301-770-9880
www.burtwealth advisors.com

Monthly Market Commentary

May 2015

ECONOMY: Growth Remains Elusive

Q1 GDP Revised Downward

U.S. gross domestic product, the broadest measure of economic growth, was initially reported to grow only 0.2% in the first quarter. This was disappointing, and well below expectations that growth would be 1%. The revised data from The Bureau of Economic Analysis revealed that Q1 GDP shrank 0.7%.

Optimism Remains

Despite a slight contraction, GDP continues to rise at a moderate pace on a year-over-year basis. Fed Chair Janet Yellen recently noted that, "the U.S. economy seems well positioned for continued growth. Households are seeing the benefits of the improving jobs situation." Hopefully, Q1 will prove to be a transitory, much like the disappointing Q1 2014 which was far worse but temporary.

Better Job Growth In May

Nonfarm payrolls surprised to the upside, with 280,000 added in May. Revisions were also decent, as a net 32,000 jobs were added to April and March. In turn, the year-to-date average increased from around 200,000 jobs created per month to 217,000. Job growth was pretty broad-based with over 60% of industries showing monthly gains.

Unemployment Ticks Higher

The unemployment rate increased from 5.4% to 5.5% in May. However, this was due to people joining the labor force. The employment-to-population ratio (the employed divided by the working-age population) increased a tenth of a percentage point to the highest level since June 2009, 59.4%.

Consumer Spending Weak

Despite a strong job market, early signs of wage growth, and lower gas prices, consumer spending has disappointed thus far in 2015. In the first quarter, spending growth was 1.8%, lower than the 2.5% growth seen in 2014. Many economists see lower gas prices as equivalent to a tax break on households. The thought is that savings at the pump would spur consumer spending but thus far it has not.

ISM "Reports on Business"

Economic activity in the manufacturing sector expanded in May for the 29th consecutive month, and the overall economy grew for the 72nd consecutive month, according to the latest survey by the Institute for Supply Management (ISM). Respondents noted concerns over the U.S. dollar and oil & gas industries. The Non-Manufacturing Index grew in May for the 64th consecutive month. Respondents' comments are mostly positive about business conditions and indicate economic growth will continue.

Consumer Confidence Rebounds

The Conference Board Consumer Confidence Index®, which had declined in April, increased modestly in May. "*Consumer confidence improved modestly in May, after declining sharply in April. After a three-month slide, the Present Situation Index increased, propelled by a more positive assessment of the labor market. Expectations, however, were relatively flat following a steep decline in April. While current conditions in the second quarter appear to be improving, consumers still remain cautious about the short-term outlook.*"

