



THE WEEK IN REVIEW

FOMC minutes were released this week and Fed watchers continue to search for any clues of a potential interest rate increase. Federal Reserve Chair Janet Yellen and the committee once again towed the line of ambiguity. The information the FOMC has collected is generally positive, although the Fed remains "cautious" and "data dependent." Further, the "transitory" forces that have impacted recent economic data are likely to fade. Lastly, the Fed suggested that "some indicators suggested that valuations remained stretched for some asset classes" and "an estimate of the expected real return on equities moved down, reflecting an increase in stock prices and downward revisions to corporate earnings, and corporate bond spreads declined somewhat." A rate hike seems to be the least likely scenario at the June meeting.

The Consumer Price Index was released this week and indicated an increase in "core" prices that was the largest since January 2013. Core prices rose 0.3% versus expectations of 0.2%. On a year-over-year basis, core prices are now up 1.8%, close to the Fed's target.

U.S. housing construction surged 20.2% in April to a seasonally adjusted annual rate of 1.135 million. That was the highest level since November 2007 and the largest monthly percentage increase since February 1991. Applications for building permits, a leading indicator of future construction, were also strong in April with an increase of 10.1%. Not all housing data was positive in April as sales of existing homes declined 3.3% in the month. The National Association of Realtors' chief economist Lawrence Yun said rising prices impacted sales. The median sales price of previously owned homes rose to \$219,400 in April, an 8.9% increase from a year earlier.

In the face of ambiguous data, domestic stocks were little changed this week, while international stocks pulled back from their strong start to the year. First quarter earnings season is coming to an end with results reported from 475 companies in the S&P 500 through Wednesday. According to Zacks Investment Research, reported earnings from the 475 S&P 500 members combined with earnings estimates for the remaining 25 members grew 2.2% from the same period last year while revenue declined 3.2%. The finance sector was one of the best sectors with earnings up 16.5% and revenue up 2.0%. Energy was the worst sector with earnings down 54.2% and revenue down 34.7%. Excluding the energy sector, earnings for the S&P 500 grew 4.5% and revenue increased 2.0%.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,232.02	-0.22%	2.29%	10.20%
NASDAQ	5,089.36	0.81%	7.46%	22.51%
S&P 500 LargeCap	2,126.06	0.16%	3.26%	12.35%
S&P 400 MidCap	1,541.56	0.67%	6.14%	13.31%
S&P 600 SmallCap	718.16	0.43%	3.32%	11.61%
MSCI EAFE	1,948.41	-0.55%	9.78%	0.71%
MSCI Emerging Markets	1,032.70	-1.03%	7.99%	-0.82%

Barclays Aggregate US	-0.26%	0.60%	3.03%
Bloomberg Non-US Govt Bond	0.20%	1.30%	5.12%
Bloomberg US Treasury Index	-0.26%	0.28%	3.31%
Bloomberg High Yield Index	0.04%	4.72%	1.90%

FTSE/NAREIT All REIT Index	-1.06%	-1.27%	8.22%
Bloomberg Commodity Index	-2.70%	-1.75%	-24.41%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.02%	0.03%
2-Year Treasury	0.61%	0.56%	0.34%
5-Year Treasury	1.56%	1.39%	1.54%
10-Year Treasury	2.21%	1.98%	2.55%
30-Year Treasury	2.98%	2.66%	3.43%
Municipal Bond Yields (10 Yr)	2.32%	2.03%	2.26%

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

UPCOMING WEEK

The markets will be closed Monday for Memorial Day. New home sales for the month of April will be reported on Tuesday. Economists are expecting new home sales to rebound 5.4% following the 11.4% fall in March. The second reading of first quarter GDP will be reported on Friday. First quarter GDP is expected to be revised down to -0.9% from the initial reading of 0.2%. Durable goods orders, S&P/Case-Shiller Housing Price Index, and Consumer Confidence will also be reported next week.

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