



May 2018 Monthly Market Update

April provided a reprieve for U.S. stocks after back-to-back monthly losses in February and March. Larger-cap U.S. stocks gained a modest 0.4% (Vanguard 500 Index), while smaller-cap U.S. stocks earned 1%—tipping them back into the black (up 0.8%) year to date (iShares Russell 2000 ETF). There was a fair bit of return dispersion among the different sectors. Energy was the top performer, up more than 9%, buoyed by oil prices nearing \$75 per barrel. Meanwhile, consumer staples fell more than 4% for the month. A number of factors contributed to the drop, including higher input costs that have proven difficult to pass on to consumers and e-commerce competition from companies like Amazon.com.

Developed international markets outpaced U.S. stocks in April, gaining 1.3% (Vanguard FTSE Developed Markets ETF), and

European stocks returned 2.1% (Vanguard FTSE Europe ETF). Broadly speaking, the U.S. dollar strengthened against most currencies during April, resulting in stronger returns for dollar-hedged investors in foreign markets. Emerging-market stocks (Vanguard FTSE Emerging Markets ETF) did not fare as well in April, notching a 2.8% loss on the back of continued trade tensions and concerns about the U.S. dollar's recent resurgence (which is a risk for emerging-market countries with dollar-denominated debt because it increases those servicing costs).

Rising interest rates in April led to another round of losses for core bonds (remember – yields go up, prices go down). For the first time in over four years, the U.S. 10-year Treasury yield closed above 3% (before falling back below that level in recent days). The Treasury curve continues to flatten—the yield spread between two-year and 10-year Treasuries is now less than 50 basis points. U.S. core bonds fell 0.8% in April, which brings their year-to-date loss to 2.3% (Vanguard Total Bond Market Index). U.S. high-yield bonds and floating-rate loans saw positive returns in April of 0.7% and 0.4%, respectively (ICE BofA Merrill Lynch U.S. High-Yield Cash Pay Index and S&P/LSTA Leveraged Loan Index).

The relative returns of our active portfolios were favorable in April. Performance was helped by stronger foreign markets, particularly European stocks. Active U.S. large-cap managers also added value during the month in aggregate. On the fixed-income side, our active bond managers bested the core bond index, adding to performance.

April Benchmark Returns			
	MTD	QTD	YTD
EQUITY BENCHMARKS			
Vanguard 500 Index	0.4%	0.4%	-0.4%
iShares Russell 1000 ETF	0.3%	0.3%	-0.5%
iShares Russell 1000 Value ETF	0.3%	0.3%	-2.7%
iShares Russell 1000 Growth ETF	0.3%	0.3%	1.6%
iShares Russell 2000 ETF	1.0%	1.0%	0.8%
Vanguard REIT	0.8%	0.8%	-7.4%
FIXED-INCOME BENCHMARKS			
Vanguard Total Bond Market Index	-0.8%	-0.8%	-2.3%
Vanguard Intermediate-Term Tax-Exempt	-0.3%	-0.3%	-1.4%
iShares TIPS Bond ETF	-0.1%	-0.1%	-1.0%
ICE BofA Merrill Lynch U.S. High Yield Cash Pay Index	0.7%	0.7%	-0.3%
S&P/LSTA Leveraged Loan Index	0.4%	0.4%	1.9%
ALTERNATIVE BENCHMARKS			
HFRX Global Hedge Fund Index	0.1%	0.1%	-0.9%
Bloomberg Commodity Index	2.6%	2.6%	2.2%
SG Trend Index	0.5%	0.5%	-3.4%
3-Month LIBOR	0.2%	0.2%	0.5%