



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), rose by 2.41% in May.
- Sector performance within the S&P was mixed but generally positive with seven of the 11 sectors posting positive returns. Information Technology, Energy and Industrials led gains, returning 7.37%, 3.04% and 3.01%, respectively. Telecom, Consumer Staples and Utilities led declines, returning -2.28%, -1.53% and -1.13%, respectively.
- By market capitalization, small-caps (Russell 2000 Index) were the best performers during the month, returning 6.07%. The second-best performers during the period were large-caps (Russell 1000 Index) returning 2.55% followed by mid-caps (Russell Midcap Index) with a return of 2.27%. Growth stocks outperformed value stocks during the month across all market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, ended the month down 2.31%. Developed Markets, represented by the MSCI EAFE Index, finished down 2.25%, while the Emerging Markets, represented by the MSCI Emerging Markets Index, returned -3.54% during the month.
- Within the ACWI ex-U.S. Index, Information Technology and Healthcare were the only sectors to generate positive returns, returning 1.36% and 0.88%, respectively. Telecom and Utilities were the worst-performing sectors, returning -7.78% and -3.79%, respectively.
- According to the MSCI Emerging Markets Index, North America was the best-performing region, returning 2.35% in May. Latin America was the worst-performing region, returning -14.06%.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate (Aggregate) Index returned 0.71% in May. Meanwhile, the Treasury yield curve flattened and spreads widened for investment-grade (IG) corporates.
- IG credit within the Aggregate returned 0.50%. Within the IG credit spectrum, returns were positive across all qualities. AAA-rated bonds returned 0.67%, AA-rated bonds returned 0.70%, A-rated bonds returned 0.59% and BBB-rated bonds returned 0.35%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, fell 0.03% in May.
- The U.S. Treasury yield curve flattened during the month of May. Yields at the short-term end of the curve increased, while yields on bonds with a year or greater to maturity fell.

Yields for three- and six-month bills rose 10 and seven basis points (bps), respectively. Yields for two-, 10- and 30-year treasuries fell six, nine, and nine bps, respectively.

Other Asset Classes

- Real estate investment trusts (REITs) represented by the FTSE NAREIT index returned 3.95% in May, bringing the year-to-date (YTD) return to -3.21%. Returns were positive for all nine of the individual real estate sectors except for Data Centers, which posted a loss of -1.50% for the month. This brings the YTD return for data centers down to -9.18%. The best-performing sectors for the month were Lodging/Resorts and Health Care, returning 11.92% and 7.48%, respectively.
- Commodities, represented by the Bloomberg Commodity Index, posted a 1.25% return. The active contract for West Texas Intermediate (WTI) crude closed at \$67.04/barrel, down from \$68.57 in April.

Items to Watch

- The U.S. Dollar (USD) has continued to strengthen since mid-April and ended May up 2.30% YTD, as represented by the appreciation of the U.S. Dollar Index (DXY). The strengthening of the USD hurts the bottom line for U.S. corporations that derive a greater percentage of their revenue internationally.
- Heated trade tensions between the U.S. and China continue. The Trump administration will proceed with its proposal to impose 25% tariffs on \$50 billion in Chinese imports, the final list of which will be revealed later this month, as well as investment restrictions to prevent Chinese acquisition of U.S. technology. These new threats were doled out only a few days before Commerce Secretary Wilbur Ross' arrival in China on June 2. We are watching intently since the outcome of these discussions will have deep ramifications for global trade.
- Political uncertainty in Italy has dragged international markets lower, resulting in part from the formation of a populist coalition which has threatened Italy's membership in the European Union (EU). The Italian bond market suffered its worst day in 25 years on May 29. Italian government bond yields spiked to 2.5% on May 29 from around 0.5% on May 28. The upcoming elections in Spain have only exacerbated uncertainty surrounding the EU.
- President Donald Trump and North Korean Leader Kim Jong Un are expected to meet in Singapore on June 12 to discuss denuclearization of the Korean Peninsula. In April, North Korea committed to working toward "complete denuclearization," without elaborating on what that meant. Uncertainty surrounding the productivity of the on-and-off summit remains, though both sides are currently committed to negotiations.

