April 2017

MEEDER INVESTMENT MANAGEMENT

Monthly Market Commentary

Discussion Points

- » Corporate Earnings Are Back
- » International Growth Helps U.S. Companies
- » French Casts Votes in Pivotal Presidential Election

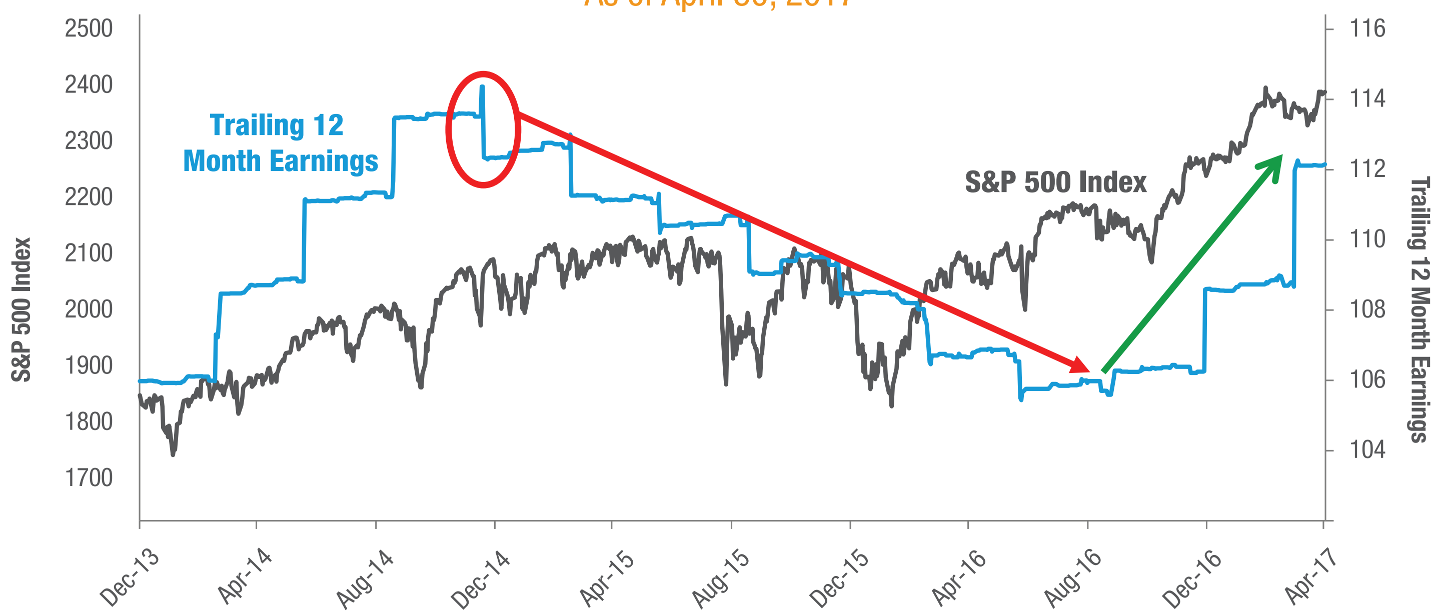
The S&P 500 Index rose 1.03% during the month of April, and now posts a year-to-date return of 7.16%. One reason that equity markets continue to climb higher is because earnings of the S&P 500 constituent companies have recovered in a big way. With the earnings season nearly complete, S&P earnings growth currently sits at 15.6% year over year. According to S&P, earnings growth has not been this substantial since the 4th quarter of 2013.

A large part of this earnings recovery is due to the rebound in commodity prices within the energy sector. Earnings for the energy sector are now up to $3.89 per share compared to last year when the sector lost -$2.71 per share. According to FactSet, even if the earnings from energy companies were excluded the year-over-year growth would still be up 8.3%.

It is also important to note that the earnings growth reported thus far has been broad based, with 10 of 12 S&P 500 sectors reporting growth year over year. Companies in the S&P 500 are diversified in the sense that they get nearly half of their revenues from outside the U.S. Generally, the more revenue that a company has earned abroad, the better the performance has been year-to-date. This is due to the acceleration of economic activity that has been experienced around the world, relative to the U.S. It is also worth noting that the dollar has been weakening year-to-date which benefits companies with international sales exposure. This makes the price of an exported U.S. good or service more attractive relative to those produced and sold on foreign shores. Few investments in the marketplace have benefitted from a weaker dollar more than the MSCI Emerging Markets

Domestic Earnings Continue to Improve

As of April 30, 2017



Source: Bloomberg 4/30/2017

Index which is up 13.9% year-to-date. The MSCI EAFE Index which represents 21 developed international markets has risen 10.2% in 2017.

Domestically, the U.S. reported a sluggish 0.7% seasonally adjusted annual GDP growth rate for the first quarter of 2017, compared to consensus estimates of 1.1% One reason that GDP in the first quarter of 2017 was lower than expectations was due to soft vehicle sales in March totaling just 16.6 million units. This marked a 2-year low for the industry. The number rose slightly in April to 16.9 million units and is significant because the automotive industry makes up approximately 3% of GDP.

The Barclay's Aggregate Bond Index has maintained a slow pace this year returning 1.59%. However, fixed income markets have experienced some volatility as the 10-year Treasury yield declined 0.11% for the month with a yield of 2.29%. The majority of the yield curve movement transpired in the first two weeks of April as a U.S. military strike in Syria stirred international politics, in addition to heightened tensions with North Korea. In regard to fixed income, now that the May 2nd Federal Open Market Committee meeting held a unanimous vote to keep rates unchanged, all eyes will now turn to the FOMC meeting in June. According to Bloomberg, the market is currently pricing the likelihood of the Fed raising the Federal Funds overnight lending rate at 100% at the time of this writing.

History has shown us that slow tightening cycles by the Fed have not negatively impacted the long-term growth of equity markets. Therefore, with solid earnings growth and the fact that we continue to see decent economic data we continue to believe that there is still room to run in this secular bull market.

French Presidential Election Update

The French elections concluded on May 7th as pollsters had predicted with the liberal centrist Emmanuel Macron defeating the socially conservative Marine Le Pen. Investors' fears of the global implications surrounding a potential win by Le Pen's anti-Euro and anti-European Union agenda were extinguished after the defeat. The concerns of this election were prominent because they were eerily similar to those of Brexit, which marked the beginning of Great Britain leaving the European Union last June.

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