

July 2017 Market Watch

Domestic markets finished July sharply positive, led by the NASDAQ Composite – this year’s standout. With 60% of the S&P 500 companies reporting results, second quarter earnings are on pace to grow +11% year-over-year. This marks the first set of consecutive quarters with double digit profit growth since 2011. This quarter’s earnings growth is the result of cost-cutting, a weaker dollar, and a rebound in the energy sector. The Utilities sector is the only sector that is expected to see profit declines for the quarter due to weakness in the electric utility providers. Total quarterly sales for the companies that make up the S&P 500 are also expected to grow +5%, marking the biggest increase in more than five years.

For the month, the NASDAQ was the best performing domestic index (+3.4% MTD), followed by the Dow Jones Industrials Average (+2.5% MTD), S&P 500 (+1.9% MTD), and Russell 2000 (+0.7% MTD). All eleven S&P 500 sectors were positive in July, led by the Telecom (+6.4% MTD) and Information Technology (+4.3% MTD) sectors. Both sectors benefitted from strong earnings results. Year-to-date, the two best performing sectors have been Information Technology (+22.3% YTD) and Health Care (+17.0% YTD), while Energy (-10.4% YTD) and Telecom (-5.1% YTD) remain the only two sectors in negative territory for the year. The Energy sector has been hurt by a decline in oil prices, while the Telecom sector has suffered from a price war among the major service providers.

International markets finished July mostly positive, with Japan’s Nikkei

	Date		1 Week Ago		1 Month Ago		1 Year Ago		YTD
	7/31/2017	7/24/2017	% chg	6/30/2017	% chg	7/31/2016	% chg	Return *	
DJIA	21,891.1	21,513.2	1.8%	21,349.6	2.5%	18,432.2	18.8%	10.8%	
S&P 500	2,470.3	2,469.9	0.0%	2,423.4	1.9%	2,173.6	13.7%	10.3%	
NYSE Comp Index	11,967.7	11,904.7	0.5%	11,761.7	1.8%	10,785.5	11.0%	8.2%	
NASDAQ Composite	6,348.1	6,410.8	-1.0%	6,140.4	3.4%	5,162.1	23.0%	17.9%	
Russell 2000	1,425.1	1,438.1	-0.9%	1,415.4	0.7%	1,219.9	16.8%	5.0%	

	Date		1 Week Ago		1 Month Ago		1 Year Ago		YTD
	7/31/2017	7/24/2017	% chg	6/30/2017	% chg	7/31/2016	% chg	Return *	
Japan Nikkei 225	19,925.2	19,975.7	-0.3%	20,033.4	-0.5%	16,569.3	20.3%	4.2%	
MSCI EM (Emerging Markets)	1,066.2	1,064.3	0.2%	1,010.8	5.5%	873.5	22.1%	23.7%	
MSCI EAFE	1,936.9	1,920.0	0.9%	1,883.2	2.9%	1,689.1	14.7%	15.0%	
FTSE 100	7,372.0	7,377.7	-0.1%	7,312.7	0.8%	6,724.4	9.6%	5.6%	
SSE Composite Index	3,273.0	3,250.6	0.7%	3,192.4	2.5%	2,979.3	9.9%	5.5%	

US Equity Sector Performance

	July	YTD	1-yr ret.
Consumer Discretionary	1.9%	13.1%	13.9%
Consumer Staples	0.6%	8.6%	4.4%
Energy	2.5%	-10.4%	0.2%
Financials	1.7%	8.7%	33.0%
Health Care	0.8%	17.0%	8.0%
Industrials	0.1%	9.6%	18.3%
Information Tech	4.3%	22.3%	29.5%
Materials	1.5%	10.9%	14.6%
Telecom	6.4%	-5.1%	-7.0%
Utilities	2.4%	11.4%	5.7%
Real Estate	1.1%	7.4%	-2.6%

US Equity Style Performance

	July	YTD	1-yr ret.
Dow Jones Utilities	2.8%	10.1%	2.1%
AMEX DJ TRANS Avg.	-4.0%	2.3%	18.8%
Russell 1000 Value	1.3%	6.0%	13.8%
Russell 1000 Growth	2.7%	17.0%	18.1%
Russell 2000 Value	0.6%	1.2%	19.2%
Russell 2000 Growth	0.9%	10.9%	17.8%

225 (-0.5% MTD) as the only negative performer. The MSCI Emerging Markets index was this month's best performer (+5.5% MTD), followed by the MSCI EAFE index (+2.9% MTD).

