JUNE 19, 2017

Weekly Market Update

General Market News

- Treasuries rallied last Wednesday after the Federal Reserve (Fed) announced that it was raising the fed funds rate by 0.25 percent. The yield on the 10-year was as low as 2.10 percent after the announcement before selling off to 2.17 percent on Friday. It opened at 2.14 percent this Monday. The 30-year yield, at 2.76 percent last Wednesday, has continued to stay near that level, opening at 2.78 percent on Monday. On the short end of the curve, the 2-year rallied after the announcement, then sold off, and has now stabilized around 1.32 percent.

- The S&P 500 and Dow Jones Industrial Average moved slightly higher last week, while the technology sell-off continued, leading the Nasdaq to a loss of 0.88 percent. Bond proxy stocks led the way, with the industrials, real estate, and utilities sectors among the top performers. Meanwhile, telecom followed technology as among the worst performers. Amazon (AMZN) bucked both poor technology sector performance and weak retail sales data last week. Its acquisition of Whole Foods Market (WFM) on Friday led to a 2.44-percent pop in the company's share price. The move created ripples across the retail space, with many grocery chains losing ground on the news.

- The economic news last week was mixed. The week began with the release of Producer Price Index data, which came in slightly higher than expected. On a year-over-year basis, core inflation is up 2.1 percent, which is in line with the Fed's 2-percent goal. Speaking of the Fed, as mentioned above, it raised rates by the expected 0.25 percent last week. This was seen as confirmation that the Fed is confident in the current economic expansion. Unfortunately, the rest of the news was less positive. Retail sales data disappointed, with a surprise decrease of 0.3 percent against expectations for an increase of 0.1 percent. Prior months' data was revised upward, but the decrease was still unexpected. Much of the weakness in retail sales was attributed to lower gasoline prices. Business inventories also decreased slightly during the month. These two decreases caused economists to lower their forecasts for second-quarter gross domestic product growth. Finally, housing data disappointed again, following poor results in April. The National Association of Home Builders survey dropped to 67 against expectations to remain at 70. This is still a healthy number, but the surprising drop in sentiment is something worth watching. In addition to the decline in soft data, hard data showed weakness. Both building permits and housing starts declined for the month against expectations for increases. These declines are concerning given low supply and high demand.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.12	0.99	9.74	19.56
Nasdaq Composite	–0.88	–0.71	14.94	28.57
DJIA	0.59	1.91	9.53	23.69
MSCI EAFE	0.03	0.28	14.71	24.66
MSCI Emerging Markets	–1.41	–0.05	17.26	28.72
Russell 2000	–1.00	2.75	4.26	24.25

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.41	2.69	0.61
U.S. Treasury	0.44	2.36	–1.34
U.S. Mortgages	0.07	1.75	0.60
Municipal Bond	0.25	4.06	0.42

Source: Morningstar Direct

What to Look Forward To

In a slow week for economic news, there are just two reports on tap: existing home sales and new home sales.

The existing home sales report, released on Wednesday, is expected to show 5.55 million sales in May, down from 5.57 million in April. (Sales also declined from March to April.) A lack of homes for sale, rather than a lack of demand, is the primary reason for the decline; the supply of homes for sale is at its lowest level since records began in 1982. Given this lack of supply, there may be additional downside risk to the report.

The report on new home sales will be released on Friday. Here, sales are expected to bounce back from 569,000 in April to 600,000 in May, after a large

What to Look Forward To (continued)

drop from March to April. Developers continue to build new homes; therefore, new homes are more readily available than existing homes.

Overall, if the numbers come in as expected—even if the existing home sales number is weak—they will indicate continued strong demand and a healthy market.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. Rev. 06/17.

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