

# May 2019 Market Watch

After a strong start to the year, U.S. domestic equity markets gave back some of their gains in May. The S&P 500 closed down -6.6% for the month, as rising global trade tensions and softer economic data caused investor concern. The U.S.-China trade talks tested market confidence as the U.S. increased tariffs on Chinese imports from 10% to 25%, leading China to retaliate with their own tariff increases on U.S. imports. In addition, at the end of May, the U.S. threatened a 5% tariff on all imports from Mexico starting early June. Increased tariffs translate to higher prices for consumers. Investors also remain cautious in Europe with the 10-year German Bund hitting an all-time low of -0.20%. The upcoming G20 summit at the end of June will provide a signal on global trade developments.

The Federal Reserve (Fed) rate policy has been shifting gears since earlier this year, from raising rates to pausing additional rate hikes. In March 2019, the domestic yield curve inverted with the 10-year rate falling below the 3-month rate. This month, the 10-year (2.14%) traded below the three-month (2.35%) again. While it may not always hold true, a prolonged inversion of the yield curve can be a sign of an impending recession. Due to increasing uncertainties around global growth, the market is starting to price in two Fed rate cuts by the end of 2019.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	5/31/2019	5/24/2019	% chg	4/30/19	% chg	5/31/18	% chg	Return*
<b>DJIA</b>	24,815.0	25,585.7	-3.0%	26,592.9	-6.7%	24,163.2	2.7%	6.4%
<b>S&amp;P 500</b>	2,752.1	2,826.1	-2.6%	2,945.8	-6.6%	2,648.1	3.9%	9.8%
<b>NYSE Comp Index</b>	12,264.5	12,581.4	-2.5%	13,060.6	-6.1%	12,515.4	-2.0%	7.8%
<b>NASDAQ Composite</b>	7,453.1	7,637.0	-2.4%	8,095.4	-7.9%	7,066.3	5.5%	12.3%
<b>Russell 2000</b>	1,465.5	1,514.1	-3.2%	1,591.2	-7.9%	1,541.9	-5.0%	8.7%
<b>MSCI EM (Emerging Markets)</b>	998.0	986.6	1.2%	1,079.2	-7.5%	1,120.7	-10.9%	3.3%
<b>MSCI EAFE</b>	1,817.4	1,853.3	-1.9%	1,921.5	-5.4%	1,986.2	-8.5%	5.6%
<b>Japan Nikkei 225</b>	20,601.2	21,117.2	-2.4%	22,258.7	-7.4%	22,201.8	-7.2%	2.9%
<b>FTSE 100</b>	7,161.7	7,277.7	-1.6%	7,418.2	-3.5%	7,678.2	-6.7%	8.8%
<b>SSE Comp Index</b>	2,898.7	2,853.0	1.6%	3,078.3	-5.8%	3,095.5	-6.4%	16.2%

## US Equity Sector Performance

	May	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	-7.6%	13.0%	5.9%
<b>Consumer Staples</b>	-3.8%	10.4%	15.6%
<b>Energy</b>	-11.1%	3.5%	-20.0%
<b>Financials</b>	-7.2%	9.8%	-2.3%
<b>Health Care</b>	-2.4%	1.3%	7.7%
<b>Industrials</b>	-7.8%	12.5%	-1.0%
<b>Information Tech</b>	-8.7%	16.5%	4.4%
<b>Materials</b>	-8.2%	5.0%	-7.3%
<b>Communication Services</b>	-5.9%	14.2%	11.6%
<b>Utilities</b>	-0.8%	11.0%	18.4%
<b>Real Estate</b>	1.5%	18.4%	20.4%

## US Equity Style Performance

	May	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	-0.7%	10.0%	12.8%
<b>DJ TRANS Avg.</b>	-9.9%	6.9%	-8.0%
<b>Russell 1000 Value</b>	-6.4%	8.5%	1.4%
<b>Russell 1000 Growth</b>	-6.3%	13.7%	5.4%
<b>Russell 2000 Value</b>	-8.2%	6.7%	-11.3%
<b>Russell 2000 Growth</b>	-7.4%	11.8%	-6.9%

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U.S. domestic equity indices were negative in May, with the tech-heavy NASDAQ being the worst performer. All of the S&P 500 sectors ended in negative territory except for Real Estate (+1.5% MTD). Energy led losses (-11.1% MTD) followed by Info Tech (-8.7% MTD), Materials (-8.2% MTD) and Consumer Discretionary (-7.6% MTD).

Emerging Market equities (MSCI EM -7.5% MTD) underperformed developed international market equities (MSCI EAFE -5.4% MTD) in May. In China, GDP growth, outlook, and economic data were weak despite recent Chinese government stimulus. In Europe, the UK Prime Minister, Theresa May, announced her resignation in late May, and the UK population remains divided on Brexit. In India, Prime Minister Modi won a landslide victory.

Rates decreased in May, as investors sought safety in U.S. Treasuries. Concerns of tariff impact on the economy sent 10-year U.S. treasury yields to a 20-month low of 2.14% at the end of May. The decrease in Treasury bond yields caused Treasury prices to increase across the curve, as bond yields move inversely to bond prices. There was a parallel shift downward in the yield curve as both short and long-term rates declined.

The Bloomberg Commodity Index finished down -3.6% MTD, and -14.3% in the past 12 months. Crude oil closed sharply lower at \$53.50/barrel (-16.3% MTD) as a result of compounding trade issues, while gold settled at \$1,311.10/ounce (+2.0% MTD).

## Bond Markets (%)

	5/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.35	2.42	1.92
US Benchmark Bond – 6 Mth	2.36	2.45	2.08
US Benchmark Bond – 2 Yr	1.95	2.27	2.40
US Benchmark Bond – 5 Yr	1.93	2.28	2.67
US Benchmark Bond – 10 Yr	2.14	2.50	2.83
US Benchmark Bond – 30 Yr	2.58	2.93	2.99

## Commodities (In US dollars)

	5/31/19	1 Mth Ago	1 Yr Ago
Gold	1,311.10	1,285.70	1,304.70
Crude Oil	53.50	63.91	67.04
US Dollar Index	97.67	97.20	93.96
Bloomberg Commodity Index	77.70	80.57	90.72

## US Bond Sector Performance

	May	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	1.46%	3.11%	5.27%

## Interest Rates (%)

	5/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	5.50	5.50	4.75
Federal Funds Rate	2.41	2.41	1.72
Libor Rate 30 Day	2.43	2.48	2.00
Libor Rate 3 Months	2.50	2.58	2.32
30yr Fixed Mortgage	3.99	4.14	4.56

## Exchange Rates (per US dollar)

	5/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.352	1.345	1.297
Mexican Peso	19.612	19.023	20.012
Euro	0.897	0.892	0.857
British Pound	0.793	0.767	0.752
Swiss Franc	1.006	1.019	0.983
Chinese Yuan	6.903	6.737	6.401
Indian Rupee	69.691	69.554	67.483
Japanese Yen	108.575	111.375	108.645

## Economic Sentiment

	5/31/19	1 Yr Ago
Unemployment Rate	3.60%	3.90%
Average Single Family Home	298,100	298,700
Capacity Utilization	78.80%	78.80%

\*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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