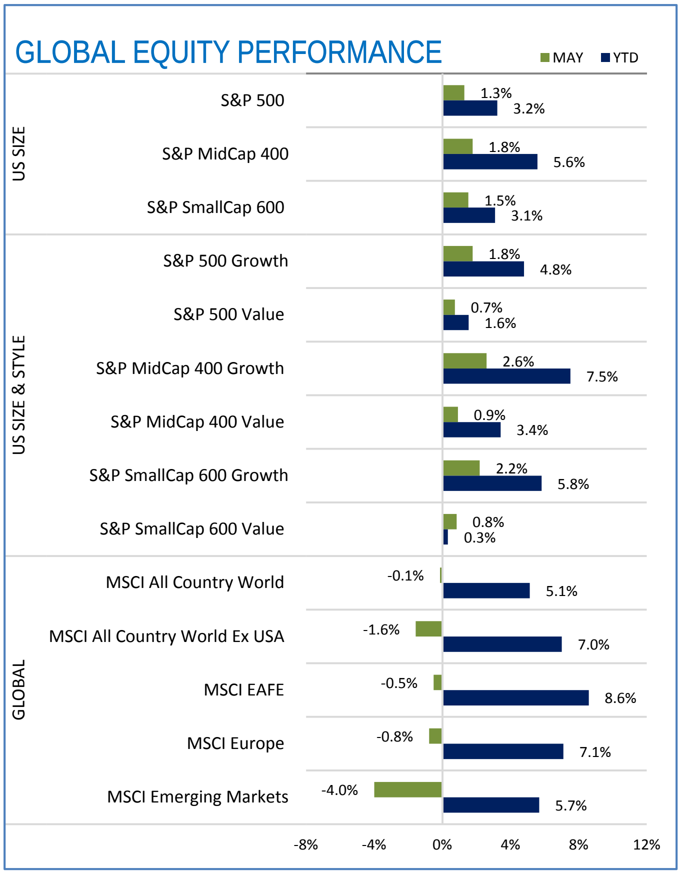
Around The Globe

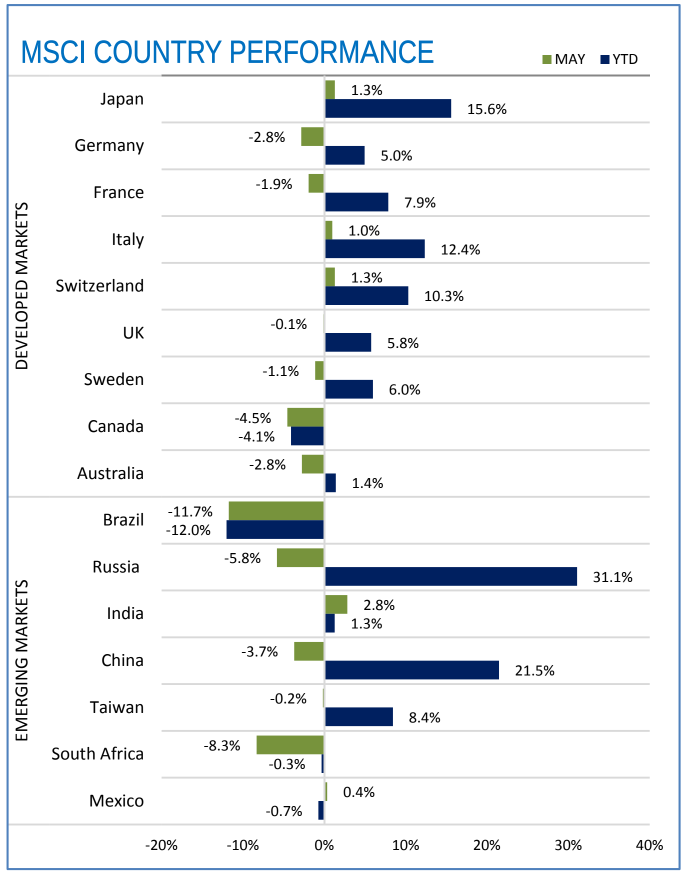
Anemic domestic demand led to a contraction in the Brazilian economy in the first quarter. Real GDP growth in Canada also turned negative in Q1 due largely to cutbacks in capex in the nation's energy sector. Revised data reaffirmed that real GDP growth in the United Kingdom, although positive, was weak in Q1. That said, growth is not universally anemic everywhere. Economic activity in the Eurozone has accelerated somewhat in recent quarters, and the Japanese economy appears to be expanding at a modest pace.

Greece Playing Chicken

The Greek government continues to negotiate with its debtors in the hopes of reaching some sort of compromise. Greek Prime Minister Alexis Tsipras said he was willing to accept unpalatable compromises to secure a deal with international creditors provided he gets debt relief in return, something that Germany refuses to agree to.

GLOBAL EQUITIES: Emerging Markets Flop





U.S. Markets Up

U.S. stocks rose in May despite conflicting economic reports. The S&P 500 rose 1.3% for the month, but was outdone by both mid and small cap equities. Growth outperformed value along the market capitalization spectrum, and maintained it’s year to date outperformance.

