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# **The Concord Advisory Group, Ltd.**

## *June 2017 Market Highlights*

### *“Retail Pain ”*

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# Concord Advisory Group: June 2017 Market Highlights

## Commentary: “Retail Pain”



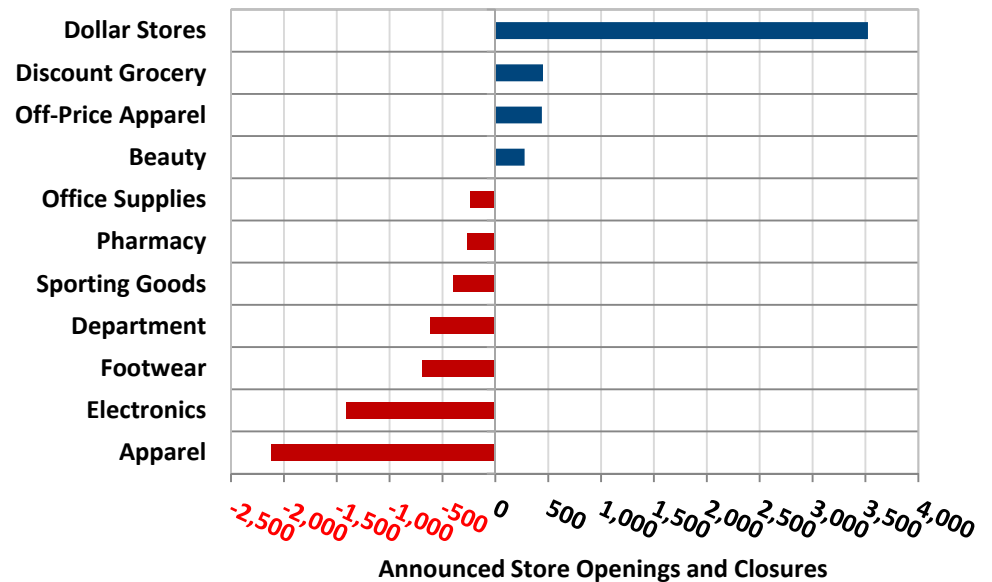
Most of the traditional brick and mortar retail sector is struggling. Thus far, in 2017, there have already been 5,300 announced store closings, up over 200% year over year. Many familiar companies (Payless, RadioShack, Sports Authority, Gymboree, et al.) have declared bankruptcy in the last couple of years and other retailers are closing stores to survive. As the chart shows, the only major area of retail growth is in stores that are able to compete on price and convenience with the e-retailers.

Everyone understands that Amazon is reshaping the way people shop for goods. The disruptive effects of Amazon were highly visible on June 16<sup>th</sup>, the day Amazon announced its intention to buy Whole Foods. On that day, the stock prices of Amazon and Whole Foods appreciated 2.4% and 29.1% respectively. Meanwhile the share prices of the stocks most adversely affected by Amazon’s expansion into the grocery sector (e.g. Kroger -9.2%, Target -5.1%, Costco -7.2%, & Walmart -4.7%) were pummeled.

High levels of private equity ownership in the retail sector is an often overlooked reason for these retail store closings. Private equity funds owned half of the retailers that have recently sought bankruptcy protection. In most cases, the private equity owners saddled the companies with large, unmanageable debt burdens to fund the leveraged buyout and to pay dividends to their private equity funds. Heightened leverage makes businesses fragile, and adding debt to companies that face structural headwinds, i.e. e-commerce, was a recipe for collapse.

The same dynamic may spread outside the retail sector, as private equity funds are still recording billions in new commitments and can still easily borrow to fund leveraged deals. Private equity funds may face headwinds achieving return targets as competition for private investments is intensifying. The bonds and loans that finance private equity transactions offer scant returns compared to the credit risk they are currently assuming.

