

Open-End Net Fund Flows (\$)	4/18	3/18	YTD (Apr)
Equity	-9.29B	0.26B	-24.47B
Taxable Bond	8.55B	10.12B	56.85B
Municipal Bond	-1.96B	1.49B	8.53B
Hybrid	-4.24B	-2.32B	-11.41B
Taxable Money Market	-1.07B	-49.18B	-63.70B

Key Interest Rates	5/31/18	12/29/17	5/31/17
Federal Funds Target Rate	1.75%	1.50%	1.00%
ICE LIBOR (3-Month)	2.32%	1.69%	1.21%
2-Year T-Note	2.43%	1.89%	1.28%
10-Year T-Note	2.86%	2.41%	2.20%
Bond Buyer 40	3.94%	3.87%	4.06%

Commodities/U.S. Dollar	5/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	2.33%	2.02%	-3.03%
TR/CC CRB Commodity Index	0.43%	4.63%	12.83%
Crude Oil (Barrel)	-2.23%	10.96%	38.74%
Natural Gas (per million BTUs)	6.88%	0.00%	-3.91%
Gold Bullion (Ounce)	-1.45%	-0.70%	2.21%

## Total Return Performance

U.S. Stock Indices	5/18	YTD	12 Mo.
S&P 500	2.41%	2.02%	14.37%
DJIA	1.41%	-0.24%	18.91%
NASDAQ 100	5.68%	9.46%	21.66%
S&P MidCap 400	4.13%	3.05%	14.84%
Russell 2000	6.07%	6.91%	20.76%
Russell 3000	2.82%	2.55%	15.05%

U.S. Styles/Market Caps	5/18	YTD	12 Mo.
S&P 500 Growth	4.33%	6.63%	19.43%
S&P 500 Value	0.26%	-2.84%	8.93%
S&P MidCap 400 Growth	4.02%	4.26%	16.52%
S&P MidCap 400 Value	4.23%	1.76%	13.06%
Russell 2000 Growth	6.30%	8.83%	25.05%
Russell 2000 Value	5.82%	4.85%	16.38%

Foreign Stock Indices (USD)	5/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-1.90%	-1.69%	8.33%
MSCI Emerging Markets NET	-3.54%	-2.61%	14.03%
MSCI Europe NET	-3.28%	-2.58%	4.83%
MSCI BRIC NET	-1.82%	-0.12%	22.04%
MSCI EM Latin America NET	-14.06%	-8.34%	3.67%
Nikkei 225	-0.87%	1.85%	17.21%

Barclays Bond Indices	5/18	YTD	12 Mo.
U.S. Treasury: Intermediate	0.65%	-0.68%	-1.02%
GNMA 30 Year	0.76%	-0.94%	-0.47%
Municipal Bond (22+)	1.69%	-0.53%	2.69%
U.S. Aggregate	0.71%	-1.50%	-0.37%
Intermediate Corporate	0.55%	-1.40%	-0.24%
U.S. Corporate High Yield	-0.03%	-0.24%	2.35%
Global Aggregate	-0.76%	-1.02%	1.72%
EM Hard Currency Aggregate	-1.16%	-3.27%	0.19%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

## Climate

The Bureau of Labor Statistics reported that U.S. nonfarm payrolls increased by 223,000 in May, topping the consensus estimate of 190,000 and blowing away the 155,000 jobs created in May 2017, according to Bloomberg. Monthly job creation in the current economic recovery (7/09-5/18) has averaged 165,000. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is forecasting a total of four Federal Reserve ("Fed") rate hikes for 2018 based on upward projections for real GDP growth and inflation. The Fed already increased the federal funds rate once this year by 25 basis points to 1.75% on 3/21/18. Its next Federal Open Market Committee meeting is scheduled for June 12-13<sup>th</sup>. As of 5/31/18, the futures market indicated an 88% probability the Fed will hike its benchmark rate (upper bound) from 1.75% to 2.00% at that meeting, according to Bloomberg. The slope of the U.S. Treasury yield curve, however, appears to suggest that investors are not convinced that serious inflationary pressure is coming anytime soon. The spread between the yield on the 2- and 10-year Treasury notes stood at just 43 basis points at the close of May 2018, the lowest level it has been since 2007, according to Bloomberg. Will the yield curve continue to flatten or become more positively sloped in the months ahead? We believe it should be the latter. Stay tuned!

