

May 2019 Flash Report

Overview: GDP was revised down to a 3.1% annualized rate for the 1st quarter as compared with an initially reported 3.2% and analyst estimates for a revision to 3%. Consumer spending, which accounts for the majority of the economy, grew 1.3%, exceeding projections of 1.2% although it still remains at the lowest level in a year.

Theresa May has announced her resignation as UK prime minister and Conservative party leader. She will resign as party leader on June 7th but remain Prime Minister until a successor is named. May said she had decided to step down to give her successor a chance to implement Brexit, having failed three times to pass her deal with the European Union through Parliament.

Equities: An unexpected breakdown in China-US trade talks and the potential for a new round of tariffs with Mexico raised investor concerns about the negative impact on global growth, erasing 2nd quarter gains. The S&P 500 lost 6.4% in May but is still ahead 10.7% YTD. The Russell 2000 index fell 7.8% in the month, resulting in a 9.3% gain for the year. Across all markets, Growth continues to significantly outpace Value in 2019.

EAFE lost 4.7% in May where the stronger Dollar lowered gains by only 0.2% versus local currency returns. EAFE has gained 8.1% this year. The UK pound lost over 3% due to the lack of progress regarding Brexit. The UK market lost 6% this month, principally due to the loss in currency. Germany & Italy also experienced negative results, losing 6.1% and 7.7%, respectively.

The Emerging Markets declined by 7.2% in May. Again, the strong Dollar detracted 0.6% from local currency returns. The markets remained positive for the year by 4.2%. China plunged 13.1% in the month for a YTD gain of 4.6% as trade negotiations soured. Russia earned a 3.6% return in May, gaining 20.7% YTD. Brazil was also positive in the month by 1.7%. The remaining markets were generally negative across the board.

Fixed Income: Longer term interest rates fell sharply in reaction to a flight to quality as the equity markets plunged. The 3-month T-bill yield closed at 2.34% while the 10 Year Treasury yield declined in May by 38bps to 2.12%, the lowest level since Sept 2017. The yield curve was inverted from 3 months to over 10 years. A very narrow yield spread of 23bps between the T-Bill and 30 Year Treasury was the result at month's end.

The 30 Year Treasury yield decreased by 38bps to 2.57%. Yields fell with heightened concerns regarding a slowdown in global growth as the threat of trade wars grew. In line with Treasuries, the 30 Year Municipal yield fell by 25bps, closing at 2.4%, 17bps lower than the 30 Year Treasury. The 1 Year Municipal yield ended the month at 1.40%, a 15bps decrease from April, resulting in a yield spread discount compared to the 1Year Treasury of 36%. The spread discount continued to decline with longer maturities where at 30 year maturities, the discount is approximately 7%, modestly lower than the previous month.

German rates fell slightly in May to a negative 0.7% yield for the 2Yr Bund and negative 0.21% for the 10Yr, 22bps lower in the month. In the UK, the 10Yr Gilt yield moved down 30bps to a 0.88% yield as the Prime Minister resigned due to the Brexit impasse. The Japanese 10Yr Gov't bond yield remained stable yielding a negative 0.1%, while the 2Yr closed at negative 0.18%. High Yield bonds moved lower in May by approximately 1.2% with an average yield of 6.2%.

Commodities: WTI Crude Oil moved significantly lower to \$53.5/barrel, a \$10.4/barrel decrease in May. The prolonged China-US trade talks have resulted in risk off impacting the equity and energy markets as concerns regarding global growth mount. In contrast, Gold prices rose by \$26/oz to \$1311/oz in May. Gold had been pressured this year as inflation remains quite low but benefited from the "flight to quality" mentality that drove the markets at month's end.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	-6.3%	-3.7%	7.5%	4.1%	14.5%	10.9%
S&P 500	-6.4%	-0.7%	10.7%	3.8%	11.7%	9.7%
Russell LG Value	-6.4%	-2.5%	8.5%	1.5%	8.0%	6.5%
Russell LG Growth	-6.3%	0.7%	13.7%	5.4%	15.3%	12.3%
Russell 2000	-7.8%	-6.6%	9.3%	-9.0%	9.8%	6.7%
NASDAQ	-7.8%	-0.8%	12.9%	1.2%	15.9%	13.2%
MLP Index	-1.1%	0.9%	14.0%	-1.1%	0.4%	-6.6%
REIT Index	0.2%	4.4%	16.9%	15.0%	7.8%	8.6%
International Equities						
EAFE	-4.7%	-1.2%	8.1%	-5.3%	6.4%	1.8%
EAFE Small Companies	-5.2%	-2.0%	8.2%	-11.6%	6.0%	4.2%
Emerging Markets	-7.2%	-4.4%	4.2%	-8.3%	10.3%	2.2%
China	-13.1%	-9.0%	4.6%	-18.0%	12.0%	6.6%
Fixed Income						
US Agg	1.8%	3.8%	4.8%	6.4%	2.5%	2.7%
US High Yield	-1.2%	1.2%	7.5%	5.5%	7.0%	4.4%
Municipal Bonds	1.4%	3.4%	4.7%	6.4%	3.0%	3.6%
Currencies						
EURO	-0.4%	-2.0%	-2.6%	-4.5%	0.0%	-4.0%
British Pound	-3.1%	-4.9%	-1.1%	-5.0%	-4.5%	-5.5%
Japanese Yen	2.6%	2.5%	1.0%	0.1%	1.0%	-1.1%
Commodities						
Bloomberg Commodity	-3.4%	-3.9%	2.3%	-12.4%	-1.7%	-9.5%
S&P GSCI Crude Oil	-16.3%	-6.7%	16.5%	-17.8%	-1.6%	-21.1%
Gold	1.7%	-0.7%	1.9%	-0.1%	1.6%	0.3%