MARKET NOTES

Week of June 5, 2017

Stocks Inch Higher on Mixed Economic Data

Last week saw a mixed picture of the state of U.S. employment. One commonly used measure of private-sector hiring rose significantly in May—coming in well ahead of expectations. However, Labor Department data showed fewer-than-expected new jobs were created during the month.

U.S. equities gained ground, with major indices closing out the week at record highs. Consumer discretionary stocks—especially retailers—outperformed. Meanwhile, interest-rate-sensitive sectors such as banks and real estate investment trusts (REITs) struggled.

Internationally, select emerging markets (such as India, Hong Kong and Brazil) posted strong returns for the week, while commodity-based markets (including Russia, Australia and South Africa) underperformed due in part to supply outstripping demand.

In fixed income markets, bond yields fluctuated on a variety of economic news—including falling inflation and mixed signals for job growth. Emerging markets bonds were the best performers, followed by long-term U.S. Treasuries and inflation-protected bonds.

GAIN: Active Asset Allocation

Stocks once again drifted higher last week, while volatility remained low. There appears to be somewhat of a default buying bias at work in the market, as steadily rising prices prompt investors to continue to buy equities. This trend is often seen during bull markets.

While remaining broadly diversified, the Gain portfolios increased their exposure last week to developed markets. In particular, Europe is attractive due to low valuations relative to U.S. stocks and as investors start to put money to work in the region.

Bonds were relatively flat last week. Our focus on corporate credits contributed to performance, supported by rising equity prices.

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PROTECT: Risk Assist

The holiday-shortened week was very quiet as volatility hovered near its recent lows and global asset markets were relatively flat leading up to the Labor Department's jobs report.

Similar to what occurred in the Gain portfolios, the Risk Assist portfolios reduced exposure to U.S. large-cap value stocks and increased exposure to developed international equity markets. The portfolios are now neutral with respect to Japan, overweight Europe and underweight U.S. The global focus of the Risk Assist portfolios has contributed to performance so far this year, and we continue to focus on foreign stocks in the near term.

SPEND: Real Spend

Equity and fixed-income markets were positive in May, which contributed to the Real Spend portfolios' performance and helped them pursue their goal of providing income longevity in retirement.