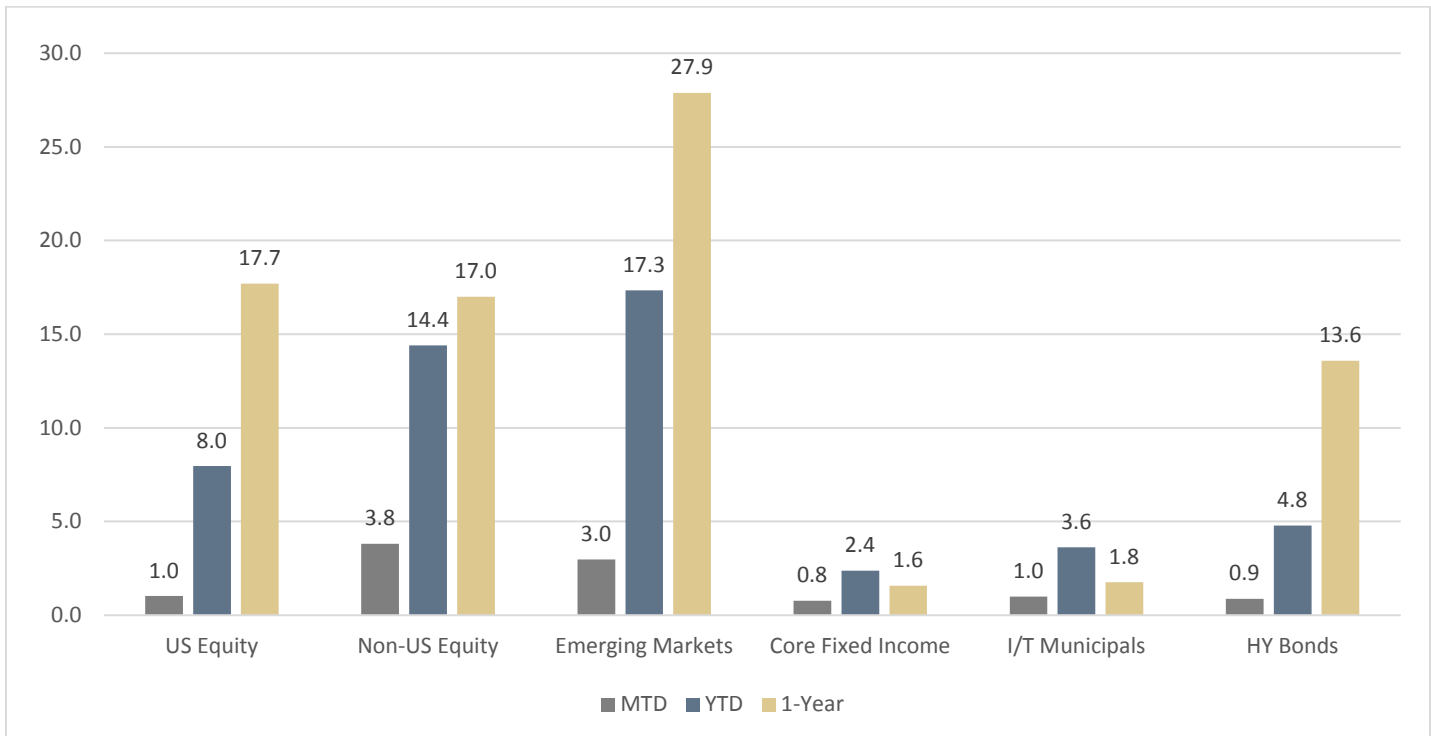




# CAPITAL MARKETS RECAP

## MAY 2017

### MARKET RETURNS AS OF MAY 31, 2017



Source: Barclays Capital, Russell and MSCI. Returns are Preliminary

Global equities continued to rise in May, adding to the already strong year-to-date returns. International developed and emerging market equities outperformed U.S. equities as economic conditions around the world showed improvement.

