

Market Indices ¹	May	Year-to-Date
S&P 500	1.80%	3.57%
Russell 3000	1.79%	3.41%
MSCI EAFE	-0.91%	-1.10%
MSCI Emerging Markets	-3.73%	2.32%
Barclays U.S. Aggregate Bond	0.03%	3.45%
Barclays U.S. Municipal Bond	0.27%	2.70%
Barclays U.S. Corporate High Yield	0.62%	8.06%

¹Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

At-A-Glance

- The S&P 500 advanced 1.8% in May, its third straight monthly gain; the Dow Industrials rose 0.49% and the NASDAQ Composite surged 3.83%.
- Increased odds for a summer rate hike drove the US Dollar Index to a two-month high, up 3% in May.
- Gold futures fell 6% last month, trimming its year-to-date rally to just below 15%. Prospects for higher interest rates hurt gold's appeal relative to fixed-income assets.

Despite a choppy month for stocks, equities ended May with modest gains as investors speculated that the economy is strong enough to withstand possibly higher interest rates later this summer. Stocks were mostly range-bound during the first three weeks of the month, but with increasingly positive incoming economic data, investor sentiment turned from caution to growing conviction that a rate hike might be possible. This month Wall Street learned April new home sales surged nearly 17%, the most in over eight years, while consumer spending rose the most in almost seven years. Commerce Department officials upwardly revised their first quarter GDP growth estimate from 0.5% to 0.8% and the Federal Reserve Bank of Atlanta raised its second quarter GDP forecast from 2.5% to 2.9%. Separate reports showed manufacturing activity remains weak in the Chicago and Dallas Fed districts. The benchmark S&P 500 marked its one-year anniversary of reaching its all-time high of 2,130.82 on May 21, 2015. The index ended the month at 2096.96, just 1.59% below that historic high.

Seven of the ten major sector groups posted gains in May, led by Technology (+5.60%), Healthcare (+2.20%) and Financials (+2.03%). Energy (-0.58%) and Industrials (-0.48%) declined the most. Utilities (+14.48%), Telecom (+14.18%) and Energy (+12.41%) are the highest YTD performers. Healthcare (-0.60%) is the only sector still having a loss this year. Crude oil futures ended May at \$49.10 per barrel, up 5.16% during the month and has jumped 48% since reaching a 12-year closing low on February 11th.

Small-cap domestic stocks, as measured by the Russell 2000 Index, rose 2.25% in May, outperforming its large and mid-cap counterparts. Mid-cap stocks, as measured by the Russell Mid Cap Index, gained 1.64%. Mid-caps stocks are up the most on a YTD basis, gaining 5.02%. Growth stocks outperformed value in May, with the Russell 1000 Growth Index returning 1.94%, while the Russell 1000 Value Index gained 1.55%.

Internationally, the MSCI EAFE Index, a broad measure of global developed markets outside of the U.S. and Canada, underperformed domestic equities, falling 0.91% last month. A U.K. referendum vote on June 23rd is serving as an overhang to global performance as British citizens decide whether or not to continue membership in the European Union. Despite ending May at a three-week high, the MSCI Emerging Markets Index trimmed its loss on the month to 3.73%. Emerging market shares are showing early signs of recovery as concerns ease that higher U.S. rates will weaken global growth.

Treasuries, as measured by the Barclays U.S. Government Bond Index, were unchanged in May. Benchmark 10-year U.S. Treasuries prices were little changed last month, sending its yield up just 1.3 basis points to end at 1.847%. The Barclays U.S. Municipal Bond Index rose 0.27% in May. U.S. investment grade corporate, government and agency-backed bonds, as measured by the Barclays U.S. Aggregate Bond Index, rose just 0.03% last month. At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, climbed 0.62% in May, extending its YTD rally to 8.06%.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

The **Barclays U.S. Aggregate Bond Index**, which used to be called the Lehman Aggregate Bond Index, is a broad base index, maintained by Barclays Capital, and it often used to represent investment grade bonds being traded in the U.S. Barclays Capital (BarCap) U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **CBOE Volatility Index[®] (VIX[®])** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.