



## THE WEEK IN REVIEW

After another volatile week where investors weighed anxiety over Janet Yellen's press conference on Wednesday and further shifts in Brexit sentiment among U.K. voters, the S&P 500 finished down 1.2%. Those fears were further reflected in U.S. 10-year treasury yields, which reached intra-year lows Thursday morning and briefly dipped below 1.52%, the lowest levels seen in nearly four years. Gold, a safe haven during unpredictable times, rose to nearly \$1,320 an ounce Thursday morning. Stocks rebounded globally on Friday as Brexit fears calmed, with Asian and European markets in particular showing stabilization after erratic weeks. Oil prices dropped slightly this week despite a strong rebound on Friday, helped by subsiding Brexit fears and a weaker dollar.

The Fed left interest rates unchanged at the conclusion of its June meeting this week. In a unanimous decision, the FOMC gauged economic conditions as not yet robust enough for additional increases in the federal funds rate. While it acknowledged economic activity appears to have picked up and the household sector has continued to improve, the pace of improvement in the labor market has slowed and inflation continues to run below the committee's 2% objective. Included with the statement were updated economic projections, which showed downward revisions in the expected path of policy rates, suggesting a more dovish outlook. With the changes, it appears only one interest rate hike is expected in 2016.

The Consumer Price Index (CPI) was released this week. Although the FOMC measures inflation using the personal consumption expenditures (PCE) index, the CPI is closely watched for additional clues on pricing pressures within the U.S. The two measures follow broadly similar trends but are not identical. Generally speaking, the CPI has a tendency to report higher inflation, which has historically run about 0.50% higher than PCE. Much of the difference can be attributed to the weighting each index assigns to its subcomponents. This month, CPI increased 0.2%, pushing the year-over-year change to 1.0% compared to 1.1% in April. Core CPI, which excludes food and energy, increased 0.2% in May. On a year-over-year basis, core prices increased 2.2%. While energy only accounts for 7% of the index, significant price declines on a year-over-year basis continue to weigh on headline inflation readings. Garnering fewer headlines is the fact that nearly 60% of the index is running at more than 3% year over year, which well exceeds the Fed's 2% inflation target.

Brexit fears have spooked investors due to the uncertainty surrounding the scenario. Both those in favor of remaining in the union and those in favor of Britain's exit from the union have had months to make their cases, and the decision will come on Thursday. Lately, oddsmakers have closed the gap, with the "leave" camp gaining steam. The "remain" camp is still favored, and looks likely to hold its position until the vote takes place on Thursday of next week.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,675.16	-1.06%	1.44%	-1.89%
NASDAQ	4,800.34	-1.92%	-4.14%	-6.19%
S&P 500 LargeCap	2,071.22	-1.19%	1.33%	-1.84%
S&P 400 MidCap	1,479.95	-1.28%	5.82%	-3.95%
S&P 600 SmallCap	701.48	-1.56%	4.43%	-4.74%
MSCI EAFE	1,568.83	-4.39%	-8.59%	-15.67%
MSCI Emerging Markets	799.78	-2.92%	0.71%	-17.50%

  

Barclays Aggregate US	0.27%	4.77%	5.37%
Bloomberg Non-US Govt Bond	-0.25%	7.06%	5.69%
Bloomberg US Treasury Index	0.48%	4.81%	5.87%
Bloomberg High Yield Index	-0.97%	8.44%	1.12%

FTSE/NAREIT All REIT Index	0.57%	7.00%	8.67%
Bloomberg Commodity Index	-0.25%	12.94%	-11.74%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.27%	0.28%	0.01%
2-Year Treasury	0.70%	0.82%	0.67%
5-Year Treasury	1.13%	1.29%	1.63%
10-Year Treasury	1.62%	1.76%	2.32%
30-Year Treasury	2.43%	2.59%	3.09%
Municipal Bond Yields (10 Yr)	1.43%	1.53%	2.35%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified. Returns include reinvestment of dividends, if any and there is no guarantee they will continue.

## UPCOMING WEEK

All eyes will be on the European Union as we head into next week's Brexit vote which will take place on Thursday. This will be the headline event and is being watched closely by the global investment community.

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