Total Return of Major Indices as of 5/31/18

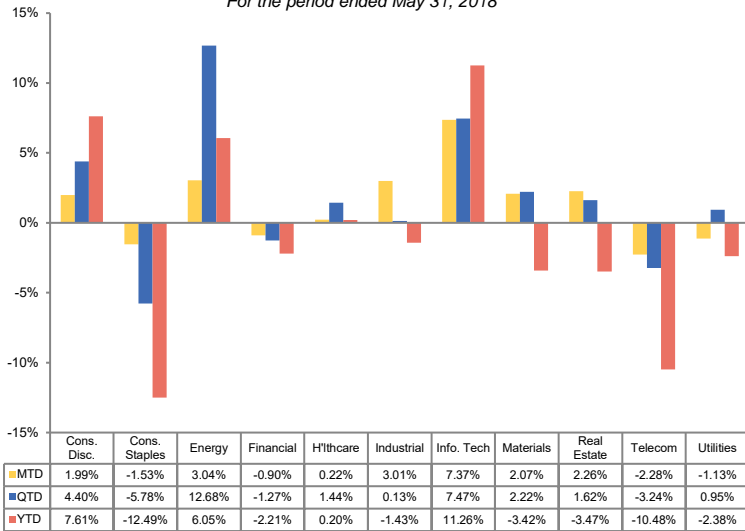
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.41%	2.80%	2.02%	14.37%
Russell 3000	2.82%	3.21%	2.55%	15.05%
Russell 2000	6.07%	6.99%	6.91%	20.76%
Russell 1000	2.55%	2.90%	2.19%	14.59%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-2.31%	-0.75%	-1.92%	9.67%
MSCI EAFE	-2.25%	-0.02%	-1.55%	7.97%
MSCI Emerging Markets	-3.54%	-3.97%	-2.61%	14.03%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.71%	-0.04%	-1.50%	-0.37%
Bloomberg Barclays Global Agg	-0.76%	-2.35%	-1.02%	1.72%
Bloomberg Barclays U.S. HY	-0.03%	0.62%	-0.24%	2.35%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	3.95%	5.44%	-3.21%	1.34%
Bloomberg Commodity	1.25%	3.71%	2.89%	9.52%

Economic Indicators

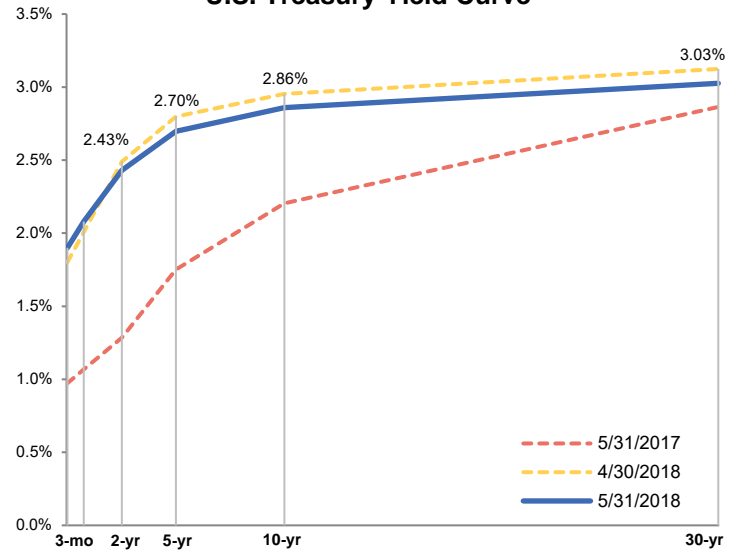
Domestic	Current	Previous
Unemployment Rate (%)	3.8%	3.9%
Initial Jobless Claims (4 week avg)	222.3 K	219.8 K
CB Leading Economic Indicators	0.4	0.4
Capacity Utilization	78.0%	77.6%
GDP (annual growth rate)	2.2%	2.9%
University of Michigan Consumer Confidence	98.0	98.8
New Home Starts	662 K	672 K
Existing Home Sales	5.5 MM	5.6 MM
Retail Sales (YoY)	4.8%	5.1%
U.S. Durable Goods (MoM)	-1.7%	2.7%
Consumer Price Index (YoY)	2.5%	2.4%
Producer Price Index (MoM)	-0.1%	0.2%
Developed International*	3/31/2018	12/31/2017
Market GDP (annual rate)	1.8%	2.2%
Market Unemployment	4.9%	5.0%

Stock Market Sector Performance (S&P 500)

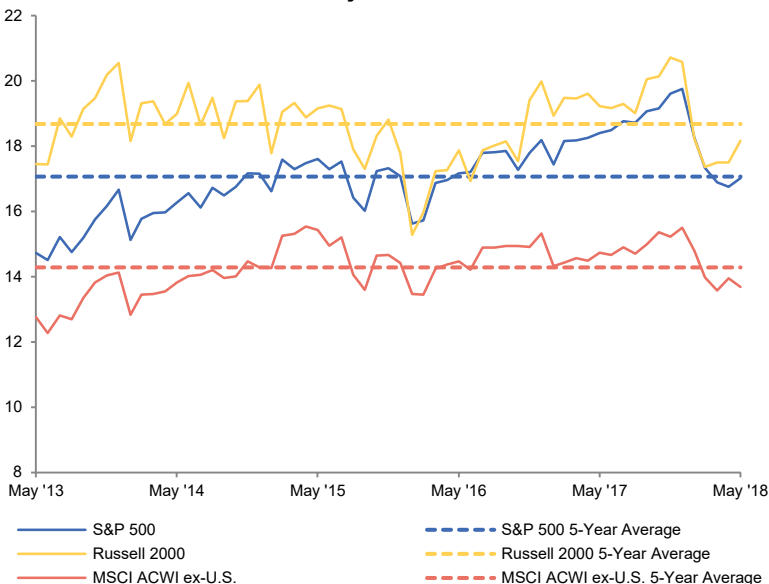
For the period ended May 31, 2018



U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of May 31, 2018 unless otherwise noted.

*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of March 31, 2018 due to release dates of numerous countries.

**P/E ratios are calculated based on 1-year-forward estimates and adjusted to include only positive earning results for consistency.

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