

Investment Strategy

U.S. Markets	Close	Net	1 Day %	YTD %
Dow Jones	24811.76	-75.05	-0.30%	0.37
Dow Jones Transports	10852.75	125.40	1.17%	2.27
Dow Jones Utilities	685.62	4.94	0.73%	-5.22
S&P 500	2727.76	-5.53	-0.20%	2.03
S&P 400 Midcap	1951.55	1.02	0.05%	2.68
S&P 600 Smallcap	1005.10	0.43	0.04%	7.35
NASDAQ	7424.43	-1.53	-0.02%	7.55
Russell 2000 (Smallcaps)	1628.22	0.61	0.04%	6.04
BKX (Banking)	109.52	-0.61	-0.55%	2.64
BTK (Biotech)	4660.76	-14.59	-0.31%	10.39
XOI (Oil Index)	1536.15	-18.24	-1.17%	15.02
SOXX (Semiconductor)	1378.72	4.77	0.35%	10.03
XAU (Gold/Silver)	84.38	1.23	1.48%	-1.04

"Loose Lips?!"

The phrase "Loose lips sink ships" originated on propaganda posters during World War II. The phrase was created by the War Advertising Council and used on posters by the U.S. Office of War Information. The gist of this particular slogan was that one should avoid speaking of ship movements, as this talk (if directed at or overheard by covert enemy agents) might allow the enemy to intercept and destroy the ships. Recently, said phrase has taken on new meaning given the tweets from President Trump. The recent gyrations of the stock market have certainly been driven by "now you see it, now you don't" trade talks, the North Korean summit meeting, etc. Yesterday, the stock market was poised to rally until the news was released that the N.K summit was off. The letter from President Trump's punchline read:

I felt a wonderful dialogue was building up between you and me, and ultimately, it is only that dialogue that matters. Someday, I look very much forward to meeting you. In the meantime, I want to thank you for the release of the hostages who are now home with their families. That was a beautiful gesture and was very much appreciated. If you change your mind having to do with this most important summit, please do not hesitate to call me or write. The world, and North Korea in particular, has lost a great opportunity for lasting peace and great prosperity and wealth. This missed opportunity is a truly sad moment in history.

Indeed, "loose lips sink ships", and that is what has happened to the stock market with such on again, off again, presidential tweets during recent market history. We continue to think this is just "noise" and the stock market is sinking itself into a position to rally out to new all-time highs. That is the message we carried into Washington, D.C. this week and a message we have advocated over the past few weeks. (Continued on page 2)

"Loose lips sink ships"

... World War II idiom

Index	Cur Future	Change
Dow Jones	24,862	59.00
S&P 500	2,733	5.40
NASDAQ	6,984	27.00

Volume	1 Day Volume	Volume	Issues
NYSE	799,111,284	0.77	0.99
NASDAQ	1,989,084,843	1.25	0.92

Foreign Markets	Intraday	Net	% Chg
U.K. FTSE 100	7,717	0.00	0.00%
Germany DAX (TR)	12,990	135.38	1.05%
Brazil Bovespa In	80,122	0.00	0.00%
Japan Nikkei 225	22,437	0.00	0.00%
Hong Kong Hang Seng Index	30,588	-172.37	-0.56%

S&P Sectors	Close	% Chg	1 mo %
S&P 500 / Consumer Discretic	842.92	0.21%	4.35
S&P 500 / Consumer Staples -I	509.88	-0.14%	-0.60
S&P 500 / Health Care -SEC	960.21	-0.33%	1.61
S&P 500 / Information Techno	1222.43	-0.12%	8.66
S&P 500 / Telecommunicatio	147.36	0.60%	-3.96
S&P 500 / Energy -SEC	562.44	-1.67%	4.92
S&P 500 / Financials -SEC	463.17	-0.71%	1.04
S&P 500 / Industrials -SEC	636.47	0.60%	3.38
S&P 500 / Materials -SEC	370.91	-0.43%	3.63
S&P 500 / Utilities -SEC	253.57	0.75%	-0.77
S&P 500 / Real Estate -SEC	191.06	-0.40%	2.38

Key Commodity Prices	Last	Net
Crude Oil WTI (NYM \$/bbl) Con	69.470	-1.24
Natural Gas (NYM \$/mmbtu) C	2.981	0.01
eMini Gasoline (NYM \$/gal) Cc	2.234	0.00
Gold (NYM \$)	1305.100	0.60
Silver (NYM \$/ozt) Continuous	16.705	0.02
United States Dollar Index	93.787	0.04
eMini Copper (NYM \$/lbs) Con	3.104	0.01
Cotton #2 (IFUS \$/lbs) Continu	0.883	0.01

Market Valuation	2017E	2018E	2019E
Consensus S&P 500 EPS	\$125	\$157	\$174
P/E	21.8	17.4	15.7
Earnings Yield		5.8%	6.4%
Equity Risk Premium (10 yr)		2.8%	3.4%

