



## May 2015: Market Review

Global equity markets were mixed in May as U.S. GDP was revised to show a first quarter contraction and Europe and China each faced challenges of their own. The Dow Jones Industrial Average rose 1.35% during the month, increasing its year-to-date return to 2.14%. The S&P 500 Index gained 1.29% in May and has added 3.23% year-to-date. Both indexes hit record highs during the month. The NASDAQ Composite finished the month up 2.60%, moving its gain up to 7.05% so far in 2015.

In U.S. economic news, first quarter real GDP was revised downward to a decline of 0.7% after the initial estimate showed positive growth of 0.2%. It was the third contraction since the recession ended in 2009. While there was no Fed meeting in May, Janet Yellen mentioned in a speech that the Fed still intends to raise interest rates this year. Most analysts are now predicting a rate increase at the December Fed meeting. However, inflation rose more than expected in April and the employment picture continues to improve, both of which could lead to an earlier rate hike. The dollar rose against the euro and yen after weakening in April. The most recent S&P/Case-Shiller Home Price Index report showed that on a month-over-month basis, home prices rose 0.95% in March, while on a year-over-year basis, prices were 5.04% higher than a year ago. Home prices have risen for 35 consecutive months on a year-over-year basis. Among commodities, WTI crude oil ended the month at \$60, unchanged from April's closing price. Gold closed May at \$1189 per troy ounce, up from its \$1182 closing in April.

Growth-style equities outperformed value-style equities across all capitalizations except for mid caps in May. Among large cap stocks, the Russell 1000 Growth Index increased 1.41% during the month, moving its 2015 return to 5.83%, while the Russell 1000 Value Index added 1.20% and has risen 1.41% for the year. In small cap stocks, the Russell 2000 Growth Index gained 3.67%, lifting its year-to-date return to 7.30%, while the Russell 2000 Value Index grew 0.83% and has added 0.63% this year. The Russell Midcap Index closed the month with a gain of 1.46%, raising its year-to-date return to 4.52%.

International equity markets were mostly negative in May, as China lowered interest rates to spur growth and fear grew that Greece will not be able to repay bailout funds due to the International Monetary Fund in early June. The MSCI EAFE Index ended the month down (0.51%), lowering its year-to-date gain to 8.60% in U.S. dollars. The MSCI Europe Index dipped (0.77%) for the month, giving the index a return of 7.11% so far in 2015. Relative strength in Japanese markets (up 1.30% for the month and 15.60% year-to-date) could not lift the MSCI Pacific Index – it had a slight loss of (0.04%), but is up 11.54% year-to-date. The MSCI Emerging Markets Index lost (4.00%) in May, but has added 5.69% for the year.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed May at 2.10%, up from 2.05% at the end of April. The Barclays U.S. Aggregate Bond Index was down (0.24%) in May, but is up 1.00% for the year. The Barclays U.S. Treasury Index was down (0.18%) during the month, but has added 0.92% year-to-date. The Barclays Treasury 20+ Year Index dropped (1.78%) and is down (1.16%) in 2015. The Barclays Corporate High Yield Index closed the month up 0.30%, improving its year-to-date gain to 4.07%.

Uncertainty abroad and a negative GDP reading did not damage U.S. stocks during May, although international equities struggled. The timing of the Federal Reserve's interest rate increase remains perhaps the hottest topic for investors, with clues being sought everywhere from inflation to employment. While the situation should become more certain in the coming months, how markets will respond is difficult to predict.