

## May 2017 Market Watch

Domestic markets finished May mostly positive. With nearly all the companies in the S&P 500 having reported first quarter results, the aggregate revenues (+7.7% year-over-year) and earnings (+13.6% year-over-year) are on track to grow at their fastest pace in nearly six years. The S&P 500 companies have now posted earnings growth for three consecutive quarters following five quarters in a row of earnings declines. With that said, much of the earnings growth is due to an easing in the prolonged slump in commodity prices. Approximately one-third of the aggregate earnings growth for the S&P 500 in the first quarter came from the energy sector, as oil prices over the past year have recovered from the lows reached in early 2016.

The NASDAQ Composite, which is highly exposed to the technology sector, continued its strong performance for the year and was again the best performing domestic index for the month (+2.5% MTD). The S&P 500 Index (+1.2% MTD) and Dow Jones Industrial Average (+0.3% MTD) were also positive in May, while the Russell 2000, which is comprised of small-cap companies, declined for the month (-2.2% MTD). Year-to-date, the performance of the NASDAQ Composite (+15.1% YTD) is far outpacing the returns of the other major domestic indices (S&P 500: +7.7% YTD; Dow Jones Industrial Average: +6.3% YTD; Russell 2000: +1.0% YTD).

For the month, seven of the eleven sectors were positive, led by the Technology (+4.4% MTD) and Utilities (+4.2% MTD) sectors. The Energy (-3.4% MTD & -12.5% YTD), Telecom (-1.0% MTD & -8.1% YTD), and

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	5/31/2017	5/24/2017	% chg	4/30/2017	% chg	5/31/2016	% chg	Return *
DJIA	21,008.7	21,012.4	0.0%	20,940.5	0.3%	17,787.2	18.1%	6.3%
S&P 500	2,411.8	2,404.4	0.3%	2,384.2	1.2%	2,097.0	15.0%	7.7%
NYSE Comp Index	11,598.0	11,621.2	-0.2%	11,536.1	0.5%	10,441.0	11.1%	4.9%
NASDAQ Composite	6,198.5	6,163.0	0.6%	6,047.6	2.5%	4,948.1	25.3%	15.1%
Russell 2000	1,370.2	1,382.5	-0.9%	1,400.4	-2.2%	1,154.8	18.7%	1.0%

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	5/31/2017	5/24/2017	% chg	4/30/2017	% chg	5/31/2016	% chg	Return *
Japan Nikkei 225	19,650.6	19,743.0	-0.5%	19,196.7	2.4%	17,235.0	14.0%	2.8%
MSCI EM (Emerging Markets)	1,005.3	1,005.0	0.0%	978.0	2.8%	807.5	24.5%	16.6%
MSCI EAFE	1,890.1	1,887.6	0.1%	1,833.7	3.1%	1,667.8	13.3%	12.2%
FTSE 100	7,520.0	7,514.9	0.1%	7,203.9	4.4%	6,230.8	20.7%	7.3%
SSE Composite Index	3,117.2	3,064.1	1.7%	3,154.7	-1.2%	2,916.6	6.9%	0.4%

### US Equity Sector Performance

	May	YTD	1-yr ret.
Consumer Discretionary	1.1%	12.3%	16.9%
Consumer Staples	2.9%	10.5%	10.9%
Energy	-3.4%	-12.5%	-0.8%
Financials	-1.2%	0.4%	23.1%
Health Care	0.8%	10.9%	8.6%
Industrials	1.5%	8.0%	21.8%
Information Tech	4.4%	20.5%	33.8%
Materials	-0.1%	7.2%	15.4%
Telecom	-1.0%	-8.1%	-0.6%
Utilities	4.2%	11.8%	13.5%
Real Estate	0.8%	4.3%	3.8%

### US Equity Style Performance

	May	YTD	1-yr ret.
Dow Jones Utilities	3.2%	10.2%	10.2%
AMEX DJ TRANS Avg.	1.0%	2.0%	19.3%
Russell 1000 Value	-0.1%	3.0%	14.7%
Russell 1000 Growth	2.6%	14.3%	20.3%
Russell 2000 Value	-3.1%	-2.9%	21.0%
Russell 2000 Growth	-0.9%	6.3%	19.7%

Financials (-1.2% MTD & +0.4% YTD) sectors were laggards in May and have materially underperformed the broader market year-to-date. International markets were also largely positive for the month. The U.K.'s FTSE 100 (+4.4% MTD) and the MSCI EAFE (+3.1% MTD) indices were the best performers in May. China's SSE Composite Index (-1.2% MTD) was again this month's laggard. For the year, the MSCI Emerging Markets index has been the best performer (+16.6% YTD).

The yield curve continued to flatten in May, 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 seventeen basis points (bps) to 0.97%, while the yield on the 10-Year U.S. Treasury bond declined seven bps to 2.21%.

The Bloomberg Commodity Index declined during the month (-1.4% MTD) due in large part to the continued sell-off in crude oil (-2.1% MTD), which finished May at \$48.32 per barrel. Crude oil is down -10.1% YTD.

The unemployment rate fell to its lowest level (4.3%) in sixteen years in May. Data from the U.S. Labor Department, however, also showed that job creation over the past three months has cooled and is now tracking at about two-thirds the growth rate experienced last year. A historically low unemployment rate can make it difficult for businesses to find and hire qualified workers.

Rockland Trust  
Investment Management Group

## Bond Markets (%)

	5/31/2017	1 Mth Ago	1 Yr. Ago
US Benchmark Bond - 3 Month	0.97	0.80	0.29
US Benchmark Bond - 6 Month	1.07	0.98	0.46
US Benchmark Bond - 2 Year	1.28	1.27	0.88
US Benchmark Bond - 5 Year	1.75	1.81	1.38
US Benchmark Bond - 10 Year	2.21	2.28	1.85
US Benchmark Bond - 30 Year	2.86	2.95	2.65

## Commodities (In US dollars)

	5/31/2017	1 Mth Ago	1 Yr. Ago
Gold	1,275.40	1,268.30	1,214.80
Crude Oil	48.32	49.33	49.10
US Dollar Index	96.85	98.90	95.88
DJ UBS Commodity IDX	82.83	84.01	85.34

## US Bond Sector Performance

	May	YTD	1-Year Return
Bloomberg Barclays U.S. Aggregate Govt. Interm. TR	0.4%	0.4%	0.4%

## Interest Rates (%)

	5/31/2017	1 Mth Ago	1 Yr. Ago
PRIME RATE	4.00	4.00	3.50
FEDERAL FUNDS RATE	0.91	0.91	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	3.94	4.03	3.66

## Exchange Rates (Rate per US dollar)

	5/31/2017	1 month Ago	1 Year Ago
Canadian Dollar	1.351	1.367	1.308
Mexican New Peso	18.700	18.978	18.403
Euro	0.889	0.918	0.898
British Pound	0.775	0.773	0.687
Swiss Franc	0.968	0.995	0.994
Chinese Yuan	6.821	6.897	6.585
Indian Rupee	64.520	64.330	67.285
Japanese Yen	110.585	111.470	110.905

## Economic Sentiment

	5/31/2017	1 Yr. Ago
Unemployment Rate	4.30%	4.70%
Average Single Family Home (\$)	288,300	281,800
Capacity Utilization	76.73%	75.65%

\*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.