

# May 2018 Market Watch

Domestic companies are on track for the strongest quarter of earnings growth in seven years, boosted significantly by tax cuts enacted at the end of last year. The U.S. labor market also continues to strengthen; resulting in one of the lowest jobless rates in the post-World War II era. Lastly, the U.S. dollar continues to strengthen and U.S. interest rates continue to rise. One effect of a rising U.S. dollar is that it makes raw materials more expensive. The Wall Street Journal Dollar Index has risen nearly 6% since its low point in February.

In May, the Russell 2000 (+5.9% MTD) and NASDAQ Composite (+5.3% MTD) were the best performing domestic indices. The S&P 500 and DJIA finished up +2.2% MTD and +1.0% MTD, respectively. Throughout the month, seven of the eleven sectors finished in positive territory led by the Information Technology Sector (+7.4% MTD). The Telecom (-2.3% MTD), Consumer Staples (-1.5% MTD), and Utilities (-1.1% MTD) sectors continue to underperform. On a year-to-date and year-over-year basis, the NASDAQ remains the standout with returns of +7.8% YTD and +20.1% YoY, respectively, due to its overexposure to the Technology sector. The Information Technology sector has been the best performing sector (+11.3% YTD & +28.2% YoY), as it continues to experience the bulk of the earnings growth among the different sectors.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	5/31/18	5/24/18	%chg	4/30/18	% chg	5/31/17	% chg	Return*
<b>DJIA</b>	24,415.8	24,811.8	-1.6%	24,163.2	1.0%	21,008.7	16.2%	-1.2%
<b>S&amp;P 500</b>	2,705.3	2,727.8	-0.8%	2,648.1	2.2%	2,411.8	12.2%	1.2%
<b>NYSE Comp Index</b>	12,527.1	12,696.7	-1.3%	12,515.4	0.1%	11,598.0	8.0%	-2.2%
<b>NASDAQ Composite</b>	7,442.1	7,424.4	0.2%	7,066.3	5.3%	6,198.5	20.1%	7.8%
<b>Russell 2000</b>	1,633.6	1,628.2	0.3%	1,541.9	5.9%	1,370.2	19.2%	6.4%
<b>Japan Nikkei 225</b>	22,201.8	22,437.0	-1.0%	22,467.9	-1.2%	19,650.6	13.0%	-2.5%
<b>MSCI EM (Emerging Markets)</b>	1,120.7	1,135.1	-1.3%	1,164.4	-3.8%	1,005.3	11.5%	-3.3%
<b>MSCI EAFE</b>	1,986.2	2,023.0	-1.8%	2,043.7	-2.8%	1,890.1	5.1%	-3.2%
<b>FTSE 100</b>	7,678.2	7,716.7	-0.5%	7,509.3	2.2%	7,520.0	2.1%	1.9%
<b>SSE Comp Index</b>	3,095.5	3,154.7	-1.9%	3,082.2	0.4%	3,117.2	-0.7%	-6.4%

## US Equity Sector Performance

	May	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	2.0%	7.6%	17.8%
<b>Consumer Staples</b>	-1.5%	-12.5%	-10.1%
<b>Energy</b>	3.0%	6.1%	19.9%
<b>Financials</b>	-0.9%	-2.2%	19.0%
<b>Health Care</b>	0.2%	0.2%	10.3%
<b>Industrials</b>	3.0%	-1.4%	10.5%
<b>Information Tech</b>	7.4%	11.3%	28.2%
<b>Materials</b>	2.1%	-3.4%	11.6%
<b>Telecom</b>	-2.3%	-10.5%	-3.8%
<b>Utilities</b>	-1.1%	-2.4%	-2.1%
<b>Real Estate</b>	2.3%	-3.7%	2.0%

## US Equity Style Performance

	May	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	-1.7%	-3.9%	-4.3%
<b>AMEX DJ TRANS Avg.</b>	3.4%	2.0%	19.0%
<b>Russell 1000 Value</b>	0.6%	-1.9%	8.2%
<b>Russell 1000 Growth</b>	4.4%	6.2%	21.0%
<b>Russell 2000 Value</b>	5.8%	4.8%	16.4%
<b>Russell 2000 Growth</b>	6.3%	8.8%	25.1%

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International markets were mixed in May. The U.K.'s FTSE 100 (+2.2% MTD) was the best performer for a second month in a row and is the best performer year-to-date (+1.9% YTD). The MSCI Emerging Markets index was the worst performer in May (-3.8% MTD), followed by the MSCI EAFE index (-2.8% MTD).

The yield curve flattened in May as short-term interest rates rose, while longer-term rates declined. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased eleven basis points (bps) to 1.92%, while the yield on the 10-Year U.S. Treasury bond decreased ten bps to 2.83%. This follows the yield on the 10-Year Treasury bond reaching above 3.0% last month for the first time in nearly four years. The Fed Funds Rate remains in a range of 1.50% to 1.75%, which is 75 basis points (bps) above where it stood this time last year. The Fed is scheduled to meet again in the middle of June and the markets are currently expecting them to decide to raise rates again.

The Bloomberg Commodity Index was up +1.3% MTD in May, despite a pullback in both crude oil and the price of gold. Crude oil finished May down -2.2% MTD to close at \$68.57/barrel, but remains sharply positive since the start of the year (+11.0% YTD). Gold finished down -1.1% MTD to settle at \$1,304.70/ounce. The U.S. dollar reversed its prior trend and strengthened in May (+2.5% MTD).

## Bond Markets (%)

	5/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond - 3 Mth	1.92	1.81	0.97
US Benchmark Bond - 6 Mth	2.08	2.01	1.07
US Benchmark Bond - 2 Yr	2.40	2.47	1.28
US Benchmark Bond - 5 Yr	2.67	2.78	1.75
US Benchmark Bond - 10 Yr	2.83	2.93	2.21
US Benchmark Bond - 30 Yr	2.99	3.09	2.86

## US Bond Sector Performance

	May	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.65%	0.00%	-0.98%

## Exchange Rates (per US dollar)

	5/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.297	1.282	1.351
Mexican New Peso	20.012	18.782	18.700
Euro	0.857	0.828	0.889
British Pound	0.752	0.726	0.775
Swiss Franc	0.983	0.990	0.968
Chinese Yuan	6.401	6.345	6.821
Indian Rupee	67.483	66.740	64.520
Japanese Yen	108.645	109.425	110.585

## Commodities (In US dollars)

	5/31/18	1 Mth Ago	1 Yr Ago
Gold	1,304.70	1,319.20	1,275.40
Crude Oil	67.04	68.57	48.32
US Dollar Index	93.96	91.63	96.85
Bloomberg Commodity IDX	90.72	89.59	82.83

## Interest Rates (%)

	5/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	4.75	4.75	4.00
Federal Funds Rate	1.72	1.70	0.91
Libor Rate 30 Day	1.98	1.91	1.00
Libor Rate 3 Months	2.30	2.36	1.21
30yr Fixed Mortgage	4.56	4.55	3.94

## Economic Sentiment

	5/31/18	1 Yr Ago
Unemployment Rate	3.90%	4.30%
Average Single Family Home	298,100	295,500
Capacity Utilization	77.99%	76.22%

\*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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