

# MassMutual Funds

Global markets ended last week lower on concerns about an escalating trade war between the U.S. and China, a possible forthcoming war between Israel and Hamas, and a crisis in Turkey that could cause turmoil in emerging-market currencies and harm European banks. The S&P 500, Dow, and NASDAQ all closed lower on Friday with daily percentage changes of -0.71%, -0.77%, and -0.67%, respectively. The yield on the 10-year US Treasury note finished the week 13 bps lower than the start of the month, at 2.87. As expected, the U.S. Consumer Price Index (CPI) rose 0.2%, primarily due to a rise in the cost of housing. With the 12-month rate of core inflation having now risen to 2.4%—the highest rate since September 2008—it is likely the Federal Reserve will stay on track to gradually raise interest rates this year.

Earnings reports released last week continued to be generally strong. Overall, 91% of companies in the S&P 500 have reported for Q2 2018. Of those having reported, 79% had a positive EPS surprise and 72% had a positive sales surprise. In aggregate, according to FactSet, earnings have exceeded expectations by 5.0%, which is above the 5-year average of 4.4%. FactSet also reports that the forward 12-month P/E ratio for the S&P 500 is above the long term averages.

Geopolitical concerns about a trade war between the U.S. and China heightened last Tuesday when the Trump administration completed plans to impose new 25% tariffs on \$16 billion in Chinese imports. This widely anticipated action will bring the total value of products covered by duties to \$50 billion by the end of August, according to the Wall Street Journal. China's Ministry of Commerce on Wednesday criticized this latest decision as unreasonable. Beijing warned it would continue to match actions taken by the Trump administration step for step.

Elsewhere, tensions between Saudi Arabia and Canada escalated on Wednesday when Saudi Arabia ordered its citizens to leave Canada and instructed its central bank's fund managers to sell all Canadian assets. The diplomatic dispute—which brought into global view the kingdom's sensitivity to Western criticism—was initiated a few days prior when Canada's foreign ministry criticized Saudi Arabia for arresting human rights activists.

## Reports, Speeches and Market Movers:

- Mon: N/A
- Tue: N/A
- Wed: US/Advance Monthly Sales for Retail & Food Services
- Thu: US/New Residential Construction & US/Unemployment Insurance Weekly Claims
- Fri: University of Michigan Survey of Consumers – Preliminary Report

## Weekly Market Commentary

August 13, 2018

Index Returns (%)						
Returns are as of 8/10/18	1Wk	1Mo	QTD	3Mo	YTD	1Yr
S&P 500	(0.18)	1.56	4.44	4.58	7.21	18.47
Dow Jones Industrial Average	(0.44)	1.78	4.58	2.95	3.82	18.52
Russell 2000	0.82	(0.45)	2.76	5.51	10.63	24.47
MSCI EAFE	(1.46)	(1.54)	(0.24)	(3.91)	(2.98)	3.95
MSCI Emerging Markets	(0.99)	(1.01)	(0.07)	(7.04)	(6.72)	2.93
BBg Barclays U.S. Agg. Bond	0.42	0.42	0.54	1.28	(1.08)	(0.62)
BBg Barclays U.S. Corporate 10+ Yr	0.30	0.73	1.98	1.64	(4.92)	(0.70)
BBg Barclays U.S. Corporate High Yield	0.12	0.99	1.38	1.60	1.54	3.53
NASDAQ Composite	0.40	1.11	4.48	6.18	14.27	27.42

Yields (%)			
	8/10/2018	YE 2017	1Yr Ago
2-Yr Treasury	2.60	1.88	1.32
10-Yr Treasury	2.87	2.41	2.20
BBg Barclays U.S. Corp High Yield	6.26	5.72	5.71
BBg Barclays U.S. Aggregate Bond	3.28	2.71	2.48

Currencies			
	8/10/2018	YE 2017	1Yr Ago
EUR : USD	1.14	1.20	1.18
GBP : USD	1.28	1.35	1.30
USD : Yen	110.83	112.69	109.20
USD : CAD	1.31	1.26	1.27

