

MARKET INSIGHTS

Weekly Market Recap

U.S. | July 3, 2017

The week in review

- 1Q GDP expanded 1.4% QoQ SAAR
- Consumer confidence increased to 118.9
- Pending home sales fell -0.82% m/m

The week ahead

- Markit Mfg. PMI
- Light vehicle sales
- Employment report

Thought of the week

Risk assets continued to rally through the second quarter, with international equity markets taking the lead relative to the U.S. Emerging market equities returned 6.4% in 2Q, bringing YTD returns to 18.6%, driven mostly by outsized returns in EM Asia. Similarly, developed market economies returned 6.4% over the quarter and 14.2% YTD. Improving economic and earnings data in international markets are helping drive equity markets upward, and attractive valuations relative to the U.S. add to the prospect of better future returns abroad. In the U.S., investors started to question the path of Fed rate hikes given weaker than expected inflation data, leading 10-year rates to fall to 2.15% and the Barclays Agg. to return 1.4% over 2Q. High yield also rallied as rates fell, returning 3.2% for the quarter. U.S. large cap equities continued their upward trajectory, up 3.1% in 2Q and 9.3% YTD, driven largely by the technology sector. Small cap equities underperformed as the strength of the domestic recovery was called into question after a weak 1Q GDP print, returning 2.5% for the quarter and 5.0% YTD. REITs returned 2.3%, cushioned by flows into higher yielding sectors of the equity market as rates fell. Commodities were the sole negative return as oil prices fell steeply amidst concerns over a supply glut stemming from persistent U.S. production. Importantly, cash has returned just 0.2% YTD, meaning that investors sitting on the sidelines would have missed out on healthy returns across a wide array of asset classes thus far in 2017.

Please see important disclosure on next page.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2423	-0.58	0.00	9.34	17.90	31.70
Dow Jones 30	21350	-0.21	0.00	9.35	22.12	36.81
Russell 2000	3518	0.10	0.00	4.99	24.60	23.75
Russell 1000 Growth	788.19	-1.48	0.00	13.99	20.42	37.16
Russell 1000 Value	703.86	0.37	0.00	4.66	15.53	23.75
MSCI EAFE	1883	-0.25	0.00	14.23	20.83	4.92
MSCI EM	1011	0.14	0.00	18.60	24.17	4.39
NASDAQ	6140	-1.97	0.00	14.71	28.30	44.35

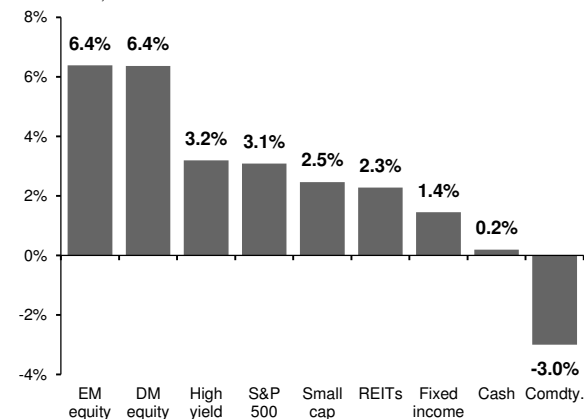
Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.56	-0.57	0.00	2.27	-0.31	7.63
U.S. Corporates	3.20	-0.61	0.00	3.80	2.28	11.23
Municipals (10yr)	2.20	-0.62	0.00	4.18	-0.41	11.05
High Yield	6.06	0.28	0.00	4.93	12.70	14.07

Key Rates	Levels (%)					
	6/30/17	6/23/17	6/30/17	12/30/16	6/30/16	6/30/14
2-yr U.S. Treasuries	1.38	1.34	1.38	1.20	0.58	0.47
10-yr U.S. Treasuries	2.31	2.15	2.31	2.45	1.49	2.53
30-yr U.S. Treasuries	2.84	2.71	2.84	3.06	2.30	3.34
10-yr German Bund	0.46	0.25	0.46	0.20	-0.14	1.24
3-mo. LIBOR	1.30	1.29	1.30	1.00	0.65	0.23
3-mo. EURIBOR	-0.33	-0.33	N/A	-0.32	-0.29	0.21
6-mo. CD rate	0.42	0.41	0.42	0.34	0.33	0.32
30-yr fixed mortgage	4.13	4.13	4.13	4.39	3.75	4.28
Prime Rate	4.25	4.25	N/A	3.75	3.50	3.25

CHART OF THE WEEK

Asset class returns were broadly strong in 2Q 2017

Total return, U.S. dollar



STYLE RETURNS

	V	B	G
L	0.4	-0.6	-1.5
M	0.5	-0.2	-1.1
S	1.0	0.1	-0.7

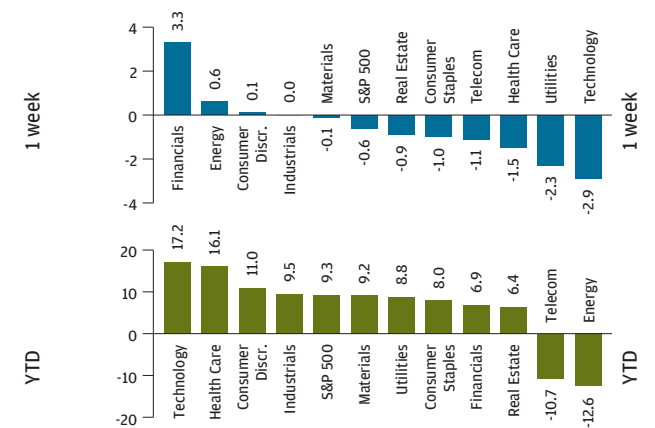
	V	B	G
L	4.7	9.3	14.0
M	5.2	8.0	11.4
S	0.5	5.0	10.0

	Index Characteristics			
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	17.46	3.01	2.00	44.67
	16.83	3.58	2.24	N/A
	24.57	2.06	1.51	1.15
	20.45	5.92	1.60	22.72
	15.68	2.00	2.65	29.74
	14.73	1.62	3.07	19.86
	12.37	1.57	2.43	13.46
	21.94	3.76	1.07	4.15

Currencies	Levels		
	6/30/17	12/30/16	6/30/16
\$ per €	1.14	1.05	1.11
\$ per £	1.30	1.24	1.34
¥ per \$	112.36	116.64	102.59

Commodities	Levels		
	6/30/17	12/30/16	6/30/16
Oil (WTI)	46.02	53.75	48.27
Gasoline	2.29	2.31	2.33
Natural Gas	2.94	3.71	2.94
Gold	1242	1146	1321
Silver	16.47	16.24	18.36
Copper	5908	5501	4827
Corn	3.43	3.33	3.47
BBG Idx	167.64	176.94	179.29

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Barclays, Bloomberg Finance L.P., FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Thought of the week: Source: Barclays, Bloomberg Finance L.P., FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-

to-book ratios and higher forecasted growth values).

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Unless otherwise stated, all data is as of July 3, 2017 or as of most recently available.