



# WEEKLY MARKET WRAP

## REVIEW & PREVIEW

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Equity markets were mixed for the week as investors digested a well telegraphed rate hike by the Federal Reserve (Fed). On Wednesday, the Fed increased the Fed funds rate target range by 25 bps to between 1.00% and 1.25%. Among U.S. indices, the Dow Jones Industrial Average Index remained positive for the week, while smaller capitalization indexes lost ground. All domestic fixed income sectors posted positive total returns given the decline in Treasury yields. The Global Aggregate Index posted positive total returns and outperformed similar-duration Treasuries, driven by the Pan-European region.

- Economic Data:** *Housing Starts* declined 5.5% in May to a 1.092 million annual rate, well below the consensus expected 1.220 million. Starts are down 2.4% versus a year ago. The decline in starts in May was due to a drop in both single-family and multi-unit starts. In the past year, single-family starts are up 8.5% while multi-unit starts are down 23.0%. The *Producer Price Index (PPI)* was unchanged in May, matching consensus expectations. Producer prices are up 2.4% versus a year ago. The *Consumer Price Index (CPI)* declined 0.1% in May, coming in below the consensus expectation of no change. The CPI is up 1.9% from a year ago. *Retail Sales* declined 0.3% in May, versus a consensus expected no change. Retail sales are up 3.8% versus a year ago. *Industrial Production* took a breather in May, going unchanged overall, after surging in April. Consensus expected gain of 0.2%.
- Equity:** The U.S. Equity Market fell for the second consecutive week on weaker economic growth prospects. With several analyst reports presenting doubt in continued momentum in the technology sector, the NASDAQ 100 Index continued lower for the second consecutive week, as investors preferred other sectors. WTI crude oil broke below \$45/barrel, down -2.3%, as a spike in gasoline stockpiles precipitated the steep decline.
- Fixed Income:** The Federal Reserve increased the Fed funds rate target range by 25 basis points to between 1.00% and 1.25%. Markets are pricing in only a 50% chance for another hike in 2017 and 1 hike only for all of 2018. Treasury yields declined across the yield curve last week, led by 30-year maturities. All domestic fixed income sectors posted positive total returns given the decline in Treasury yields. However, all domestic sectors, except preferred and investment grade corporate, underperformed similar-duration Treasuries.
- Earnings:** The S&P 500 Financials sector was a focus sector for the market this past week, as the Fed increased the federal funds rate. In terms of EPS estimate revisions, 38 of the 65 companies (58%) in the S&P 500 Financials sector have seen an increase in their mean EPS estimate for 2017 since December 31.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays US Aggr Bond	0.26%	1.86%	2.69%
Barclays Global Aggr Bond	0.26%	2.85%	4.66%
Barclays US Corp High Yield	0.10%	2.26%	5.02%
JPM Emerging Mkts Bond	0.01%	2.92%	6.94%
S&P Equity 500	0.12%	3.46%	9.74%
Russell 3000 All Cap	0.03%	3.25%	9.18%
Russell 2000 Small Cap	-1.00%	1.76%	4.27%
NASDAQ Composite	-0.88%	4.33%	14.89%
S&P Global BMI	-0.13%	4.56%	11.83%
MSCI EAFE	0.02%	6.59%	14.31%
MSCI EAFE Small Cap	0.11%	8.37%	17.01%
MSCI Emerging Markets	-1.42%	5.14%	17.18%

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