

MARKET COMMENTARY

May 5, 2017

U.S. stocks advanced for a sixth straight month, as strong earnings overshadowed both a pullback in economic growth and increased geopolitical risks. Global equity indices approached or reached record highs and the first round winner of France's presidential elections eased concerns the nation may leave the European Union. The S&P 500 ended lower on the final session of the month after the Commerce Department reported that the U.S. economy expanded by 0.7% in the first quarter, the slowest growth pace in three years and down from 2.1% GDP growth the prior quarter. Weak consumer spending was the primary drag on domestic growth. On the other hand, wages and benefits rose at the fastest pace since 2007 and headline business investment rose 9.4%, the most since 2013. On the earnings front, with nearly 300 S&P 500 companies reporting first quarter results, approximately 85% have topped analysts' profit projections. Moreover, 66% of S&P 500 companies have exceeded their revenue forecasts, their highest level since the second quarter 2011.

Within the S&P 500, 8 of its 11 major sector groups advanced in April, led by Technology (+2.52%), Consumer Discretionary (+2.44%), and Industrials (+1.76%). Telecom (-3.31%), Energy (-2.89%), and Financials (-0.84%) lagged. On a year-to-date basis, all but two sectors posted gains. Technology again took top honors, up 15.41%, followed by Consumer Discretionary (+11.09%) and Healthcare (+10.04%). Energy (-9.38%) and Telecom (-7.15%) are this year's worst performers.

Small cap stocks, as measured by the Russell 2000 Index, performed best in April, outperforming large and mid cap shares. The Russell 2000 Index gained 1.1% last month, while the Russell Mid Cap Index returned 0.77%. Large cap stocks, as measured by the S&P 500, have gained the most this year, up 7.16% YTD. Growth stocks outperformed value stocks in April, with the Russell 1000 Growth Index up 2.29%, while the Russell 1000 Value Index declined 0.19%. The outperformance in growth stocks has continued to widen on a year-to-date basis, with growth shares up 11.4%, while value stocks trailed with a 3.07% YTD gain.

The MSCI EAFE Index, a broad performance measure of global developed markets outside of the U.S. and

Canada, outperformed emerging market equities last month, rallying 2.54%. The MSCI Emerging Markets Index posted a 2.19% advance in April. On a YTD basis, however, the MSCI Emerging Markets Index has risen the most, up 13.88% versus a return of 9.97% for the MSCI EAFE Index. The MSCI All Country World Index excluding the U.S. rose 2.14% in April and 10.17% YTD.

Amid rising geopolitical risks, prices on benchmark 10-year U.S. Treasury notes rose in April, pulling its yield lower by 10.7 basis points to end the month at 2.28%. The Bloomberg Barclays U.S. Municipal Bond Index gained 0.73% last month, while the Bloomberg Barclays U.S. Aggregate Bond Index, a broader measure of U.S. investment grade bonds, rose 0.77%. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, was the best performing domestic bond index, returning 1.15% in April and 3.89% YTD.



SUMMARY OF MAJOR ECONOMIC INDICATORS

INDICATOR	LAST REPORT DATE	VALUE*	6-MO. TREND	COMMENTS
U.S. Real GDP (ann. rate) *	Q1 2017	0.7%	↓	The advance estimate of Q1 GDP showed slowing economic growth caused by primarily by slower consumer spending. Private inventory investment and government spending also slowed
Global Real GDP Growth (ann. rate; Source: IMF)	Q1 2017	3.5%	n/a	The prospects for stronger global growth in 2017 are led by expectations of more robust global demand, reduced deflationary pressures, and optimistic financial markets.
Non-Farm Employment Growth	Apr 2017	211,000	↓	Job creation was stronger than expected in April, and nearly triple prior month's number. Job growth was concentrated in lower-paying areas, with leisure and hospitality picking up the most.
Unemployment Rate	Apr 2017	4.4%	↓	The unemployment rate ticked down to its lowest level since 2007, even as the labor force participation rate dropped. Wages grew by an annualized pace of 2.5%.
ISM Manufacturing Index	Apr 2017	54.8	↔	Manufacturing activity expanded in April, but at a slower pace than in March. The manufacturing recovery is being supported by the energy sector, as increasing oil prices boost drilling activity.
ISM Non-Manufacturing Index	Apr 2017	57.5	↔	Activity in service-related industries grew more than in expected in April, increasing 2.3% from the prior month. The new orders index climbed to its highest level since 2005.
Capacity Utilization	Mar 2017	76.1	↔	Capacity utilization for the industrial sector increased 0.4% in March. Utilization for manufacturing and mining both declined, while the rate for utilities jumped substantially.
Consumer Price Index (CPI, SA)	Mar 2017	-0.3%	↑	Consumer prices fell by 0.3% in March, seasonally adjusted. The energy index was the largest detractor, with gasoline falling the most and other major energy components decreasing as well.
Producer Price Index (Finished Goods, SA)	Mar 2017	-0.1%	↑	Producer prices fell by 0.1% in March, after increasing sharply the prior two months. Prices for both final demand goods and services fell, led by a decrease in gasoline, which fell 8.3%.
Leading Economic Indicators Index (LEI)	Mar 2017	0.4%	↑	The increase in Leading Indicators was widespread in March, with manufacturing new orders and interest rate spreads more than offsetting declines in the labor market components.
10-year Treasury Yield	Apr 2017	2.29%	↔	Treasury yields ended April 11 bps lower, after dipping as low as 2.18% during the month. Investors moved into bonds among election fears in France and geopolitical fears in Asia.

*NOTE: The "Value" column shows the most current level or change over the prior month or quarter.

GLOBAL CAPITAL MARKETS: RETURNS AND PRICE LEVELS

	Apr Close	Apr	Year-to-Date	1 year	3 years	5 years
US Indices						
Dow Jones 30	20,941	1.45%	6.71%	20.90%	10.82%	12.44%
S&P 500	2,384	1.03%	7.16%	17.92%	10.47%	13.68%
Nasdaq	6,048	2.35%	12.71%	28.18%	15.07%	16.14%
Russell 2000	1,400	1.10%	3.59%	25.63%	9.03%	12.95%
International Indices						
MSCI EAFE (Developed)	7,136	2.62%	10.20%	11.83%	1.32%	7.27%
MSCI EM (Emerging)	2,086	2.21%	13.95%	19.58%	2.16%	1.85%
US Fixed Income						
Bloomberg Barclays US Aggregate	---	0.77%	1.59%	0.83%	2.66%	2.27%
Bloomberg Barclays US TIPS	---	0.59%	1.86%	1.73%	1.77%	0.69%
Commodities and Real Estate						
Bloomberg Commodity Index	170	-1.51%	-3.80%	-1.32%	-15.03%	-9.74%
Crude Oil (\$/bbl)	---	\$49.33	\$53.72	\$45.92	\$99.74	\$104.87
DJ US Select REIT	9,342	-0.24%	-0.51%	4.01%	8.56%	8.75%



Sources: Bloomberg, MSCI. Non-US index returns are shown in US Dollar terms and are considered to be currency unhedged. Total returns include dividend and income accruals and price changes. Returns for three and five years are annualized and assume the reinvestment of interest and dividend payments. Investors cannot invest directly in any of the above indices. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

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