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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks suffered their second consecutive weekly losses as investors digested a sub-par jobs report and its ramifications for Federal Reserve's monetary policy.

a) ***Dow Jones -0.10% MTD -0.10% YTD +2.73%*** b) ***S&P 500 -0.33% MTD -0.33% YTD +1.40%***
c) ***Russell 2000 -1.40% MTD -1.40% YTD -1.38%***

Drivers: I) ***Companies scaled back hiring in April, adding just 160,000 new jobs, in a sign the U.S. economy is still suffering from an early-year slow-down.*** The disappointing employment report, Wall Street had expected a 203,000 gain, is ***likely to keep the Fed from raising interest rates anytime soon***. Hiring has tapered off in 2016 in tandem with a broader economic slowdown, while falling corporate profits has prompted worries about whether companies will slow additional hiring's. ***The increase in hiring was the smallest since September.***

II) ***Average wages rose again to $25.53 an hour. Hourly pay has increased 2.5% in the past 12 months***, up from 2.3%, reflecting a tighter labor market in which more firms say they have trouble finding suitably skilled workers.

III) ***The Institute for Supply Management said its manufacturing index fell to 50.8% last month from 51.8% in March.*** Economists had forecast the index to fall to 51.4%. ***Companies have been hurt by a strong dollar and weak global economy, reducing exports.*** And a slump in the U.S. energy sector because of cheap oil has forced oil and natural gas producers to slash equipment purchases from very high levels just a few years ago.

IV) ***U.S. light vehicle sales rose to a seasonally adjusted annual rate of 17.4 million, recovering from the March nosedive to 16.6 million***, Autodata reported. That is close to the 17.5 million expected by economists. Auto sales have been ***boosted by a number of factors: low gas prices, more jobs and loose lending standards***, among them.

V) ***Equity prices in May are mixed, with Large-Cap, Growth, Consumer Staples and Utilities leading equity price performance. The laggards for the month are Small-Cap and Value Stocks along with Energy.***

Capitalization: ***Large Caps -0.43%*** (YTD +1.28%), Mid-Caps -0.68% (YTD +2.62%) and ***Small Caps -1.40%*** (YTD -1.38%). Style: ***Value -1.26%*** (YTD +6.60%) and ***Growth -0.08%*** (YTD +1.47%). Industry Groups (Leaders): Telecommunication -0.03% ***(YTD +13.96%), Utilities +0.88%*** (YTD +13.68%), ***Energy -3.28%*** (YTD +8.91%), ***Consumer Staples +1.71%*** (YTD +5.95%), Industrials -1.00% (YTD +5.41%), and Consumer Discretionary +0.07% (YTD +1.75%). (Laggards): Technology +0.23% (YTD -0.94%), Information Technology +0.18% (YTD -2.46%), Financial Services -0.63% (YTD -2.50%) and Healthcare -0.88% (YTD -3.46%).

EUROPEAN EQUITIES

The MSCI Europe index was down last week falling -3.09%. European equities ended a volatile week mostly lower on Friday, as a disappointing reading on U.S. jobs growth outweighed a late-day rally in oil prices.

Drivers: I) ***The Markit/CIPS purchasing managers index for the U.K. services industry showed activity slumped to a 38-month low in April, down to 52.3 from 53.7 in March***. Markit said the firms in the survey commented on prevailing ***economic uncertainty***, ***partly linked to the Brexit referendum on June 23.***

II) ***Eurozone retail sales fell for the first month in five during March, an indication that the currency area's economic recovery remains modest and vulnerable to setbacks***. This was the sharpest fall in retail sales since July 2014. The European Union's statistics agency reported last Wednesday ***that sales volumes were 0.5% lower in March than in February, although they were 2.1% higher than in March 2015.*** That was a sharper month to month fall than the 0.1% decline economists had expected.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index fell -2.97% for the week (MTD -2.97% YTD -3.09%).***

ASIAN EQUITIES

Asian equity markets were lower last week amid caution before a key U.S. jobs report, but China stocks were down more sharply over rising defaults and regulatory concerns. The Dow Jones Asia Pacific Index was down -3.02% for the week, (MTD -3.02), (YTD -3.22%).

Drivers: I) ***The Caixin China services purchasing managers' index dropped to 51.8 in April from 52.2 in March, indicating a slowdown in the nation's service sector.*** China's service sector has been one of the few bright spots in the economy, helping to offset a sharp slowdown in traditional industries battling idle capacity and weakening demand. In 2015, services accounted for 50.4% of China's gross domestic economy, up from 48.1% in 2014.

II) ***A private gauge of nationwide factory activity in China fell to 49.4 in April from 49.7 in March***, Caixin Media Co. and research firm Markit reported. ***The reading points to a continued deceleration in China's manufacturing activity and marks the 14th month in a row that the index has been in contractionary territory***. All of the index's categories indicated conditions worsened month-on-month.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -3.36% (MTD -3.36% YTD -15.38%), the Hang Seng Index declined by -4.59% (MTD -4.59% YTD -8.23%) and the Shanghai Composite fell by -0.85% (MTD -0.85% YTD -17.69%).***

FIXED INCOME

Treasury yields saw their largest two-week decline in a month, as multiple of economic reports suggested growth might be slowing in the U.S.