**Retail Store Openings and Closures 2016 & 17**



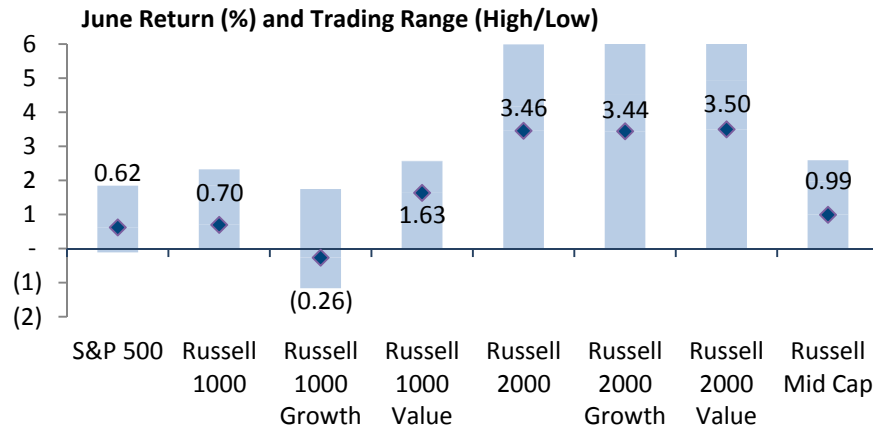
Source: Fung Global Retail & Technology

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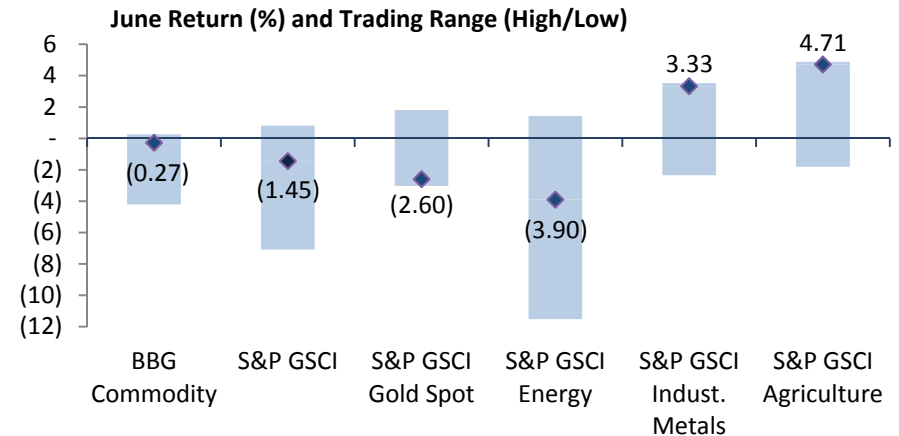
## Monthly Charts



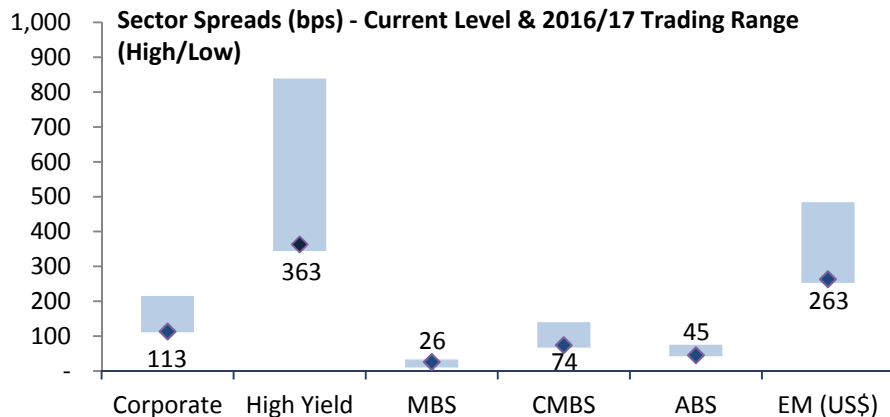
**U.S. Equities:** US markets ended the month positively; and, in a stark reversal from the prior month, small and value outpaced large and growth.



