



Market in a Minute

May 15, 2018

Index Performance: As of May 11, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24831	2.3%	0.5%
S&P 500	2728	2.4%	2.0%
NASDAQ	7403	2.7%	7.2%
Russell 2000	7936	2.7%	5.1%
Russell 2000 Growth	7126	3.0%	7.2%
Russell 2000 Value	11903	2.3%	2.7%
Russell 1000 Growth	1382	2.6%	6.1%
Russell 1000 Value	1542	2.3%	-0.6%
Shanghai SE Index	3313	2.3%	-4.3%
SPDR Gold Shares	125.00	0.4%	1.1%
GS Crude Oil Total Return	8.17	1.7%	24.9%
Powershares US \$ Index	24.32	0.0%	1.2%
iShares EAFE Index	71.77	1.2%	2.1%
iShares Barclays 20+ Yr Treasury Bond	119.23	0.2%	-6.0%
Utilities Select Sector ETF	50.38	-2.2%	-4.4%
Vanguard REIT ETF	78.28	1.3%	-5.7%
iShares Mortgage Real Estate	43.51	0.5%	-3.7%
Wells Fargo BDC	20.09	2.8%	-3.2%
Alerian MLP ETF	10.06	0.1%	-6.8%
iShares Global Telecom	57.48	0.4%	-5.0%

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1225	3.5%	10.8%
Consumer Disc.	835	0.8%	6.3%

A Word on the Market by Pat Adams, CFA

We discussed this last week, but we thought it was important to review what happened, what to expect in the short-term and what to expect as we go through the year for the market on a technical basis. Below is the S&P 500 1-year chart, with the 200-day moving average, and as you can see the market has been forming a descending triangle. (If your firewall blocks the charts, you can see the charts by downloading the PDF at the bottom of the page.) A descending triangle is when the upper trendline is sloped downward, while the bottom trendline is horizontal. The S&P 500 broke through the upper end of the triangle thus allowing the market to remain in an uptrend. This is good news for the market. The market will run into resistance around the 2780 level on the S&P 500. The old high made in January of 2873 will be very difficult to break through. Therefore, we believe we are in a trading range, likely the upper two-thirds of the range currently.

The second chart shows an oversold/overbought oscillator at the bottom, and the chart shows you the Bollinger Bands as well. These indicators are telling us in the short-term the markets moved too fast. The market had essentially run out of momentum but found a spark.

We do not expect significant appreciation in the markets this year as the Federal Reserve continues to raise rates and the market works off some significant excesses in the technology sector. We expect the Fed to raise rates again in June to 1.75%-2.0%, to be in line with the rate of inflation. We believe additional rate hikes will start to have an impact on the economy, although the economy is strong.

Many of the technology stocks have rallied back to around their old highs at the same time the fundamentals appear to be weakening. Inventory is building in the semiconductor sector, this is generally a big negative. The smart phone upgrade from old cell phones over the many years has largely played out. There has been a huge shift to smart phones and now smart phone growth is starting to stagnate. This is why Apple came out with a \$1000 phone to offset the very slow unit growth. Technology is a very large part of the S&P 500 at nearly 30%, and will likely begin to struggle going into next quarter earnings reports. The market needs a new sector to lead.

Consumer Staples	507	-0.5%	-13.6%
Health Care	960	2.5%	0.4%
Financials	468	3.6%	0.9%
Industrials	628	3.4%	-1.6%
Energy	565	3.8%	6.0%
Telecommunications	147	0.9%	-11.7%
Utilities	255	-2.3%	-4.6%
Materials	369	1.9%	-2.7%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.625	5-Year	2.84
3-Month	1.92	10-Year	2.97
6-Month	2.06	30-Year	3.10
2-Year	2.54		

Source: Bloomberg.com

Economic Events This Week

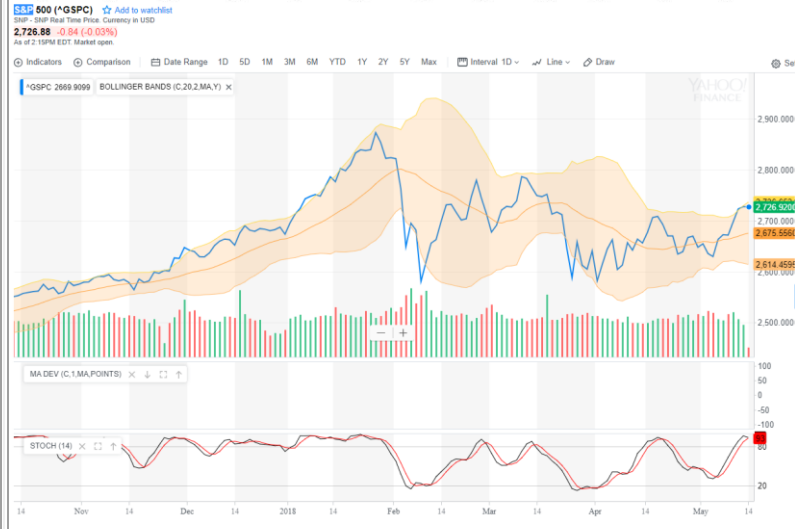
15-May	Retail Sales	0.3%	0.6%
15-May	Retail Sales-ex auto	0.5%	0.2%
15-May	Business Inventories	0.1%	0.6%
16-May	Housing Starts	1325K	1319K
16-May	Building Permits	1350K	1354K
16-May	Capacity Utilization	78.4%	78.0%
16-May	Industrial Production	0.6%	0.5%
17-May	Initial Claims	216K	211K
17-May	Philadelphia Fed	20.0	23.2
17-May	Leading Indicators	0.4%	0.3%

Source: Briefing.com

Economic Events Last Week

Date	Event
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Trump's announcement to reduce drug prices was much less onerous than expected, the healthcare sector has been trending water and represents good value. We like this sector.



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9-May	PPI for Apr. came in at 0.1% which was slightly below estimates of 0.2%
9-May	Core PPI for Apr. was reported at 0.2% which was in line with expectations
9-May	Wholesale Inventories for Mar. rose 0.3% compared to forecasts of 0.5%
10-May	CPI for Apr. was reported at 0.2% which was lower vs. estimates of 0.3%
10-May	Core CPI for Apr. came in at 0.1% compared top expectations of 0.2%
10-May	Initial Claims for the week of 5/5 came in at 211K which was lower compared to consensus forecasts of 220K
11-May	The Michigan Sentiment-Prelim for May came in at 98.8 compared to estimates of 98.0

Source: Briefing.com

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