## Stock Market

The S&P 500 Index (the "index") closed at 2,705.27 on 4/30/18, 5.83% below its all-time high of 2,872.87, set on 1/26/18, according to Bloomberg. The index posted a total return of 2.41% in May. Seven of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Information Technology, up 7.37%, while the worst showing came from Telecommunication Services, down 2.28%. YTD through 5/31/18, the index posted a total return of 2.02%. Four of the 11 sectors were up on a total return basis. The top-performer was Information Technology, up 11.26%, while the worst showing came from Consumer Staples, down 12.49%. While the S&P 500 Index is in the black through the first five months of 2018, small-capitalization (cap) stocks have been the real shining stars. YTD through 5/31/18, the S&P SmallCap 600 Index posted a total return of 8.17%, compared to 3.05% for the S&P MidCap 400 Index and 2.02% for the S&P 500 Index. The majority of the gain in the S&P SmallCap 600 Index came after the U.S. dollar hit its low for 2018 in mid-February. From 2/15/18 through 5/31/18, the S&P SmallCap 600 Index posted a total return of 7.85%, while the U.S. Dollar Index rose 6.08% over the same period. Just as the 9.87% decline in the U.S. Dollar Index likely provided a nice tailwind to large-cap, multinationals in 2017, the recent strength in the dollar has shifted to a bit of a headwind, in our opinion. To lend some perspective, the U.S. Dollar Index stood at a reading of 93.98 as of 5/31/18, a little below its 50-year average of 97.06, according to Bloomberg. Over that period, the high for the index was 164.72 on 2/25/85, while the low was 71.33 on 4/22/08. In addition to the dollar's strength, small-cap stocks are likely benefitting from the Trump administration's deregulation efforts as well as less of a perceived risk to rising tariffs and trade war talk, according to MarketWatch.

## Bond Market

The yield on the benchmark 10-year Treasury note (T-note) declined nine basis points (bps) in May to close at 2.86% on 5/31/18, according to Bloomberg. The yield stood 32 bps higher than its average of 2.54% for the 10-year period ended 5/31/18. Bloomberg data on the 10-year T-note dates back to 1/5/62. From 1/5/62 through 5/31/18, its average yield was 6.21%. The last time the yield closed above the 4.00% mark was on 10/14/08 (4.08%). This shows that yields have been extremely low for nearly a decade. Having said that, the yield on the 10-year T-note was up 66 bps year-over-year as of the close on 5/31/18, and the 12-month total returns in the Barclays Bond Indices table reflect how tough it is going to be to generate a positive total return if interest rates continue to trend higher. Keep a close eye on the 10-year T-note.

