



June 2018: Market Review

Global equity markets posted mixed results in June, with most U.S. indexes ending in positive territory while international indexes were negative. The S&P 500 Index added 0.62% and is up 2.65% year-to-date. The Dow Jones Industrial Average was down (0.49%) in June, ending with a (0.73%) return so far in 2018, the worst first half of the year since 2010. The NASDAQ Composite rose 0.98% during the month and has added 9.37% year-to-date.

In U.S. economic news, trade tensions with China continued in June as the Trump administration threatened to impose tariffs on Chinese imports and restrict investment in U.S. tech companies. In response to a strong U.S. economy, the Federal Reserve raised the target interest rate range to 1.75-2% in June, with two additional increases expected this year and three more next year. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 1.01% in April, while on a year-over-year basis, prices were 6.41% higher than a year ago. Among commodities, WTI crude oil ended June with a sharp increase to \$74 a barrel, up from May's closing price of \$67 due to strong global demand and certain geopolitical factors. Gold closed the month at \$1,251 per troy ounce, down from \$1,300 at the end of May.

Growth-style equities outperformed value-style equities in June for large and small cap stocks. Among large cap stocks, the Russell 1000 Growth Index gained 0.96% in June, ending the first half of the year with a 7.25% return. The Russell 1000 Value Index added 0.25%, which brought its year-to-date return to (1.69%). For small cap stocks, the Russell 2000 Growth Index posted gains of 0.78% for the month and is up 9.70% for the year. The Russell 2000 Value Index gained 0.61% and is up 5.44% so far in 2018. The Russell Midcap Index was up 0.69% in June and has added 2.35% year-to-date.

International equities were negative in June, as a strengthening dollar and the trade conflict with the U.S. and its major trading partners dragged down both developed and emerging market returns. The MSCI EAFE Index was down (1.22%) and has lost (2.75%) so far this year. The MSCI Europe Index fell (0.67%) in June and has posted a negative (3.23%) return year-to-date. The MSCI Pacific Index lost (2.22%) and has fallen (2.02%) in 2018. The MSCI Emerging Markets Index fell (4.15%) and is down (6.66%) so far this year, held back by weakness in Brazil (-8.32%), Korea (-6.69%), and China (-5.22%) in June.

U.S. fixed income markets were mixed in June, with high yield bonds posting the largest gains for the month despite rising uncertainty in risk markets. The yield on the 10-Year Treasury closed June at 2.85%, slightly up from May's close of 2.82%. The Bloomberg Barclays U.S. Aggregate Bond Index fell (0.12%) for the month and is down (1.62%) this year. The Bloomberg Barclays U.S. Treasury Index gained 0.02% in June but is off (1.08%) year-to-date. The Bloomberg Barclays Treasury 20+ Year Index added 0.19% during the month, leaving it with a return of (3.02%) for the first half of 2018. The Bloomberg Barclays Corporate High Yield Index rose 0.40% and is up 0.16% year-to-date.

While most U.S. markets ended in positive territory in June, it was not without uncertainty. Mixed signals surrounding the growth outlook continued to escalate, with strong U.S. activity on one hand and trade war risks on the other. Despite uncertainty, corporate earnings growth remains strong amidst solid economic growth and a tight labor market.