



FINEMARK
NATIONAL BANK & TRUST®

Market Month: May 2014

The Markets

"Sell in May, go away" wasn't a winning strategy last month. Investors regained interest in Nasdaq stocks, giving the index its strongest gains since February. The Russell 2000, which along with the Nasdaq had been pummeled in April, also managed to eke out a positive performance in May. Meanwhile, by the end of the month, both the S&P 500 and the Dow had set new record closing highs, even shrugging off a disappointing Q1 GDP report. And renewed confidence in emerging markets helped power gains in the Global Dow; for the second straight month, it had the second-best year-to-date performance of the five indices in the table below.

Bonds continued to rally, sending the benchmark 10-year Treasury yield to its lowest level since last June. After bouncing around on either side of \$1,300 an ounce, gold resumed the downward path it's been on since mid-March; a nearly \$50-an-ounce loss in May's final week took it to roughly \$1,245. Meanwhile, oil prices rose solidly above \$103 a barrel and settled there for much of the month. We wish all of our clients a fun and safe summer, please contact your FineMark professional if you have any questions.

Market/Index	2013 Close	Prior Month	As of 5/30	Month Change	YTD Change
DJIA	16576.66	16580.84	16717.17	.82%	.85%
Nasdaq	4176.59	4114.56	4242.62	3.11%	1.58%
S&P 500	1848.36	1883.95	1923.57	2.10%	4.07%
Russell 2000	1163.64	1126.86	1134.50	.68%	-2.50%
Global Dow	2484.10	2523.14	2564.35	1.63%	3.23%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.04%	2.67%	2.48%	-19 bps	-56 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

The Month in Review

- The U.S. economy contracted at an annualized rate of 1% during Q1 2014; the Bureau of Economic Analysis said it was the weakest growth rate in three years. Consumer spending was up 3.1% during the quarter, but couldn't offset the impact of higher imports and declines in capital investments and spending by state and local governments.
- The unemployment rate saw its biggest drop since December 2010, falling from 6.7% to 6.3%; that's the lowest it's been since September 2008. Also, the Bureau of Labor Statistics said the number of new jobs created--288,000--was far greater than the last 12 months' 190,000 monthly average and represented the strongest job creation in more than two years. However, the report wasn't all good news; the drop in the unemployment rate also resulted partly from 806,000 people leaving the labor force.
- Warmer weather helped cut heating costs, which the Commerce Department said was a key reason for the first monthly decline in consumer spending in a year. The Commerce Department's May report also showed retail sales flattening out despite a 0.3% increase in consumer prices that put the consumer inflation rate for the last 12 months at 2%. The Bureau of Labor Statistics said wholesale prices also rose at a rapid pace; the 0.6% increase was the biggest monthly gain since September 2012.
- Manufacturing data was mixed. Durable goods orders saw their third straight monthly increase, with defense-related spending on transportation the most significant factor. However, business spending on capital equipment was down 1% for the month. And after two straight months of increases, the Federal Reserve's measure of industrial production fell 0.6%. However, the

- Institute for Supply Management's manufacturing survey showed expansion accelerating.
- As more homeowners put their houses on the market in April, the National Association of Realtors® said sales of existing homes saw their first monthly increase of the year, rising 1.3%. The Commerce Department's measure of new home sales also jumped 6.4%. However, both numbers were lower than a year earlier. Meanwhile, prices in the 20 cities tracked by the S&P/Case-Shiller 20-City Composite Index were up 0.9% and housing starts rose 13.2%, with a nearly 43% increase in apartment construction leading the way. Meanwhile, the average rate for a 30-year fixed-rate mortgage fell to 4.12%. Mortgage giant Freddie Mac said that's the lowest it's been since last October, though it's still higher than last May's 3.81% (an increase that has been cited as one reason for recent sluggishness in the housing market).
- A Pennsylvania federal grand jury charged five members of a Chinese military unit with stealing industrial secrets by hacking computers at six U.S. enterprises in the nuclear, solar, and metals industries. The indictment is said to be the first involving a governmental body rather than an individual corporation.
- The eurozone economy grew 0.2% during Q1, roughly the same pace as the previous quarter, while the 0.3% growth in the 28-member European Union was slightly less than in Q4 2013. The inflation rate in both areas rose slightly to 0.7% in the eurozone and 0.8% for the EU, allowing the European Central Bank to leave its key interest rate unchanged at 0.25%.

Eye on the Month Ahead

Washington will once again be a focus of investor attention. A report from the congressional budget conference committee established as part of the agreement ending October's government shutdown is due mid-month, and the Federal Reserve's monetary policy committee gets its last chance this year to reduce its bond purchases. Both of those factors could add to any volatility from year-end profit-taking and general portfolio tidying by institutional investors.

Key dates and data releases: U.S. manufacturing, construction spending (12/2); auto sales (12/3); new home sales, balance of trade, Fed "beige book" report, U.S. services sector (12/4); revised Q3 GDP estimate, factory orders (12/5); unemployment/payrolls, personal income/outlays (12/6); retail sales (12/12); wholesale inflation, due date for congressional budget committee report (12/13); U.S. industrial production, business productivity/costs, international capital flows, Empire State manufacturing survey (12/16); consumer inflation (12/17); Federal Open Market Committee announcement, housing starts (12/18); home resales, Philly Fed manufacturing survey (12/19); quadruple witching options expiration, final Q3 GDP estimate (12/20); personal income/outlays (12/23); durable goods orders, new home sales (12/24); home prices (12/31)

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.