The yield curve continued to flatten in July, as short term rates rose while long 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 six basis points (bps) to 1.08%, while the yield on the 10-Year U.S. Treasury bond declined one bps to 2.29%. The economy showed signs of improvement over the past three months as second quarter U.S. GDP expanded at a 2.6% annual rate. U.S. GDP growth was 1.2% in the first quarter and has grown at an average annual rate of 2.1% since the recession ended in June 2009.

The Bloomberg Commodity Index increased during the month (+2.2% MTD) as the price of crude oil spiked by +8.0% MTD to finish July at \$49.71 per barrel. Crude oil is down -7.5% YTD as supply levels have remained high despite efforts by OPEC to cut production levels and prop up oil prices.

The U.S. Dollar Index declined again in July (-2.8% MTD) and remains sharply lower than where it stood at the beginning of the year (-9.4% YTD). A weaker U.S. currency is seen by some experts as a positive for U.S. corporate profits as it makes exports less expensive for foreign buyers and increases the value of companies' international earnings. Roughly 30% of the S&P 500 earnings are derived internationally.

*Rockland Trust
Investment Management Group*

Bond Markets (%)

	7/31/2017	1 Mth Ago	1 Yr. Ago
US Benchmark Bond - 3 Month	1.08	1.02	0.26
US Benchmark Bond - 6 Month	1.14	1.13	0.37
US Benchmark Bond - 2 Year	1.36	1.38	0.66
US Benchmark Bond - 5 Year	1.83	1.88	1.02
US Benchmark Bond - 10 Year	2.29	2.30	1.45
US Benchmark Bond - 30 Year	2.90	2.83	2.18

US Bond Sector Performance

	July	YTD	1-Year Return
Bloomberg Barclays U.S. Aggregate Govt. Interm. TR	0.3%	-1.0%	-1.0%

Exchange Rates (Rate per US dollar)

	7/31/2017	1 month Ago	1 Year Ago
Canadian Dollar	1.251	1.299	1.304
Mexican New Peso	17.849	18.100	18.737
Euro	0.848	0.877	0.894
British Pound	0.759	0.770	0.753
Swiss Franc	0.965	0.958	0.966
Chinese Yuan	6.729	6.780	6.655
Indian Rupee	64.151	64.638	66.985
Japanese Yen	110.495	112.360	102.485

Commodities (In US dollars)

	7/31/2017	1 Mth Ago	1 Yr. Ago
Gold	1,268.40	1,242.30	1,357.50
Crude Oil	49.71	46.04	41.60
US Dollar Index	92.72	95.42	95.49
DJ UBS Commodity IDX	84.39	82.60	84.28

Interest Rates (%)

	7/31/2017	1 Mth Ago	1 Yr. Ago
PRIME RATE	4.25	4.25	3.50
FEDERAL FUNDS RATE	1.16	1.16	0.38
LIBOR RATE 30 DAY	0.16	0.16	0.16
LIBOR RATE 3 MONTHS	0.23	0.23	0.23
30YR FIXED MORTGAGE	3.92	3.88	3.48

Economic Sentiment

	7/31/2017	1 Yr. Ago
Unemployment Rate	4.40%	4.90%
Average Single Family Home (\$)	305,500	286,100
Capacity Utilization	76.57%	75.88%

*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.

Not FDIC Insured • Not Bank Guaranteed • May Lose Value • Not a Deposit • Not Insured by any Federal Government Agency

Investments in stocks, bonds, mutual funds, and other securities are not bank deposits or obligations, are not guaranteed by any bank, and are not insured or guaranteed by the FDIC (Federal Deposit Insurance Corp.), the Federal Reserve Board, or any other government agency. Investments in stocks, bonds, and mutual funds involve risks, including possible loss of principal.