Commodities (\$)			
	8/10/2018	YE 2017	1Yr Ago
Gold	1,210.57	1,302.80	1,289.31
Silver	15.31	16.94	17.12
Natural Gas	2.94	2.95	2.98
WTI	67.63	60.42	48.82
Copper	274.25	330.05	291.20
Corn	357.75	350.75	360.75

USD - U.S. Dollar, EUR - Euro, GBP - British Pound, JPY - Japanese Yen, CAD - Canadian Dollar

Past Performance is No Guarantee of Future Results

# MassMutual Funds

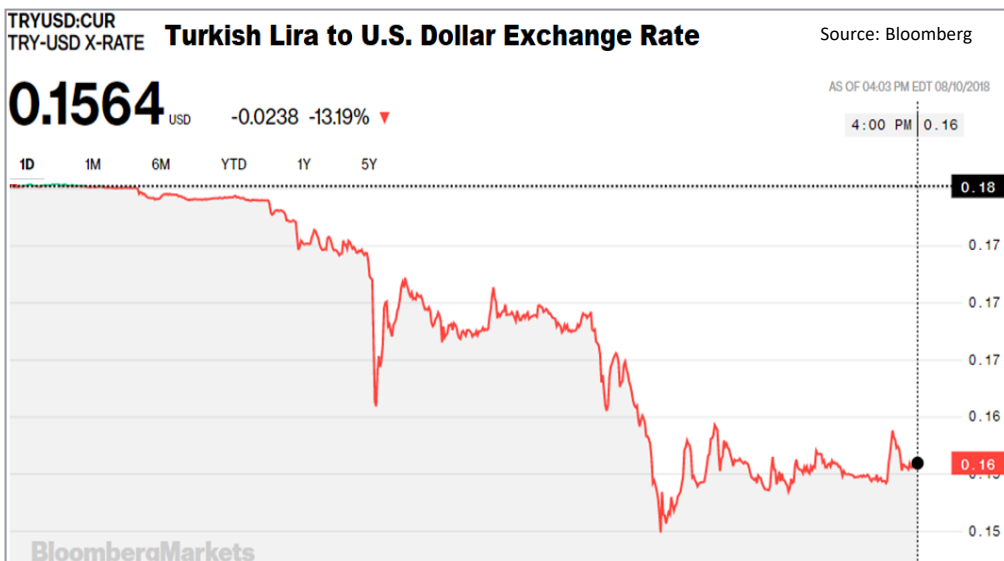
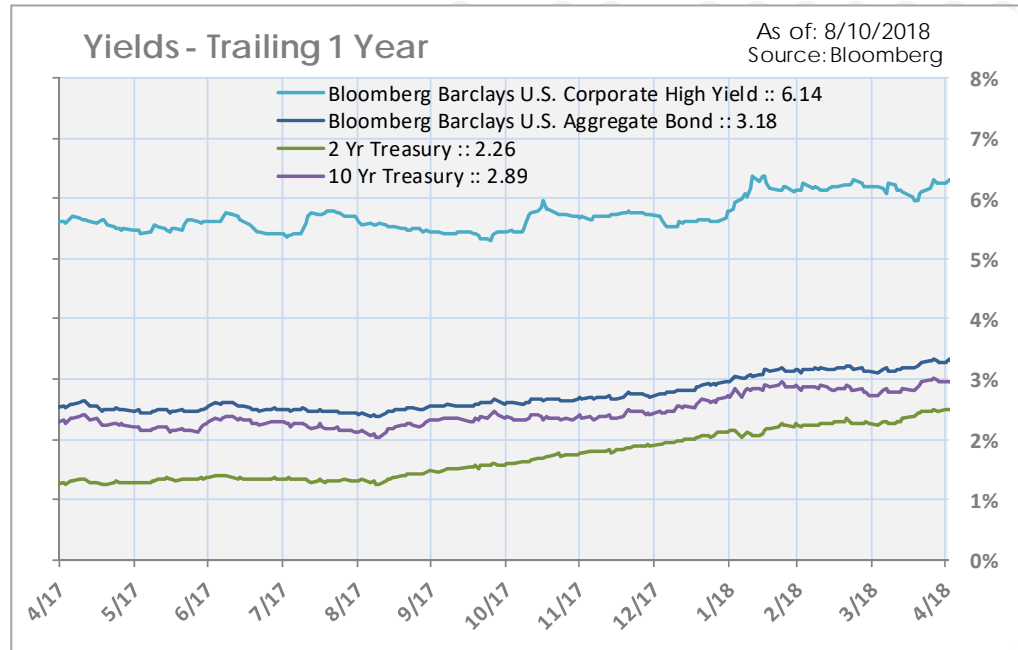
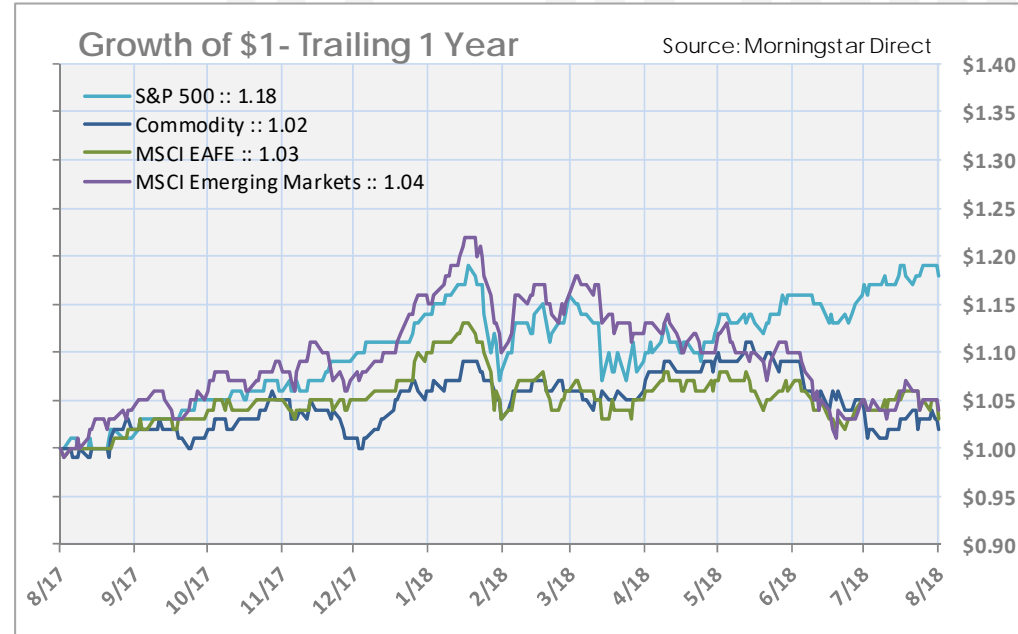
International markets were rattled on Friday when the U.S. doubled the rate of tariffs on steel and aluminum imports from Turkey. In response, the Turkish lira plunged as much as 17% against the U.S. dollar. Turkish sovereign bonds were also drastically sold off, bringing yields on 10-year debt to above 20%, which is roughly 8% higher than in May. While lenders in Spain, France and Italy have the highest exposure to the Turkish economy, investors worldwide will be waiting to see if this development further intensifies outflows from emerging-market countries and pushes the U.S. dollar even higher.

