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The Indexes

S&P 500	8.9%
Dow Industrials	7.3%
Russell 2000	3.6%
Euro 600	8.6%
NIKKEI 225	5.5%
Gold	11.4%
10 Year Treasury	2.16%
Dollar Index	-5.4%

Style Returns

Large Cap Value	2.3%
Large Cap Blend	9.4%
Large Cap Growth	16.3%
Mid Cap Value	3.9%
Mid Cap Blend	7.7%
Mid Cap Growth	12.4%
Small Cap Value	-1.4%
Small Cap Blend	3.6%
Small Cap Growth	9.1%

*Results are year-to-date as of May 31,2017

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Things to Watch

The stock market had a historic month in May as it had the most up days in two decades causing many indexes to hit all-time highs. Despite so many positive days, key U.S. indexes improved on average by only 1% for the month. Meanwhile, the 10 year U.S. Treasury fell 0.20% to 2.16% while gold rose by $50/ounce to $1,279/ounce.

What is one to make of these mixed signals?

Simply put, the majority of market gains are being captured by only a few stocks making this a stock picker's market at present.

Lower bond rates suggest that the market anticipates future sluggishness in economic growth. This is most likely due to the GOPs' inability to advance their business-friendly agenda. Even infrastructure investment (roads, airports, electric grid) is garnering insufficient GOP support to win passage.

Growth stocks have paced the market while value-oriented stocks have lagged. This is primarily due to low and negative returns in the financial, energy, communications and REIT market sectors. Analysts believe that many growth stocks are overvalued at present with small and mid-cap stocks at the greatest risk to declines in value.

Whatever industry a company serves, it is clear that the U.S. economy is in the early stages of a faster shift toward the use of technology. Over time, this will cause increased stress on labor markets. This is best represented by the Labor Participation Rate which measures the percentage of employment aged people working. In May, only 62.7% of all working age Americans were employed, only 0.3% from the lowest levels on record. Expect poor fundamental employment trends to continue as technological advances reduce the number of people needed by business.

Sector Returns

Technology	21.3%
Consumer Discretionary	13.1%
Health Care	12.1%
Utilities	11.0%
Consumer Staples	10.5%
Basic Materials	8.0%
Industrials	8.3%
Real Estate	4.4%
Financials	0.5%
Communications	-9.6%
Energy	-14.0%

Technology continues to be the bell weather in the markets as industry uses more technology to improve margins and remain competitive. Health care has reversed 2016 losses as the market is concluding that Washington DC mandated changes will have a minimal impact on earnings. Where Energy showed solid results last year, a glut of supply has capped oil prices in the near-term. Financials have given back much of the gains experienced following Trump's election as it is becoming clearer that much of the GOP agenda may not be enacted as fully as once envisioned when they won control of all three branches of government.

Takeaways

- Expect most sectors to trade sideways to down over the summer as the markets look for direction.
- Despite a generally sound business environment, many stocks are overvalued. Invest in companies with strong market positions, solid cashflows, manageable debt levels and management teams nimble at staying ahead of consumer demands.

On June 9th, parts of the Department of Labor's Fiduciary Rule took effect. The rule requires that financial advisors act in the best interests of clients as it relates to retirement accounts only. It is estimated that this will cost the financial industry $17 billion. More importantly, investors will earn at least $17 billion more in returns because of the rule.

The biggest impact of the rule is that all financial advisors managing retirement accounts must act as fiduciaries and put a clients' interest ahead of their own interest. At present, less than 10% of all financial advisors are fiduciaries. ***Here at Winslow Drake, we have always acted as a fiduciary and always will on all accounts.***

At present, many advisors give priority to mutual funds and other products that pay them or their firm monies that are never disclosed to their clients. As a result, many advisors use funds that paid them the most even though those funds are more expensive and perform more poorly than other comparable and less expensive investment choices. Until now, acting in the clients best interest was not requirement.

Many insurance and brokerage firms have been repackaging their offerings to stay in compliance while trying to minimize the financial impact of the change.

The Trump Administration is reviewing the Fiduciary Rule and is expected to water down or scrap many consumer protections. Until that review is complete, compliance with the rule is on a 'honor' basis with no real penalties for non-compliance. Considering the past behavior of these firms and their advisors, expect that they will find ways to keep most of their compensation.

Warning: The Fiduciary Rule does not apply to non-retirement investment accounts meaning that financial advisors with broker licenses can sell a client things that are not in your best interest like variable rate annuities and other fee-heavy products.