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Market Update

June 2017 Review

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“Markets Continue to Show Resilience”

US equity markets finished the first half of the year on a strong note, making investors question whether there is enough fuel to push the rally through the second half of the year. Strong market performance was initially driven by expectations of the new administration’s fiscal policies, but as the prospects for these changes are becoming less certain, market gains have been based more on strong economic fundamentals. International stocks have also been lifted by diminishing geopolitical risks in Europe over the last few months. However skepticism about whether the Trump administration can deliver on the pro-growth policies and escalating global terrorism risks can make investors anxious.

As June ended and summer set in, most equity markets continued to deliver strong performance with record low volatility, however some of the biggest technology stocks that have been taking the lead throughout the year, took a dive at the end of the month. Strong economic fundamentals gave the Fed enough confidence in June to raise interest rates for the third time over the last year. Inflation still remains below the 2% target but the labor market remains one of the strongest sectors in the economy with the unemployment rate dropping to 4.3% in May. Consumers are feeling better about their finances and a strong Conference Board confidence reading at the end of June pushed the 6-month average to the highest level since 2001. Higher confidence is also carrying over to higher consumer spending over the last few months which was reflected in the upward revision of the first quarter GDP growth from 0.7% to 1.4%. In addition, investors continue holding out hope that the new administration’s promises about tax reform, infrastructure spending and regulatory relief will eventually happen and lead to higher growth rates in the future.

Most equity markets were up for the month with the DJIA gaining 1.7% and the S&P 500 up 0.6%. Both indices have had healthy gains of almost 10% during the first half of the year. The tech heavy NASDAQ lost -0.9% as some of the biggest technology stocks lost ground at the end of the month. Technology has been one of the best performing sectors in 2017 having led the NASDAQ in the double digits year to date at 14.1% so investors are questioning the sector’s ability to continue the trend for the rest of the year.

	June 2017	YTD
DJIA	1.74%	9.35%
S&P 500	0.62%	9.34%
NASDAQ	-0.94%	14.07%
MSCI EAFE	-0.18%	13.81%
MSCI Emerging Markets	1.01%	18.43%
Barclays Aggregate	-0.10%	2.27%
Barclays Corp High Yield	0.14%	4.93%
	6/30/2017	5/31/2017
US 10-Year Treasury Yield	2.31%	2.2%

Internationally, the Eurozone has emerged as the bright spot in the global economy this year. Emmanuel Macron’s victory in the French Presidential elections and the setback of the populist 5 Star Movement in Italy have created a more optimistic sentiment in the Eurozone in recent months. Economic growth has accelerated and the unemployment rate is expected to continue to trend lower. The European Central Bank met at the end of the month and had a very

upbeat assessment of the recovery in the Eurozone. However the recent terrorist attacks in London have made some investors anxious. Overall, the MSCI EAFE Index was flat for the month of June but has gained 13.8% year to date. Emerging Markets continue to deliver the highest return year to date at 18.4% as measured by the MSCI EM Index. Most fixed income sectors were flat in June as a result of another interest rate hike. However both the Barclays U.S. High Yield and the Barclays Aggregate have been in positive territory year to date.

In the last few market updates, we have been talking about how resilient this bull market has been. As of the end of June, we have gone over 250 consecutive days without a correction of 5% or more, compared to 78 days for previous bull markets. Even as the Fed continues to tighten its monetary policy which has historically represented a headwind for the markets, investors continue to hold on. While the extremely low volatility may be putting some to sleep, there is a lot of key economic data to watch for in July. With the start of a new earnings season, a congressional recess, details on tax reform and all three major central banks getting ready to meet within a one week period in July, the chances for higher summertime volatility may increase.

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For previous market commentaries please click [here](#).

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

The S&P Case Shiller Index is a group of indexes that tracks home prices in the U.S. It seeks to measure the value of residential real estate in 20 major U.S. cities.

Michigan Consumer Sentiment Index is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

Conference Board's Consumer Confidence Index an index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.