



June 2015: Market Review

Global equity markets ended June in mostly negative territory as Greece technically defaulted on an International Monetary Fund bailout repayment on June 30th and the U.S. Federal Reserve continues to wait on raising interest rates. The Dow Jones Industrial Average dropped (2.06%) during the month, decreasing its year-to-date return to 0.03%. The S&P 500 Index fell (1.94%) in June, but has added 1.23% year-to-date. The NASDAQ Composite finished the month down (1.64%), moving its gain to 5.30% so far in 2015.

In U.S. economic news, the final reading of first quarter real GDP was revised to a decline of 0.2% after the second estimate showed a decline of 0.7%. The Federal Reserve kept interest rates at their current level during its June meeting, citing the U.S. economy's first quarter decline in GDP as the reason for staying put. While the Fed is expected to raise interest rates this year, the timing and number of rate increases remain topics of debate. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices rose 1.1% in April, while on a year-over-year basis, prices were 4.2% higher than a year ago. The pace of both new and existing home sales has risen in recent months and is moving closer to its historical average. Among commodities, WTI crude oil ended the month at \$59, down slightly from May's closing price of \$60. Gold closed June at \$1172 per troy ounce, down from its \$1189 closing in May.

Growth-style equities outperformed value-style equities across all capitalizations in June and for the first half of the year. Among large cap stocks, the Russell 1000 Growth Index dipped (1.76%) during the month, reducing its 2015 return to 3.96%, while the Russell 1000 Value Index lost (2.00%) and is now negative for the year, down (0.61%). Small cap stocks actually increased in June, with the Russell 2000 Growth Index gaining 1.34%, lifting its year-to-date return to 8.74%, while the Russell 2000 Value Index grew 0.13% and has added 0.76% this year. The Russell Midcap Index closed the month down (2.07%), lowering its year-to-date return to 2.35%.

International equity markets were mostly negative in June as well, as fears that Greece's missed debt repayment to the IMF would lead to its removal from the European Union rattled markets. However, discussions over a possible third bailout for Greece were still going strong on the last day of June, giving investors hope that the situation could stabilize. In China, equity markets fell more than 20% mid-month, and the People's Bank of China cut interest rates again to spur economic growth. The MSCI EAFE Index ended the month down (2.83%), lowering its year-to-date gain to 5.52% in U.S. dollars. The MSCI Europe Index dipped (3.07%) for the month, giving the index a return of 3.82% so far in 2015. The MSCI Pacific Index had a loss of (2.42%), but is up 8.84% year-to-date. The MSCI Emerging Markets Index lost (2.60%) in June, but remains in positive territory for the year, up 2.95%.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed June at 2.34%, up from 2.10% at the end of May. The Barclays U.S. Aggregate Bond Index was down (1.09%) in June and is off (0.10%) for the year. The Barclays U.S. Treasury Index fell (0.88%) during the month, but remained marginally positive year-to-date, up 0.03%. The Barclays Treasury 20+ Year Index dropped (4.14%) and has lost (5.26%) in 2015. The Barclays Corporate High Yield Index closed the month down (1.49%), decreasing its year-to-date gain to 2.53%.

Despite the relatively small size of Greece in the global economy, the uncertainty its debt woes have created is being felt in equity markets around the world. Adding difficulties in China and debate over the Federal Reserve's timing on interest rate increases to that mix only creates more insecurity. Investors are hoping for answers and stability in the second half of the year.