



**FOURTH STREET
PERFORMANCE PARTNERS**

Independent Investment Consultants

May 2017: Market Review

Global equity markets were mostly positive in May as corporate earnings showed signs of higher growth and France elected a pro-Euro president. The Dow ended May up 0.71% and has gained 7.47% year-to-date. The S&P 500 rose 1.41% and has added 8.66% in 2017. The NASDAQ Composite was up 2.50% in May and is up 15.15% year-to-date.

In U.S. economic news, corporate earnings in the first quarter of 2017 hit their highest growth level since the third quarter of 2011. The Trump administration issued its proposed budget for 2018 in May, but much of the focus during the month was on the firing of FBI Director James Comey and the expanding investigation into the President's possible ties to Russia. Futures markets are pricing in greater than 90% probability that the Federal Reserve will raise interest rates at its mid-June meeting. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.81% in March, while on a year-over-year basis, prices were 5.75% higher than a year ago. Among commodities, WTI crude oil ended May at \$48 a barrel, down from April's closing price of \$49. Gold closed the month at \$1,272 per troy ounce, up from \$1,266 at the end of April.

Growth-style equities outperformed value-style equities across all capitalizations in May, as they have every month in 2017. Among large cap stocks, the Russell 1000 Growth Index added 2.60% during the month and has risen 14.30% year-to-date, while the Russell 1000 Value Index dipped (0.10%), but is up 2.97% for the year. For small cap stocks, the Russell 2000 Growth Index fell (0.91%), but has added 6.31% so far in 2017, while the Russell 2000 Value Index lost (3.11%) in May and is down (2.86%) year-to-date. The Russell Midcap Index closed the month up 0.91% and has gained 6.92% year-to-date.

International equity markets continued their recent outperformance over U.S. stocks in May. The MSCI EAFE Index ended the month up 3.67%, moving its gain thus far in 2017 up to 14.01%. European markets were comforted by pro-Euro centrist Emmanuel Macron's victory in the French presidential election. The MSCI Europe Index rose 4.85% during May and is up 16.63% year-to-date. The MSCI Pacific Index added 1.63%, lifting its gain so far this year to 9.58%. The MSCI Emerging Markets Index gained 2.96% in May and is up 17.25% in 2017, leading all major equity benchmarks.

U.S. fixed income markets were positive for the second month in a row in May. The yield on the 10-Year Treasury closed the month at 2.20%, down from April's closing yield of 2.28%. The Bloomberg Barclays U.S. Aggregate Bond Index rose 0.67% and is up 2.27% year-to-date. The Bloomberg Barclays U.S. Treasury Index added 0.53% during May and has gained 1.91% for the year. The Bloomberg Barclays Treasury 20+ Year Index rose 1.56% and has appreciated 4.61% in 2017. The Bloomberg Barclays Corporate High Yield Index was up 0.87% for the month and has gained 4.79% year-to-date.

Equity markets continued to climb in May ahead of the typically slower summer months. Investors will be watching to see if the Trump administration can deliver on its plans to reform healthcare, the tax code, and increase infrastructure spending, while it simultaneously faces an investigation into possible ties with Russia.