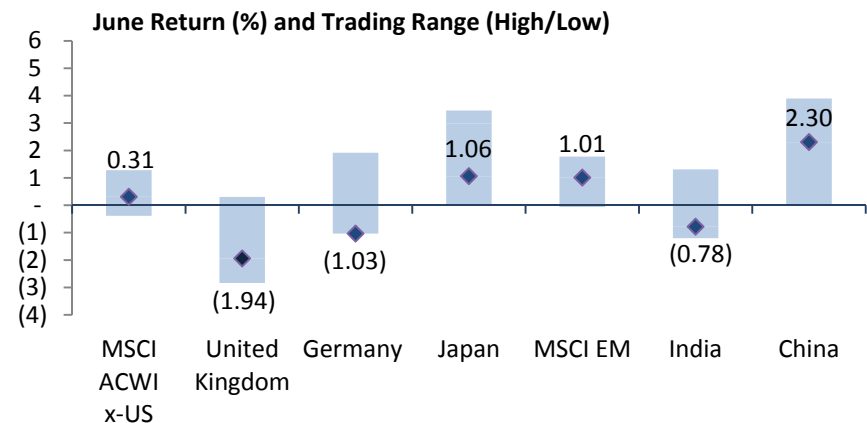
**Commodities:** Concerns that OPEC will not be able to reduce the global oil glut put pressure on prices. Metals and Agricultural commodities prices advanced, but oil has a larger weight in the index.



**Fixed Income:** Yields increased across the globe as the ECB hinted that its bond buying program may be scaled back. Credit spreads were little changed and remain at very tight levels.



**International Equities:** Non-US developed equities lagged emerging markets, which were boosted by gains in Asian markets.

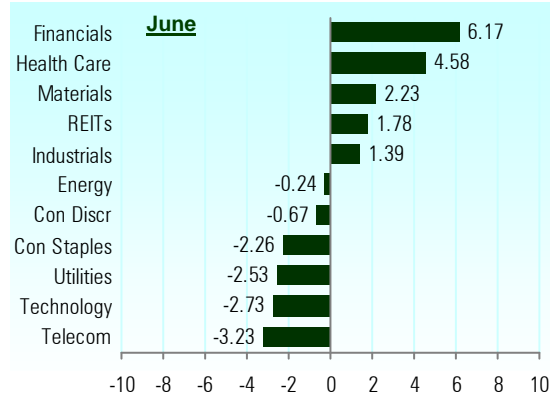


# Concord Advisory Group: June 2017 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	0.62%	3.09%	9.34%	17.90%	9.61%	14.63%
Russell 1000	0.70%	3.06%	9.27%	18.03%	9.26%	14.67%
Russell 1000 Growth	-0.26%	4.67%	13.99%	20.42%	11.11%	15.30%
Russell 1000 Value	1.63%	1.34%	4.66%	15.53%	7.36%	13.94%
Russell MidCap	0.99%	2.70%	7.99%	16.48%	7.69%	14.72%
Russell 2000	3.46%	2.46%	4.99%	24.60%	7.36%	13.70%
Russell 2000 Growth	3.44%	4.39%	9.97%	24.40%	7.64%	13.98%
Russell 2000 Value	3.50%	0.67%	0.54%	24.86%	7.02%	13.39%
MSCI ACWI	0.45%	4.27%	11.48%	18.78%	4.82%	10.54%
MSCI World	0.38%	4.03%	10.66%	18.20%	5.24%	11.38%
MSCI ACWI Ex-U.S.	0.31%	5.78%	14.10%	20.45%	0.80%	7.22%
MSCI EAFE	-0.18%	6.12%	13.81%	20.27%	1.15%	8.69%
MSCI EM	1.01%	6.27%	18.43%	23.75%	1.07%	3.96%
Bloomberg Commodity	-0.19%	-3.00%	-5.26%	-6.50%	-14.81%	-9.25%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.10%	1.45%	2.27%	-0.31%	2.48%	2.21%
Barclays Capital Global Aggregate	-0.09%	2.60%	4.41%	-2.18%	-0.35%	0.78%
Barclays Capital Intermediate Aggregate	-0.26%	0.92%	1.61%	-0.16%	2.01%	1.87%
Barclays Capital Universal	-0.08%	1.52%	2.63%	0.91%	2.76%	2.73%
Barclays Capital Government	-0.16%	1.17%	1.86%	-2.18%	1.99%	1.30%
Barclays Capital Credit	0.26%	2.35%	3.68%	1.84%	3.39%	3.67%
Barclays Capital Municipal	-0.36%	1.96%	3.57%	-0.49%	3.33%	3.26%
Barclays Capital High Yield	0.14%	2.17%	4.93%	12.70%	4.48%	6.89%
Barclays Capital Mortgage	-0.40%	0.87%	1.35%	-0.06%	2.17%	2.00%
Barclays Capital 1-3 Yr Gov/Credit	-0.04%	0.31%	0.72%	0.35%	0.95%	0.95%
Citigroup 3-Month Treasury Bill	0.06%	0.17%	0.29%	0.44%	0.19%	0.14%
Citigroup World Govt Bond	-0.14%	2.89%	4.49%	-4.14%	-1.00%	-0.20%
Barclays Capital U.S. TIPS	-0.95%	-0.40%	0.85%	-0.63%	0.63%	0.27%
ML Investment Grade Convertible	-0.48%	4.02%	9.76%	20.67%	10.35%	13.59%