Performance: I) ***The 10-year Treasury yield was lower last week ending at 1.776% down from 1.834%. The 30-year yield fell last week falling from 2.679% to 2.627%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.17% last week, MTD +0.17% and YTD +3.60%. The Barclays US MBS TR rose by +0.13% last week, MTD +0.13% and YTD +2.28%. The Barclay's US Corporate HY Index fell by -0.94%, MTD -0.94% and YTD +6.42%.***

COMMODITIES

The DJ Commodity Index was lower last week falling from 265.34 to 258.49 and is down month to date -2.58% (YTD +6.94%) as worries over the oil supply glut and slowing economic growth weighted on commodities.

Performance: I) ***The price of oil was modestly lower as market participants said the focus had shifted to near-term oversupply***, which has plagued the industry and pressured oil prices for weeks. ***For the week oil declined -2.96% from $45.99 to $44.56 per barrel (MTD -2.96% YTD +9.46%).***

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, ***was positive rising 0.91% from 93.02 to 93.83 for the week (MTD 0.91% YTD -4.83%). The USD though up for the week, sank against the euro and yen Friday after a reading on April employment gains came in well below expectations.*** For the week the Yen weakened falling from ¥106.50 to ¥107.12 and the Euro fell from 1.1449 to 1.1404 against the USD.

III) ***Gold was down for the week, but finished sharply higher Friday after a weaker than expected jobs report heightened expectations that the Federal Reserve would keep interest rates lower for longer***. For the week gold was lower dropping -0.06% from $1294.9 to $1289.7 ***(MTD -0.06% YTD 21.50%).***

HEDGE FUNDS

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

Performance:

I) ***The HFRX Global Hedge Fund Index is lower at -0.55% MTD and -2.01% YTD.***
II) ***Equity Hedge is negative at -090% MTD and has fallen -3.78% YTD.***
III) ***Event Driven is down MTD -0.13% and is down YTD -0.93%.***
IV) ***Distressed Debt is higher at +0.34% MTD and is positive YTD +3.06%***
V) ***Macro/CTA has fallen by -0.91% MTD and is down -0.51% YTD.***
VI) ***Relative Value Arbitrage is negative at -0.31% and is down -2.21% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week global markets will digest the news that Ali al-Naimi, Saudi Arabia's powerful oil minister, was fired from his post on Saturday. He will be replaced by Khalid-al Falih, the chairman of the country's state oil company, Saudi Aramco. Al-Naimi who guided the oil market for over 30 years, gained global respect for turning the biggest oil cartel in the world, otherwise known as the Organization of the Petroleum Exporting Countries (OPEC), into a respectable organization. ***The move leaves no doubt that 36-year old Deputy Crown Prince Mohammed bin Salman is in control in Saudi Arabia.***

The dismissal of al-Naimi comes weeks after the Saudi government unveiled a plan to decrease the country's dependence on oil revenue, given the downturn the country has experienced due to lower oil prices. It will be interesting to see how this uncertainty will affect oil prices over the short term***. The key to oil prices will be the on-going appetite for crude from China. China crude imports in March were the second-highest on record, and any signs that the economy or stocks are stressed will lead the oil market to believe the country could curb that demand.*** But ultimately the market is cautiously optimistic about prices, provided the Chinese economy does not fall out of bed.

On the economic data front, retail sales have fallen or been flat each month so far this year, as Americans appear to be saving their extra income. To some economists, all that saving may lead to a spring rebound in consumer spending. ***Friday's retail sales figures from the Commerce Department (projected to improve from -0.3% to 0.1%) will show whether April reverses the trend.*** And Friday's University of Michigan consumer sentiment report (expected to remain flat at 89.0) will provide insight on how Americans are feeling about the economy.

The job market has added a monthly average of 192,000 positions per month this year, despite weak first-quarter growth. Tuesday's Job Openings and Labor Turnover Survey from the Labor Department will provide details on hires, separations and openings, which signal labor market dynamism. In February, a post-recession high of 5.4 million Americans were hired for a new job. But openings have been outpacing hires recently, sign employers may be having trouble filling positions.

American businesses have been letting stockpiles drop in the past year, investing less in new inventories amid uncertain demand. The net change in private inventories has not made a positive contribution to GDP since early 2015, and economists at Deutsche Bank noted that the ratio of inventories to final sales increased in the first quarter to its highest level since the end of 2008. ***Tuesday brings March data on wholesale inventories, and Friday sees the release of March's more comprehensive business inventories data, both from the Commerce Department.***

Like other inflation measures, the producer price index and the import and export price indexes have been soft due to weak demand and low oil prices. The PPI, which measures what firms charge to customers (estimated to rise from -0.1% to 0.3%), fell in March. Friday brings April's figures from the Labor Department. The import price index rose in March for the first time in nine months as fuel prices firmed, but were still down 6.2% from a year ago. April's figures are out Thursday from the Labor Department.