### ECONOMIC DATA

- **Real U.S. GDP** in the first quarter of 2017 was revised upward to 1.2% from the initial estimate of 0.7%. Stronger than previously estimated business investment and consumer spending accounted for most of the change.
- **Inflation** increased 0.2% in April after posting a decline in March. Over the past 12 months, the overall CPI (Consumer Price Index) rose 2.2% and the core inflation rate (CPI minus food and energy) rose 1.9%.
- **U.S. unemployment rate** remained essentially the same at 4.4% in April and job gains were strong at 211,000. The largest job gains were experienced in leisure and hospitality, health care and social assistance, and financial activities sectors. Over the past year, the unemployment rate has declined 0.6% and the number of unemployed persons has fallen by 854,000.
- **Consumer confidence** declined in May. Lynn Franco of The Conference Board said, "Looking ahead, consumers were somewhat less upbeat than in April, but overall remain optimistic that the economy will continue expanding in the summer months."
- **Global manufacturing growth** remained in expansion in May, but growth continued to be uneven. Eurozone and Japan showed marked improvement, while U.S. manufacturing growth declined, and China's manufacturing sector slipped to contraction territory for the first time in almost a year.

## U.S. EQUITIES

- Broad U.S. stocks, in aggregate, rose in May.
- Size – Large and mid-cap stocks meaningfully outperformed small-cap stocks which were down -2.0% for the month. On a year-to-date basis, large- and mid-cap stocks outpaced small-cap stocks (up 8.5% and 6.9% versus 1.5%, respectively).
- Style – Growth stocks outperformed value stocks again in May. On a year-to-date basis, growth stocks led value stocks by a wide margin (up 13.7% versus 2.5%, respectively).

## S&P 500 SECTOR RETURNS FOR MAY 2017:

Best		Worst	
Information Technology	4.40%	Energy	-3.40%
Utilities	4.24%	Financials	-1.21%
Consumer Staples	2.85%	Telecom Services	-0.98%

## INTERNATIONAL EQUITIES

- International developed stocks were up in both local and U.S. dollar terms (up 2.2% and 3.8%, respectively) in May. The U.S. dollar declined during the month, boosting returns for U.S. based investors.
- Emerging market equities gained in both local and U.S. dollar terms (up 2.5% and 3.0%, respectively). Emerging market returns have been robust on a year-to-date basis (up 27.9% in U.S. dollar terms).

## FIXED INCOME

- In anticipation of another rate hike by the Fed this year, short-term interest rates rose in May (U.S. 3-month Treasury yield rose by 0.2% to 1.0%). Despite higher short-term rates, longer-term rates declined. The U.S. 10-Year Treasury yield began the month at 2.3% and ended the month at 2.2%.
- Despite lower energy prices, high yield bonds were up almost 1% in May. The asset class posted equity-like returns over the past year, up over 13%.

## LOOKING AHEAD

- The U.S. economy continued to point to expected future growth. The majority Conference Board Leading Economic Index indicators remained positive in May, though there were some areas of weakness in housing permits and average workweek in manufacturing.
- Stock market volatility has been low and investors appear somewhat complacent. However, economic data has been encouraging, particularly in Europe.
- We believe having a globally diversified portfolio of stocks and bonds, and maintaining discipline to rebalance regularly, remains important in this current economic environment.

**Meloni M. Hallock**

310.246.0570

[mhallock@acaciawealth.com](mailto:mhallock@acaciawealth.com)

**Alev Lewis**

310.246.0530

[alewis@acaciawealth.com](mailto:alewis@acaciawealth.com)

**Amy Born**

310.246.0520

[aborn@acaciawealth.com](mailto:aborn@acaciawealth.com)

**WWW.ACACIAWEALTH.COM**

Acacia Wealth Advisors is registered with HighTower Securities, LLC, member FINRA, MSRB and SIPC, and with HighTower Advisors, LLC, a registered investment advisor with the SEC. Securities are offered through HighTower Securities, LLC; advisory services are offered through HighTower Advisors, LLC.

The information and opinions contained in this publication are intended for educational purposes and should not be construed as investment advice. Further, the data was obtained from sources believed to be reliable, however accuracy cannot be guaranteed.