



Market Summary – May 22, 2017

For the week ending May 19

This summary is provided by BMT Wealth Management.

Wall Street Waits for Action

To the financial markets, the Trump administration's focus should presumably be on advancing tax reform, a reduced regulatory burden, infrastructure spending, and other measures designed to stimulate the economy. While the administration has arguably made little headway on most of these issues to date, the markets have largely shrugged off the lack of action.

That ended this past Wednesday (May 17), when stocks tumbled due to reports that President Trump had asked then-FBI Director James Comey to back off on the investigation of former National Security Advisor Michael Flynn.

It should be noted that Mr. Comey did not publicly acknowledge any such conversation. Instead, the news came via individuals that reportedly had seen a memo from Mr. Comey documenting the exchange. This potentially sidetracking news sent the Dow plummeting 372 points on Wednesday, its biggest decline in over eight months.

What the market hates is uncertainty, and that is exactly what it received last week. Thankfully, the Dow moved higher on Thursday and Friday (May 18 and 19) and finished out the week with a decline of just -0.32%.

Washington Weighs on Wall Street, If Only for a Day

The rough patch last Wednesday prompted a sell-off that sent the S&P 500 lower by -1.79%. Like the Dow, however, the impact on the S&P 500 for the five-day period was rather minor, as it ended the week with a loss of only -0.32%.

For the year, the S&P is now higher by 7.24%.

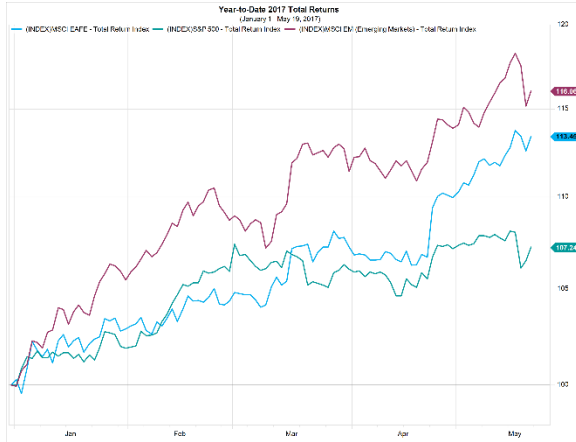
International markets did better last week, due primarily to the U.S. dollar selling off in the face of the turmoil in Washington. Foreign investments, which effectively entail foreign currencies, benefit when the U.S. dollar declines relative to the foreign currency.

For the week, the MSCI EAFE Index of developed international stocks advanced by 0.98%, to bring its year-to-date return to 13.45%.

Emerging markets equities, which have been performing exceptionally well in 2017, ended last week lower by -0.63%. For the year, the MSCI Emerging Markets Index is higher by 16.06%.

The chart below details 2017 performance by geography. Domestic equities, as measured by the S&P 500 (green line), continue to lag the developed international markets (MSCI EAFE Index; blue line) and emerging markets (MSCI EM Index; purple line).

**2017 Total Returns:
1/1/2017 – 5/19/2017
(Base of 100)**



Source: FactSet, Inc.

One clear beneficiary of last week's volatility was the bond market, where investors sought the safety of U.S. Treasuries. The yield on the 10-year U.S. Treasury bond started the week at 2.33% and dropped 9 basis points to finish on Friday at 2.24%.

Political Headlines To Be Ongoing

At a news conference last Thursday, President Trump was asked whether he told Mr. Comey to slow or stop the FBI investigation of former National Security Advisor Michael Flynn. He responded in the negative.

Then, after the markets closed on Friday, it was announced that former FBI Director Comey had agreed to testify in an open hearing before the Senate Intelligence Committee, presumably to provide his version of recent events. Clearly, there will be more to come on this topic.

Our View

Despite the political headlines, we continue to favor broadly diversified equity investments with exposure to international developed and developing markets.

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