Notable of last week, too, was Elon Musk's twitter announcement regarding his intention of possibly taking electric-car maker Tesla private. Musk on Tuesday tweeted: "Am considering taking Tesla private at \$420. Funding secured." Tesla's stock, which opened at \$344.00 on August 7, quickly rose to a closing price of \$379.57; yet trading throughout the day was interrupted for more than an hour by a temporary trading halt initiated by Nasdaq Inc. Details are still scarce about the validity of Musk's claim as well as the source of "secured funding." Stock gains from Tuesday were eroded on Thursday, with Tesla stock falling as much as 6%. The Securities and Exchange Commission (SEC) has already made inquiries about Musk's claim, the Wall Street Journal reported. According to CNBC, Tesla is likely to face SEC investigation as rumors of market manipulation abound.

This week, relations between the U.S. and China will continue be on the forefront of investors' minds as will the fallout from Turkey's currency crisis. Moreover, the market also looks ahead to the release of several economic reports: US/Advance Monthly Sales for Retail & Food Services on August 15<sup>th</sup>; US/New Residential Construction - Housing Starts and Building Permits on August 16<sup>th</sup>; and US/Unemployment Insurance Weekly Claims Report on August 16<sup>th</sup>.

## Weekly Market Commentary

August 13, 2018



Investors should consider an investment option's objectives, risks, fees and expenses carefully before investing. This and other information can be found in the applicable prospectus or summary prospectuses for the products indicated, which are available from MassMutual at [www.massmutual.com/product-performance/product-performance-listing-page](http://www.massmutual.com/product-performance/product-performance-listing-page) or by calling 1-866-444-2601. Please read them carefully before investing. Past performance is no guarantee of future results.

Indexes are unmanaged, do not incur fees or expenses, do not reflect any deduction for taxes, and cannot be purchased directly by investors.

(1) Price-weighted average of 30 actively traded Blue Chip stocks, primarily industrials, but also including other service-oriented firms; may be used as a benchmark for large cap stocks. (2) Widely recognized, unmanaged index representative of common stocks of larger capitalized U.S. companies. (3) Broad-based index of over 5000 companies, which measure all domestic, and non-U.S. based common stocks listed on the NASDAQ Stock Market, Inc. (4) Unmanaged index representing the performance of small-cap U.S. stocks. (5) Unmanaged index consisting of approximately 1,200 stocks in developed market countries outside of North and South America, and represents approximately 85 percent of the total market capitalization in those countries. (6) Unmanaged index of fixed rate investment grade securities with at least one year to maturity combining the Bloomberg Barclays U.S. Treasury Bond Index, the Bloomberg Barclays U.S. Government-Related Bond Index, the Bloomberg Barclays U.S. Corporate Bond Index, and the Bloomberg Barclays U.S. Securitized Bond Index.

The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of fixed-rate investment-grade securities with at least one year to maturity, combining the Bloomberg Barclays U.S. Treasury Bond Index, the Bloomberg Barclays U.S. Government-Related Bond Index, the Bloomberg Barclays U.S. Corporate Bond Index, and the Bloomberg Barclays U.S. Securitized Bond Index.

The Bloomberg Barclays U.S. Corporate High-Yield Bond Index covers the universe of fixed rate, non-investment-grade debt from corporate sectors.

The S&P 500<sup>®</sup> Index is a widely recognized, unmanaged index representative of common stocks of larger capitalized U.S. companies.

The Russell 2000 Index is a widely recognized, unmanaged index representative of common stocks of smaller capitalized U.S. companies.

The MSCI EAFE Index is a widely recognized, unmanaged index representative of equity securities in developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets (EM) Index is an unmanaged market capitalization-weighted index of equity securities of companies domiciled in various countries.

The Index is designed to represent the performance of emerging stock markets throughout the world and excludes certain market segments unavailable to U.S.-based investors.

The information provided represents the opinion of MassMutual Investment Services as of the date of publication and is subject to change without notice. It is not to be construed as tax, legal or investment advice. Past performance does not guarantee future results.

The principal underwriter of the MassMutual Funds is MML Distributors, LLC. (MMLD) Member FINRA [www.FINRA.org](http://www.FINRA.org) and SIPC (and [www.SIPC.org](http://www.SIPC.org)) MMLD is a subsidiary of Massachusetts Mutual Life Insurance Company, 100 Bright Meadow Blvd., Enfield, CT 06082. Investment advisory services provided to the MassMutual Funds by MML Investment Advisers, LLC.

For more information, visit [www.massmutual.com](http://www.massmutual.com), [www.massmutualfunds.com](http://www.massmutualfunds.com), or "Like" MassMutual on Facebook and [Facebook.com/massmutual](https://www.facebook.com/massmutual)

Copyright ©2018 Massachusetts Mutual Life Insurance Company (MassMutual) and affiliates, Springfield, MA 01111-0001. All rights reserved.