Treasury Yields	90D	10 Yr	30 Yr
	1.91	2.97	3.13

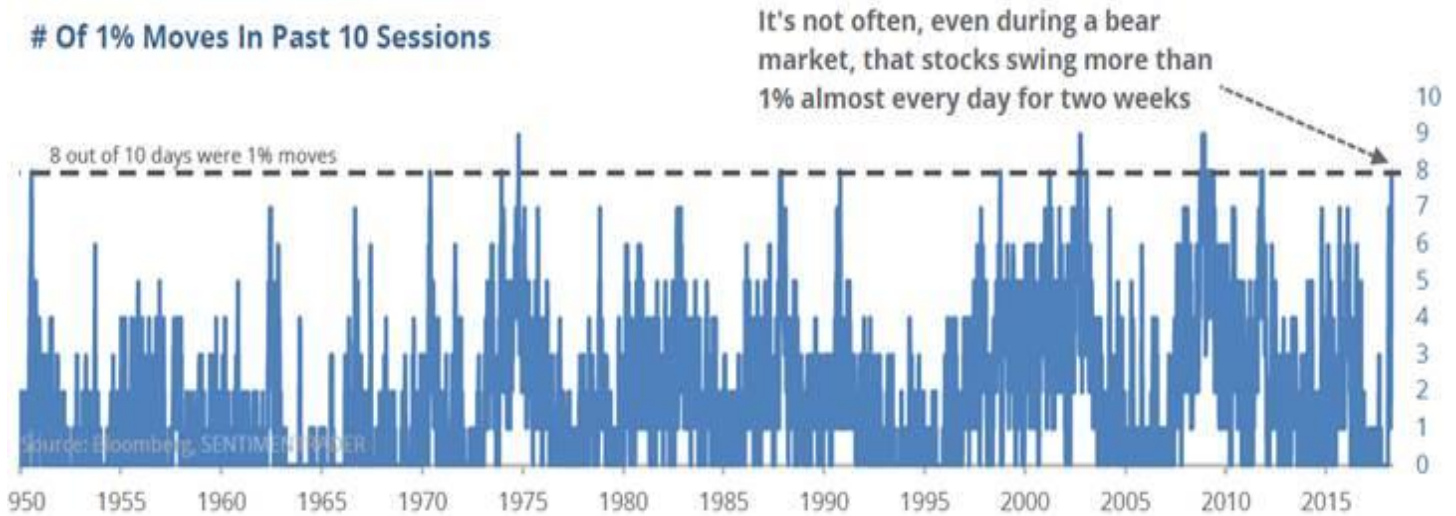
Source: FactSet Data as of: 5/25/2018



S&P 500 (Source: Stockcharts.com)

Evidentially, Jason Goepfert (SentimenTrader), agrees, as last night he wrote: “During late March and again in April, investors were whipsawed by large price moves in both directions. Broad NYSE breadth measures also showed a rarely-seen level of volatility, which in the past has led to consistently positive returns. That’s especially after stocks finally managed to see buying pressure into the close after weeks of intraday failures.”

Yesterday, the president interfered with the attempt to break the S&P 500 out of its 11 session trading range of 2702-2742. Yet, this morning, the preopening S&P 500 futures are better by 6 points, as we write at 5:17, on news that North Korea is still open to a summit.



Source: SentimenTrader

U.S. Markets Index Information: *U.S. Treasury securities* are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. The *Dow Jones Industrial Average* is an unmanaged index of 30 widely held securities. The *Dow Jones Transportation Average* is the most widely recognized gauge of the American transportation sector. The *Dow Jones Utility Average* keeps track of the performance of 15 prominent utility companies. The *S&P 500* is an unmanaged index of 500 widely held stocks. The *S&P Mid Cap 400 Index* is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. The *S&P Small Cap 600 Index* is an unmanaged index of 600 small-cap stocks. The *NASDAQ Composite Index* is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The *Russell 2000 index* is an unmanaged index of small cap securities which generally involve greater risks. The *KBW Bank Sector (BKX)* is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The *NYSE Arca Biotechnology Index (BTK)* is an equal dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry that are primarily involved in the use of biological processes to develop products or provide services. The *NYSE Arca Oil Index (XOI)* is a price-weighted index of the leading companies involved in the exploration, production, and development of petroleum. The *PHLX Semiconductor Sector Index (SOXX)* measures the performance of U.S.-traded securities of companies engaged in the semiconductor business, which includes companies engaged in the design, distribution, manufacture, and sales of semiconductors. The *Philadelphia Gold and Silver Index (XAU)* is an index of 16 precious metal mining companies that is traded on the Philadelphia Stock Exchange.

Futures: Futures prices are current as of the publication of this report, but will fluctuate. Please contact your financial advisor for updated information.

Foreign Markets Information: The FTSE 100 Index is a share index of the stocks of the 100 companies with the highest market capitalization listed on the London Stock Exchange. The *DAX* (German stock index) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The *Bovespa* Index is a gross total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The *Nikkei 225* is a price-weighted index consisting of 225 prominent stocks on the Tokyo Stock Exchange. The *Hang Seng Index* is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

Commodity Price Information: The *CRB Index* measures the overall direction of commodity sectors. The *US Dollar Index (USDIX)* is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies. Commodities are generally considered speculative because of the significant potential for investment loss. Commodities are volatile investments and should only form a small part of a diversified portfolio. There may be sharp price fluctuations even during periods when prices overall are rising.

Market Valuation Information: The *McClellan Oscillator* is a market breadth indicator that is based on the difference between the number of advancing and declining issues on the NYSE. Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Price Earnings Ratio (P/E) is the price of the stock divided by its earnings per share. The earnings yield is earnings per share divided by the current market price per share. The equity risk premium is the earnings yield minus the current rate on the 10-year U.S. Treasury note and is the excess return that the stock market provides over a risk-free rate.

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Exponential Moving Average (EMA) - A type of moving average that is similar to a simple moving average, except that more weight is given to the latest data.

Relative Strength Index (RSI) - The Relative Strength Index is a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset.

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