EXECUTIVE SUMMARY

This week, investors will be looking out for a number of key data releases on jobs, consumer spending and manufacturing, all indicators of the strength of the U.S. economy – as clues to whether the Fed will raise rates in coming months:

- Today, the Commerce Department releases their comprehensive monthly report on consumer expenditures and income, and the Conference Board releases data on their consumer confidence index.

- On Wednesday, The Institute for Supply Management's purchasing managers index for manufacturing will show if the sector stayed positive in May. The index which fell to 50.8 last month is estimated to fall again to 50.3.

- On Friday, all investors will be looking out for the Nonfarm payroll report, a closely watched measure of growth. Strong jobs data is a sign that the economy continues to improve, increasing the likelihood of a rate hike.

Equity market posted gains around the world last week due to a rally in oil, expectations for the beginning of interest rate normalizations in the U.S., and decreased fears of Brexit. In Europe, a deal is on the table for Greece to receive 10.3 billion euros ($11.48 billion) in new loans. The funding will help Greece from defaulting on large debt redemptions to the IMF and European Central Bank in July.

In fixed income, Treasury yields rose due to expectations of a rate rise in coming months. On the commodities front, The price of oil saw its third-straight weekly gain as traders took a cautious stance ahead of a key OPEC meeting, which will occur this Thursday. Gold settled last week at a three-month low due to continued strength in the U.S. dollar.

U.S. EQUITIES

U.S. stocks posted their largest weekly gain in months, driven by oil's rally to $50 a barrel, gains in Asian and European markets, decreased anxiety about Brexit, and the solid jump in new home sales.

a) ***Dow Jones +2.15% MTD +0.95% YTD +3.81%*** b) ***S&P 500 +2.32% MTD +1.89% YTD +3.67%***
c) ***Russell 2000 +3.47% MTD +1.87% YTD +1.89%***

Drivers: I) ***Fed Chairwomen stated last week, "It's appropriate for the Fed to gradually and cautiously increase our overnight interest rate over time,"*** Yellen said at a high-profile visit to Harvard University on Friday. That means a move could be appropriate in coming months, she said. Yellen effectively supported what other Fed speakers had been saying over the past week and the market has been resilient despite the hawkish tone.

II) ***U. S. GDP rose at 0.8% rate from January to March, up from an initial 0.5% reading***, the Commerce Department reported last week. Stronger numbers from home building and restocking of warehouse shelves were behind the upward revision. The lower growth in Q1 should be exceeded in Q2 as we have seen higher retail sales and rising home purchases, which suggests the U.S. is expected to grow at a 2%-plus rate in the coming quarter.

III) ***Consumer spending, the main engine of the economy, rose 1.9% in the first quarter.*** That was unchanged from the government's original estimate. ***Americans spent more on housing, utility bills and health care and pared back purchases of new cars.*** Expenditures on new home construction jumped 17.1% in the first quarter, up from a prior 14.8% estimate. That is the largest gain in nearly four years.

IV) ***Consumer sentiment fell slightly but remained higher than in April as household views of the economy and finances stabilized. The University of Michigan's late-May reading fell to 94.7 from 95.8***, a reading that is 6.4% higher than April and 4.4% higher than a year ago. Economists had forecast a reading of 95. ***The greatest concern among consumers is the outcome of the U.S. presidential election.***

V) ***Equity prices in May are mostly higher, with Small-Cap, Growth, Information Technology and Technology leading equity price performance. The laggards for the month are Mid-Cap and Value Stocks along with Consumer Discretionary.***

Capitalization: Large Caps +1.81% (YTD +3.57%), ***Mid-Caps +1.48%*** (YTD +4.86%) and ***Small Caps +1.87%*** (YTD +1.89%). Style: ***Value*** +***0.91%*** (YTD +8.94%) and ***Growth +3.11%*** (YTD +4.71%). Industry Groups (Leaders): Utilities +0.94% (YTD +13.75%), Telecommunication -0.43% (YTD +13.51%), Energy -0.42% (YTD +12.13%), Consumer Staples -2.56% (YTD +6.11%), Industrials -0.43% (YTD +6.02%), ***Technology +4.76%*** (YTD +3.54%), ***Information Technology +5.46%*** (YTD +2.68%) and Financial Services +2.36% (YTD +0.44%). (Laggards): Healthcare +2.05% (YTD -0.60%) and ***Consumer Discretionary -3.30%*** (YTD -1.28%).

EUROPEAN EQUITIES

The MSCI Europe index was up last week rising +2.83%. European equities delivered their strongest weekly performance since February 19, as market participants anticipate the beginning of the rate normalization process in the U.S.

Drivers: I) ***Greece is now in line to receive 10.3 billion euros ($11.48 billion) in new loans, if a deal agreed upon last Wednesday is signed off by the 19 countries in the euro-zone.*** The new payout comes after euro-zone finance ministers and the International Monetary Fund agreed that Greece has made the necessary progress on reforms. The funding will help Greece from defaulting on large debt redemptions to the IMF and European Central Bank in July. The ministers also agreed on a potential road map on debt relief for Greece.

II) ***Business confidence in Germany increased much more than expected in May, as the business survey showed the Ifo index was 107.7 in May after 106.7 the previous month.*** Economists polled by The Wall Street Journal had expected the indicator to be 106.8 this month, which shows ***the German economy is growing at a robust pace.***
III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index rose +2.83% for the week (MTD +0.04% YTD -0.09%).***

ASIAN EQUITIES

Asian equity markets rose last week on expectations of rising rates in the U.S., which led a rally in financial stocks whose net interest margins would benefit from higher rates. The Dow Jones Asia Pacific Index was up +1.44% for the week, (MTD -2.24), (YTD -2.44%).

