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Weekly Market Commentary

6/5/2017

Areas of Focus:

1) The May Jobs Report
2) Summertime Volatility?

Last Friday we received the jobs report for May, and as expected, the U.S. economy posted job growth for the 80th consecutive month, but job growth slowed in an overall disappointing report. The economy added 138,000 new jobs in May, well below consensus expectations of 185,000, with additional downward revisions for March and April. Both the unemployment rate and underemployment rate fell, with the unemployment rate declining from 4.4% to 4.3%, but for the wrong reason as the labor force participation rate ticked down 0.2%. Average hourly earnings growth was in line with expectations at 0.2% month over month. The report may give the Federal Reserve pause on a June rate hike, but given the overall backdrop of economic data, we still believe that a hike remains more likely than not.

Also, with June upon us, you may start to hear how this has historically been one of the worst calendar months for the S&P 500 Index. Heading into the month the lack of volatility persisted, as the S&P 500 hasn't closed up or down more than 0.15% for three consecutive days. As we have noted before, after 100 trading days the S&P 500 has closed up or down more than 1% only four times, the least since 1972. But it's important to remember this increases the odds of higher volatility later this year, and also note that some of the best bull markets ever have taken place amid the least volatility. Some summertime volatility could be perfectly normal, and with three central bank interest rate decisions due near the middle of this month, the odds of more volatility is no doubt higher, but we continue to recommend a diversified approach that focuses on clients' long-term goals.

If you have any questions regarding this article, please feel free to contact Kevin Fusco at (410) 296-5400 x210, or visit www.fuscofinancial.com.