The Trend

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Did You Know?

A $1 bill has 13 arrows, 13 leaves in the olive branch, and 13 stars and 13 stripes on the shield, which represent the original 13 colonies.

Source: www.tctimes.com

The Market's at the Midpoint

June 21st marked the first day of Summer and it is hard to believe the year is half over. With only six months left in the year, every major US equity benchmark has generated a positive return year to date. While the overall results have been positive, a closer look under the hood reveals that much of the performance has been generated primarily by large cap growth companies and the technology sector. When returns are tightly concentrated into a specific area or sector, the potential for increased volatility is always present. We are starting to see signs of rising volatility but remain cautiously optimistic about the direction of US equity markets moving forward.

We have benefitted from our concentration into large cap growth and technology. The Nasdaq Composite has been the overall US market leader in 2017. The Nasdaq is a capitalization weighted Index, which means the largest companies get the highest weighting. The Nasdaq is made up of more than 2,500 companies, yet the top 10 Nasdaq holdings comprise more than 33% of the index. The top ten holdings in the S&P-500 account for nearly 25% of the index. A negative turn or breakdown in either of those top 10 positions would have a significant impact on the gains generated during the first six months of this year.

It should also be noted that in both indexes, many of the top 10 holdings are also members of the technology sector. Technology has been the best performing sector of the US markets this year. Technology stocks account for more than 45% of the Nasdaq, 20% of the S&P-500, and almost 14% of the Dow Jones Industrial Average. Since March, all three indexes have started to show signs of increasing volatility characterized by larger than average daily pullbacks. Daily pullbacks exceeding 1% often represent good buying opportunities but could also be interpreted as an overall sign of weakening within the market.

For most of 2017, our portfolios have benefitted from the positive momentum generated by large cap growth and technology, the clear leaders in the US equity market. International and emerging market equities have been solid performers as well. The RHL Bond Model, representing the conservative aspect of our portfolio, has been steady while generating a consistent yield near 5%. So far in 2017, it has been a slow and relatively smooth ride. Enjoy the Summer!