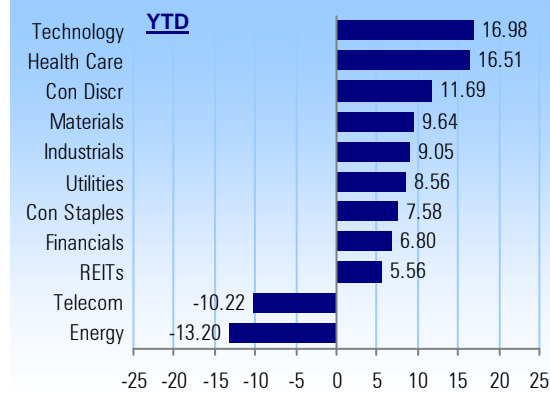
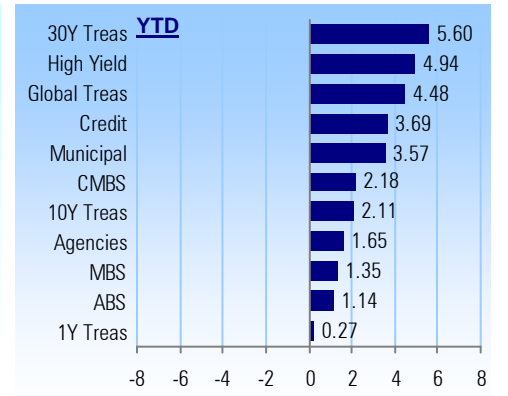
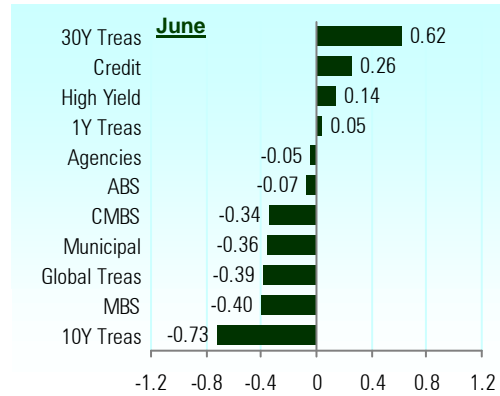
## Equity Sector Returns (%)



## Equity Style Returns (%)

Style	Value	Core	Growth
Large	1.63	0.70	-0.26
Mid	1.49	0.99	0.30
Small	3.50	3.46	3.44

## Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	4.66	9.27	13.99
Mid	5.18	7.99	11.40
Small	0.54	4.99	9.97

## Treasury Yield Curve