## Takeaway

As we noted, the U.S. job market is strong. We believe that it is a reflection of an economy that is actually gaining strength, despite the fact that the recovery is one month shy of its ninth anniversary. CareerBuilder reported that college graduates are entering the hottest job market in a decade, according to CBS News. Around 80% of the companies surveyed by the jobs site said they plan to hire college grads this year, compared to just 60% in 2008. While there are numerous economic indicators that one can follow, few are more telling than job creation, in our opinion. Companies don't tend to hire when they sense weakness around the corner.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2872.87	1/26/2018	676.53	3/9/2009	2705.27	-5.83%	2.02%	1.92%
S&P 500 Growth	1667.73	1/26/2018	363.99	3/9/2009	1625.51	-2.53%	6.63%	1.31%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1083.23	-9.39%	-2.84%	2.64%
S&P MidCap 400	1995.23	1/26/2018	404.62	3/9/2009	1946.43	-2.45%	3.05%	1.58%
S&P MidCap 400 Growth	933.56	1/26/2018	174.44	11/20/2008	909.36	-2.59%	4.26%	1.18%
S&P MidCap 400 Value	662.48	1/23/2018	144.98	3/9/2009	646.56	-2.40%	1.76%	1.99%
S&P 100	1273.99	1/26/2018	322.13	3/9/2009	1188.91	-6.68%	1.43%	2.05%
DJIA	26616.71	1/26/2018	6547.05	3/9/2009	24415.84	-8.27%	-0.24%	2.21%
NASDAQ 100	7131.12	3/12/2018	1036.51	11/20/2008	6967.73	-2.29%	9.46%	0.97%
Russell 2000	1647.99	5/30/2018	343.26	3/9/2009	1633.61	-0.87%	6.91%	1.26%
Russell 2000 Growth	1035.50	5/30/2018	190.73	3/9/2009	1027.63	-0.76%	8.83%	0.68%
Russell 2000 Value	1979.74	5/30/2018	469.32	3/9/2009	1959.99	-1.00%	4.85%	1.91%
Russell 3000	1694.23	1/26/2018	389.61	3/9/2009	1610.67	-4.93%	2.55%	1.83%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	6002.34	-7.48%	-1.69%	3.20%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	164.51	10/27/2008	507.85	-11.41%	-2.61%	2.50%
Ibovespa/Brazil (USD)	44076.29	6/2/2008	9077.09	1/21/2016	20402.29	-53.71%	-11.67%	3.12%
RTS/Russia (USD)	2452.76	6/2/2008	498.20	1/23/2009	1162.98	-52.58%	1.06%	4.84%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	219.01	-10.65%	-6.34%	1.12%
Shanghai Composite/China (USD)	832.07	6/12/2015	249.66	11/4/2008	482.88	-41.97%	-4.66%	2.00%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.63	11/20/2008	2.24	-7.59%	-2.60%	1.80%
Hang Seng (USD)	4241.01	1/26/2018	1420.72	10/27/2008	3884.22	-8.41%	2.60%	3.53%
MSCI Euro (USD)	1769.04	6/2/2008	682.47	3/9/2009	1367.21	-22.71%	-2.17%	3.38%
S&P 500 Consumer Discretionary	868.00	1/26/2018	125.72	3/9/2009	840.76	-3.14%	7.61%	1.29%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	508.01	-16.07%	-12.49%	3.13%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	558.35	-24.25%	6.05%	3.18%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	256.98	-10.72%	-2.38%	3.63%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	450.24	-10.18%	-2.21%	1.79%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	329.65	-11.40%	-2.44%	2.10%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	654.45	-9.81%	-2.80%	4.09%
S&P 500 Health Care	1059.33	1/26/2018	252.84	3/5/2009	951.46	-10.18%	0.20%	1.70%
S&P 500 Pharmaceuticals	675.68	1/26/2018	214.50	3/3/2009	593.98	-12.09%	-5.06%	2.82%
NYSE Arca Biotechnology	4939.86	1/29/2018	541.77	3/9/2009	4748.49	-3.87%	12.56%	0.27%
S&P 500 Information Technology	1233.97	3/12/2018	198.51	11/20/2008	1223.45	-0.85%	11.26%	1.16%
Philadelphia Semiconductor	1445.90	3/12/2018	171.32	11/20/2008	1379.00	-4.63%	10.82%	1.57%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	144.87	-21.20%	-10.48%	5.80%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	623.49	-8.14%	-1.43%	2.04%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	363.22	-9.55%	-3.42%	1.96%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	83.32	-63.61%	-1.93%	0.72%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	202.84	-57.16%	4.63%	N/A
ICE BofAML Perpetual Preferred	257.56	12/7/2017	51.79	3/9/2009	253.81	-1.46%	-1.10%	5.62%
ICE BofAML U.S. High Yield Constrained	421.57	1/26/2018	130.37	12/12/2008	416.54	-1.19%	-0.25%	6.57%

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