<u>Drivers:</u> I) ***Japanese exports fell for a seventh straight month in April, reflecting the impact of moderating global growth and a recently stronger yen.*** Merchandise exports slid 10.1% from a year earlier to Y5.889 trillion ($53.5 billion) last month, after a 6.8% drop the previous month, according to data released last Monday by the Ministry of Finance. Corporate Japan is facing headwinds from moderating overseas growth, which has reduced underlying demand for Japanese exports, and from the yen's renewed strength, which has made them less competitive.

II) ***The People's Bank of China set its daily yuan-fixing at the weakest level against the U.S. dollar in more than five years last Wednesday.*** The so-called yuan fix was set at 6.5693, the weakest level against the greenback since March 2011***. The move reflected strength in the U.S. dollar overnight, after new-home sales rose at the fastest rate since January 2008.***

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +0.59% (MTD +1.01% YTD -11.55%), the Hang Seng Index advanced by +3.65% (MTD -2.41% YTD -6.10%) and the Shanghai Composite fell by -0.16% (MTD -3.99% YTD -20.29%).***

FIXED INCOME

Treasury yields climbed higher last week after Federal Reserve Chairwoman Janet Yellen said another rate increase may be appropriate in coming months if the economy continues to improve.

Performance: I) ***The 10-year Treasury yield was higher last week ending at 1.851% up from 1.843%. The 30-year yield rose last week rising from 2.631% to 2.646%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.15% last week, MTD -0.03% and YTD +3.40%. The Barclays US MBS TR rose by +0.06% last week, MTD +0.09% and YTD +2.23%. The Barclay's US Corporate HY Index climbed by +0.79%, MTD +0.48% and YTD +8.01%.***

COMMODITIES

The DJ Commodity Index was higher last week climbing from 262.93 to 265.33 and is down month to date -0.01% (YTD +9.77%) as energy prices continued to rise due to declining reserves and production levels.

Performance: I) ***The price of oil saw its third-straight weekly gain as traders took a cautious stance ahead of a key meeting of major oil producers next week.*** For the week oil advanced 2.22% from $48.48 to $49.56 per barrel (MTD 7.93% YTD +21.80%).

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, ***was positive rising 0.45% from 95.27 to 95.70 for the week (MTD 2.81% YTD -3.02%). The USD hit a two-month high against the euro after new data showed the U.S. economy grew in the first quarter at a faster pace than initially estimated.*** For the week the Yen weakened falling from ¥110.12 to ¥ 110.27 and the Euro fell from 1.1225 to 1.1114 against the USD.

III) ***Gold suffered an eighth-straight daily drop to settle at a three-month low, as continued strength in the U.S. dollar helped push prices for the metal toward lows last seen in late February.*** For the week gold was lower by -3.00% dropping from $1252.9 to $1215.3 (MTD -5.83% YTD 14.49%).

HEDGE FUNDS

Hedge funds returns in May are mixed, with core strategies Equity Hedge, Event Driven and Distressed are in positive territory, while Macro and Relative Value are negative.

Performance:

I) ***The HFRX Global Hedge Fund Index is higher at +0.22% MTD and -1.25% YTD.***
II) ***Equity Hedge is flat at +0.01% MTD and has fallen -2.91% YTD.***
III) ***Event Driven is up MTD +2.20% and is up YTD +1.38%.***
IV) ***Distressed Debt is higher at +1.61% MTD and is positive YTD +4.36%***
V) ***Macro/CTA has fallen by -1.51% MTD and is down -1.11% YTD.***
VI) ***Relative Value Arbitrage is negative at -0.21% and is down -2.11% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

As we kick off the official beginning of the summer with Memorial Day, all eyes will be focused on the Nonfarm payroll report due out on Friday. A closely watched measure of growth, it is likely to provide an important clue given the increasingly hawkish tone of Fed officials with even Chairwoman Janet Yellen embracing the possibility of higher rates. ***Strong jobs data is a sign that the economy continues to improve and the chance of a rate hike is increasing.***

On the economic data front, Nonfarm payrolls rose by a seasonally adjusted 160,000 in April, the weakest gain since September and a potential sign of a softening labor market. Still, that was enough to keep the unemployment rate at 5% (projected to remain at 5%) and support a 2.5% year-over-year rise in average hourly earnings***. Friday's report (expected to fall from 160,000 to 155,000), covering the month of May, will show whether hiring rebounded and the labor market tightened.***

Consumer spending was tepid during the first quarter of the year and many traditional retailers have reported weak results. April retail sales data suggested consumers are back on track. Today, the Commerce Department will release the more comprehensive monthly report on ***consumer expenditures (estimated to rise from 0.1% to 0.7%) and income, a main support for the economy.*** Separately, the Conference Board's consumer confidence index (projected to climb from 94.2 to 96.7), also out today, will offer the latest insight on how Americans are feeling about the economy.

U.S. factories have faced head winds due to a strong dollar and mediocre overseas demand. But the sector, bolstered by the auto and housing markets, managed to expand in March and April. The Institute for Supply Management's purchasing managers index for manufacturing, out Wednesday, will show if the sector stayed positive in May. ***The index which fell to 50.8 is estimated to fall to 50.3.***

The Institute for Supply Management's index of nonmanufacturing economic activity rose to 55.7 in April, its highest level of the year. ***May's numbers are due out on Friday and will show how the service sector may be holding up (expected to fall to 55.5).***