

MONTHLY MARKET RECAP

INSIGHTS FROM THRIVENT ASSET MANAGEMENT

S&P 500 CLOSSES ABOVE 2000 Recap for the month ended August 31, 2014

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Domestic stocks put together a strong month of returns, leading the S&P 500 Index to close above 2,000 for the first time in its history. Here is a look at market details for August 2014:

BY THE NUMBERS

Market activity in August, as reflected in the most common market indexes we follow.

Equity Indexes*	1-Month	YTD	2013
Dow Jones Industrial Average ¹	3.6 %	4.8%	29.7%
S&P 500 Index ²	4.0%	9.9%	32.4%
Russell 2000 Index ³	5.0%	1.8%	38.9%
MSCI EAFE Index ⁴	-0.2%	2.9%	23.3%
MSCI Emerging Markets Index ⁵	2.3%	11.0%	-2.3%

Bond Indexes*	1-Month	YTD	2013
Barclays U.S. Aggregate Bond Index ⁶	1.1%	4.8%	-2.0%
Barclays 20+ Year Treasury Index ⁷	4.4%	18.9%	-13.9%
Barclays U.S. Corporate Investment Grade Index ⁸	1.4%	7.1%	-1.5%
Barclays U.S. High Yield Index ⁹	1.6%	5.7%	7.4%
Barclays Municipal Bond Index ¹⁰	1.2%	7.5%	-2.6%

* Past performance is not indicative of future results. An investment cannot be made directly in an index.

U.S. Treasury Yields	As of 8/31/2014	As of 7/31/2014	As of 12/31/2013
3-Month U.S. Treasury Bill	0.03%	0.03%	0.07%
5 Year U.S. Treasury Bond	1.63%	1.76%	1.75%
10 Year U.S. Treasury Bond	2.35%	2.58%	3.04%
30 Year U.S. Treasury Bond	3.09%	3.32%	3.96%

DOMESTIC MARKETS BOUNCE BACK, BUT VOLATILITY REAPPEARS

Stocks in the U.S. generally snapped back from a negative July, pushing small cap stocks back into positive territory and helping the S&P 500 set new record highs, closing above 2,000. While valuations continue to push higher, there are still many tailwinds for stocks, including continued improvements in the U.S. housing market, positive progress on unemployment and a stronger U.S. economy. In fact, second quarter GDP growth was recently revised upwards to +4.2% and the past six months have seen the strongest string of hiring since 2006. The unemployment rate ticked up to 6.2%, but many economists saw that as a positive sign since it was due largely to more people looking for work, suggesting the public is seeing brighter job opportunities.

However, after a sustained period of relatively calm equity markets, the past couple of months have brought a reappearance of volatility. Geopolitical hotspots, such as Ukraine/Russia and various areas of the Middle East, will likely flare up and trigger higher volatility, while the risk of tighter U.S. monetary policy following the end of the Fed's bond-buying stimulus program could also lessen the stock market's ability to absorb some of those external shocks.

GOVERNMENT BOND YIELDS PUSH DOWN YET AGAIN

European government bond yields fell in August, with 10-year German bunds reaching a record low of 0.88%. Many investors fled to safety in the midst of the Ukraine/Russia conflict, and quality European government bonds were particularly attractive as expectations for the European Central Bank's own Quantitative Easing process build. The flight to safety and the relative attractiveness of U.S. Treasury yields compared to the low yields in Europe has also led to increased demand for U.S. government debt, leading to more declines in yields. After starting the year slightly above 3.0%, yields for 10-year U.S. Treasury Bonds have fallen steadily throughout 2014, ending the month at 2.35%, the lowest mark since June of 2013.

- 1 The Dow Jones Industrial Average is an index of 30 "blue chip" stocks traded in the U.S.
- 2 The S&P 500 Index is a widely followed index, and is composed of 500 widely held U.S. stocks
- 3 The Russell 2000® Index measures performance of small-cap stocks
- 4 The MSCI EAFE Index measures developed-economy stocks in Europe, Australasia and the Far East
- 5 The MSCI Emerging Markets Index measures developing-economy stocks
- 6 The Barclays U.S. Aggregate Bond Index measures performance of a wide variety of publicly traded bonds
- 7 The Barclays 20+ Year Treasury Index measures performance of longer maturity treasury bonds
- 8 The Barclays U.S. Corporate Investment Grade Index measures performance of the investment grade bond sector
- 9 The Barclays High Yield Index measures performance of the high yield bond sector
- 10 The Barclays Municipal Bond Index measures performance of the municipal bond sector

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All information and representations herein are as of 08/31/14, unless otherwise noted.

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