

Monthly Monitor

MARKET SNAPSHOT

Stocks around the world had a good overall month in May. The S&P 500 and Nasdaq 100 hit new all-time highs in the US and international stocks continued to produce solid gains in emerging and developed markets. The US market's internals remained bullish for the most part, but strength faded a bit in some areas. The Russell 2000 small-cap index (IWM) fell a disappointing -1.97% in May and the % of stocks in an uptrend fell for the third consecutive month across the broad market. Interestingly, growth substantially outperformed value for the month. The S&P 500 Growth index (IVW) climbed +2.82% and the S&P 500 Value (IVE) declined -0.34%.

MARKET VITALS

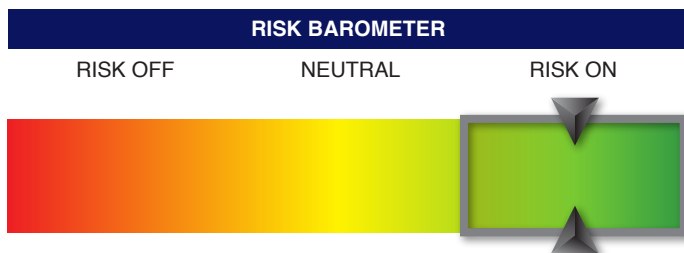
- % of US stocks in an uptrend fell from 62% to 60%. That's still in bullish territory, but the trend has weakened for three-consecutive months.
- Breadth readings were bullish for large-cap stocks. The small cap arena faded.
- US volatility remained low.

US EQUITIES

- US stocks experienced a sharp one-day selloff in the middle of the month, but they recovered quickly in subsequent sessions.
- Earnings season was solid. Over 60% of the S&P 500 beat both earnings and revenue estimates. Earnings grew in excess of 13% year over year.
- 7 of 10 SPDR sector ETFs were positive for the month.
- Utilities and Technology led with +4.1% and 3.9% returns, respectively (odd leadership mix).
- Telecom and Energy fell -3.9% and -3.5%, respectively.

INTERNATIONAL EQUITIES

- Int'l markets continued to outperform the US.
- The corruption scandal in Brazil did not spread to other markets.
- 80% of stocks in Europe and Japan traded above their 250-day moving averages.
- 83% of the country ETFs in our universe are in uptrends (unchanged from April).
- iShares MSCI Emerging (EEM) +2.9% in May, iShares MSCI Developed (EFA) +3.5%
- Portugal (PGAL) and South Korea (FKO) country ETFs topped the leaderboard.



Risk Barometer – An illustrated snapshot of current market conditions, risk levels, based on Niemann's proprietary risk-management analytics.

Risk Off – Elevated risk in the current equity market environment, taking on risk not advisable.

Risk On – Lower risk in the current equity market environment, constructive for taking on more risk advisable.

S&P 500 SECTORS			
SPDR SECTORS	RISK OFF	NEUTRAL	RISK ON
MATERIALS		■	
CONSUMER DISC		■	
CONSUMER STAPLES			■
FINANCIALS		■	
HEALTHCARE		■	
INDUSTRIALS		■	
ENERGY	■		
TECHNOLOGY			■
TELECOM	■		
UTILITIES			■

INT'L MARKETS			
MARKETS	RISK OFF	NEUTRAL	RISK ON
DEVELOPED		■	
EMERGING		■	
FRONTIER			■

Past performance does not guarantee future results.

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CONCLUSION

Markets around the world climbed higher during May, especially in international markets. In the US, large-cap growth, tech and utilities led, but the overall breadth of the domestic market continued to narrow. That could be why at the sector level utilities led with tech. Despite the fact that the S&P continues to print new highs, it's a narrower market than many realize. In fact, approximately 30% of the S&P 500's year-to-date returns can be attributed to just four stocks, according to BlackRock analysis. The "Trump Trade" areas of the market that spiked after the election have faded in 2017. Financials, value stocks, and small caps have underperformed in short-term time frames.

The longer-term picture for the overall market still looks solid. US stocks have remained resilient during bad news periods, and the S&P 500 is on track to generate double digit returns for the year. The S&P was up 7.9% at the close of the 100th trading day of 2017 (May 25). That's the fourth best start to a year in the past 20 years. Since 1950, there have been 23 years where the S&P 500 rose at least 7.5% during the first 100 trading days. In all of those occurrences, the S&P finished higher on the year, with an average return of 23.4% for the year. Moreover, there are good reasons to expect positive performance for the remaining 7 months of 2017. US economic news is solid, corporate earnings experienced their strongest growth in years, and the first year of a president's first term tends to be bullish.

Tax reform is the biggest issue for stocks at the moment. Geopolitical risks are always a wildcard and the Fed has the power to choke a bull market too fast. But for now, the Fed is behaving in a predictable way. The market is expecting an increase in the Fed Funds rate this month.

Overall, the US market is in good shape, but we would like to see breadth improve. There may be some bumps along the way in the short term, but that is typically expected in bull market environments. Looking beyond US borders, int'l markets appear to be in great shape. International markets could be on the verge of taking over leadership from the US in longer time frames. If that occurs, our global strategies will methodically increase exposure to foreign markets.

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