SELECTOR® Money Management
2017 Second Quarter Review

The Second Quarter of 2017 Was Productive For Domestic Equities

The S&P 500 Large Cap Index tacked on additional gains of +2.86% in the quarter and was holding YTD returns of +9.34% at the mid-year break. April and May were the most productive months with prices settling back mildly in June. Mid cap equities had a tougher time in the second quarter. While the S&P Mid Cap 400 Index did gain +2.03% for the quarter, a trading range controlled prices until mid-June. For the year the S&P Mid Cap 400 is up +5.99%. Small cap equities also continued to gain ground, with a better showing in the second quarter than in the first quarter. Gains at mid-year for the S&P Small Cap 600 Index stood at +2.79%, after a +1.92% gain in the second quarter.

There Was Significant Sector Differentiation In The Quarter.

Healthcare securities had the strongest second quarter performance, as evidenced by the +6.93% gain by the Dow Jones U.S. Health Care Index. The Dow Jones U.S. Technology Index added another +3.70%, while the Dow Jones U.S. Financials Index gained +3.38%. Energy, gold, and natural resources securities had a very difficult quarter. The Dow Jones U.S. Oil & Gas Index fell another -7.25% and the Dow Jones U.S. Select Oil Equiment & Services Index dropped -18.94%. YTD, the Dow Jones U.S. Health Care Index was up +16.32% and the Dow Jones U.S. Technology Index up +17.09%. Conversely, at mid-year the Dow Jones U.S. Oil & Gas Index had fallen -13.44% and the Dow Jones U.S. Select Oil Equipment & Services Index was down -25.33%.

The Biggest And Best Surprise Of 2017 Continues To Be International Equities

Like their American cousins, large cap European equities made very nice moves higher in April and May, and settled back in June. The S&P Europe 350 made a +7.06% advance in the second quarter. Emerging markets equities also continued their advances in the second quarter, but in a more muted fashion. The MSCI Emerging Markets Index gained +5.06% in the second quarter. Combined with the excellent first quarter production from international equity markets they now have a substantial lead over domestic equities. There was one significant divergence, however in the emerging markets, and that is the Latin sector. They were very strong in the first quarter, but declined rather significantly in the second quarter. The MSCI Emerging Markets Latin America Index fell -3.49% in the quarter, but remains up +10.12% YTD. The S&P Europe 350 was up +15.18% at the mid-year break, while the MSCI Emerging Markets Index was up +18.43%.

Bond Markets Continued Their Steady Advances In The Second Quarter

The Bloomberg Barclays Global Aggregate Bond Index continued to rally as the U.S. Dollar declined, gained +2.60% in the second quarter, and is now up +4.41% YTD. The U.S. Corporate High Yield Bond Index gained +2.17% in the second quarter to stand +4.93% at mid-year. The Bloomberg Barclays U.S. Aggregate Bond Index was up +1.45%, giving it a gain of +2.27% YTD. And finally, the Bloomberg Barclays Municipal Bond Index gained +1.96% in the quarter to finish +3.57% at mid-year. Every domestic and international bond index that we monitor is in positive territory for the year-to-date. These gains are in spite of staged tightening by the Federal Reserve Board and their announcement that they will be reducing their enormous balance sheet, acquired by years of quantitative easing.

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