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Market Monitor

- The S&P 500 posted its sixth straight monthly gain and had its best first-half performance since 2013.
- U.S. oil prices sank into a bear market in June, down as much as 23% from its January peak, but recently ended five weeks of declines by advancing 8.3% over the last seven sessions in June.
- Foreign equity markets widely outperformed the U.S. in the 2Q and during the first-half of 2017.

The S&P 500 and Dow Industrials both extended their quarterly gains to post their strongest first-half performances in four years. Technology (+17.23%) and Healthcare (+16.07%) led the six month broad market advance, but both sectors have recently given back gains. The NASDAQ Composite, with a 21% weighting in technology stocks, had its best first-half of a year since 2009 with a 14.71% return. Despite the rally, the Composite finished June with a 0.87% loss. Equity markets have remained largely resilient even as investors faced valuation concerns, a June 14 Federal Reserve rate hike to 1%-1.25% (its second one quarter point hike this year), and a mixed bag of economic data. Beyond an overhang of geopolitical risks, Wall Street has also been disappointed by a lack of legislative success to enact tax and healthcare reform and infrastructure stimulus measures. On a brighter note, in the closing days of the quarter, investors learned that all 34 of the largest U.S. banks passed their Federal Reserve financial stress tests and consequently approved their respective quarterly dividend increase requests and stock buyback plans. Moreover, the final of three readings of GDP growth for the first quarter was revised higher to 1.4% from 1.2%, and double the 0.7% initial estimate.

By market capitalization, U.S. small cap companies outperformed large and mid caps last month; but trail them on a quarterly and year-to-date (YTD) basis. The Russell 2000 Index, a broad measure of small cap equity performance, rose 3.46% in June, whereas the Russell Mid Cap Index gained just under 1%. Mid cap stocks gained 2.7% in the second quarter, while the Russell 2000 Index rose 2.46%. On a YTD basis, small cap stocks rose 5%, mid caps gained 8%, while large cap S&P 500 stocks advanced 9.34%. Value-oriented stocks likewise outperformed growth stocks in June, while Growth outperformed in the second quarter and during the first-half. The Russell 1000 Value Index rose 1.63% last month versus a 0.26% loss on the Russell 1000 Growth Index. In contrast, the Russell 1000 Growth Index rose 4.67% in the second quarter and 14% YTD, whereas the Russell 1000 Value Index gained 1.34% and 4.66% respectively.

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Within the S&P 500 Index, 5 of the 11 major sector groups advanced in June, with Financials (+6.43), Healthcare (+4.62%) and Real Estate (+1.92%) gaining the most. Telecom (-2.92%) and Technology (-2.70%) led among June decliners. For the quarter, Healthcare (+7.10%) and Industrials (+4.73%) led all sectors, while Telecom (-7.05%) and Energy (-6.36%) fell the most.

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, underperformed domestic equities in June with a 0.18% loss, but outperformed during the second quarter and YTD. The MSCI EAFE advanced 6.12% in the quarter and jumped 13.81% during the first-half of the year.

The Stoxx Europe 600 Index fell nearly 1% in June and gained 7.96% and 16.39% respectively in the second quarter and YTD. The U.K.-based FTSE 100 Index fell 1.56% last month, trimming a second quarter gain to 4.73% and a 10.31% first-half rally. Meanwhile, Japan's Nikkei 225 posted gains of 0.53% in June and 5.07% and 9.82% respectively for the second quarter and YTD.

Emerging markets equities, as measured by the MSCI Emerging Markets Index, rose 1.01% in June, extending its second quarter gain to 6.27%. With a YTD return of 18.43%, emerging markets outperformed the U.S. and also posted its strongest first-half return since 2009. Gains were led by China, South Korea and Taiwan, while Qatar and Russia lagged.

Turning to bonds, U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, were down in June (-0.16%), slightly paring a second quarterly gain to 1.17% and a first-half return of 1.86%. The yield on the benchmark 10-year Treasury notes ended the second quarter at 2.31%, down 9 basis points during the quarter, while recovering from a June 14 low of 2.13%. Investment grade bonds, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, fell 0.1% in June, slightly trimming its second quarter gain to 1.45% and its YTD return to 2.27%. Higher-rated corporate bonds delivered strong gains last quarter and YTD, as the Bloomberg Barclays U.S. Corporate Investment Grade Bond Index returned 2.54% and 3.8% respectively

Municipal bonds underperformed government and other investment grade bonds, as the Bloomberg Barclays Municipal Bond Index fell 0.36% last month, trimming its second quarter gain to 1.96% and first-half performance to 3.57%. At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, which measures returns of below-investment grade corporate bonds, trailed its investment grade counterparts with a 2.17% return, but outperformed most all other bond types in the first half of the year, up 4.93%.

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