necessarily indicative of future results. All data is as of the date of this report unless otherwise noted.

**Investment Team:**

**John Howard** (*Chief Investment Officer*)  
 (214) 346-0789  
 john.howard@hfs-wm.com

**Stephen Howard** (*Private Markets*)  
 (214) 239-0850  
 stephen.howard@hfs-cp.com

**Will Gray, CAIA** (*Public Markets*)  
 (512) 828-7015  
 will.gray@hfs-wm.com

**Randall Horton** (*Public Markets*)  
 (214) 239-0883  
 randall.horton@hfs-wm.com

**About HFS:**

**Howard Financial Services, Ltd.** is an SEC-registered investment adviser that was established in 1994 to provide comprehensive financial planning and investment management services. Our wealth management division, HFS Wealth Management, offers comprehensive financial advisory, portfolio management and consultative services. Proprietary investments are offered through our private investment affiliate, HFS Capital Partners.

**Contact:**

**HFS Wealth Management**  
 8350 Meadow Road, Suite 181  
 Dallas, Texas 75231  
 Tel: (214) 346-0785  
 Fax: (214) 346-0794  
 www.howardfs.com