

May, moderation and manufacturing

Five months into the year, the U.S. economic outlook remains moderate. A Federal Reserve (Fed) survey showed a subtle uptick for the economy in April and May, based on “strong” gains in manufacturing and lower unemployment. While growth appears to have improved in recent months (following a weak showing from consumers in the first quarter), the labor market has grown tighter and could prevent growth from strengthening much in the second half of the year, explains Raymond James Chief Economist Scott Brown.

The economic and fundamental backdrop (i.e., strong earnings season) remains positive for investors, despite concerns regarding trade and interest rates, according to Joey Madere, senior equity portfolio analyst, Equity Portfolio & Technical Strategy. In addition, Congress repealed some of the Dodd-Frank regulations, and that should allow lending flexibility among community and regional banks, noted Ed Mills, Washington policy analyst. Uncertainty around trade issues and the ensuing headlines could still hinder the markets, explains Mills, but he believes a deal can still be made.

Fed officials will continue to closely monitor global developments, but the central bankers are expected to raise short-term interest rates at the June policy meeting. It is unclear if or how often the Fed will tighten again in the second half of the year but the decision will be data dependent, according to Brown. Inflation is moving higher, and the Fed appears comfortable with slightly “overshooting” its 2% target, added Nick Lacy, chief portfolio strategist, Raymond James Asset Management Services.

The major indices – S&P 500, Dow Jones Industrial Average and the NASDAQ – ended May in positive territory, although the Dow slipped into the red year to date. Bonds and international stocks (as represented by the Barclays Aggregate Bond index and the MSCI EAFE, respectively) slipped, as well.

	12/29/17 Close	5/31/18 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	24,719.22	24,415.84	-303.38	-1.23%
NASDAQ	6,903.39	7,442.12	+538.73	+7.80%
S&P 500	2,673.61	2,705.31	+31.70	+1.19%
MSCI EAFE	2,050.79	1,981.98	-68.81	-3.36%
Russell 2000	1,535.51	1,633.69	+98.18	+6.39%
Bloomberg Barclays Aggregate Bond	2,046.37	2,014.00	-32.37	-1.58%

Should anything change, I’ll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in me.

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