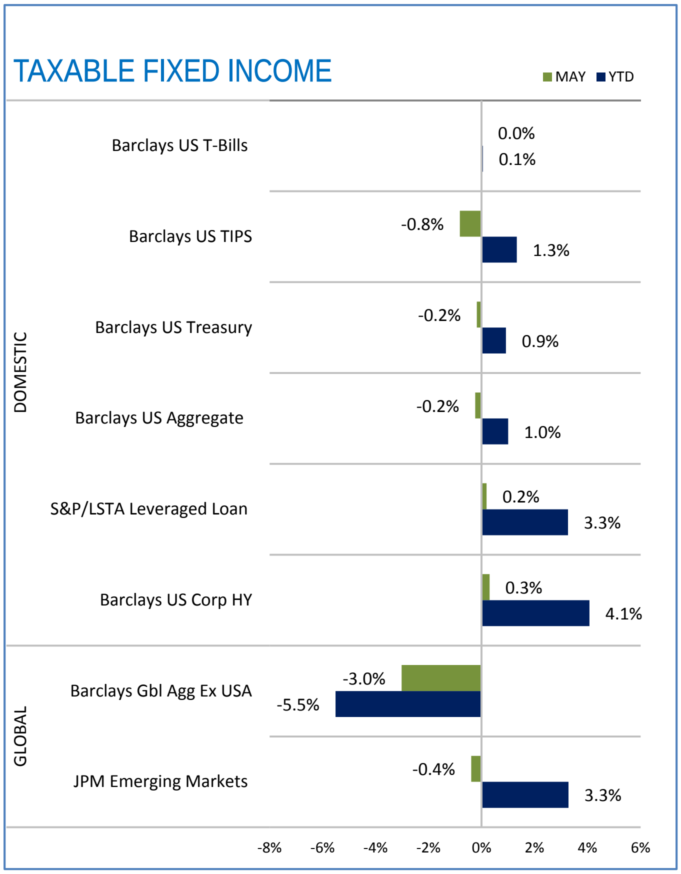
Global Equities Flat

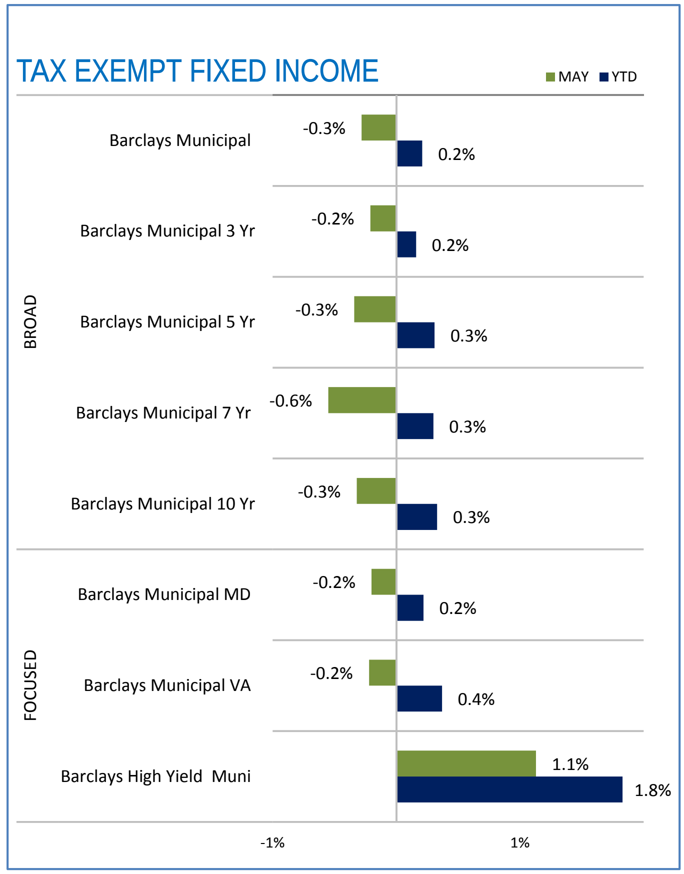
Stocks in developed non-U.S. markets posted more modest losses in May as measured by the MSCI EAFE Index. The All Country World Index ex USA underperformed the EAFE Index due to its emerging markets exposure. For they year, however, international equities continue to outperform the U.S. markets. The U.S. dollar strengthened versus almost all currencies for the month, extending the year-to-date trend.

Emerging Markets Reverse Course

In a sharp reversal from April, emerging markets stocks declined in May and significantly underperformed developed markets. Latin American and emerging European equities suffered the steepest losses, while Asia's emerging markets held up somewhat better. Among the losers, Brazil fell 11.7%, South Africa fell 8.3% and Russia fell 5.8% for the month.

FIXED INCOME: June Hike Not In The Cards





Fed Is Data Dependent

Federal Reserve officials will continue to let the data drive their decision about when to begin raising short-term interest rates. Minutes from the Fed's April policy meeting, which were released on May 20, revealed that the winter slowdown had made it "unlikely" that the Fed would begin raising rates in June, as had appeared likely earlier in the year. Fed Chair Janet Yellen stated that the Fed was still on track to begin raising rates in 2015.

The Squeaky Wheel is Greece

The Greek government's stalemate in negotiations with its creditors caused increased volatility and concern that the country could default or leave the Eurozone. The yield on Greece's 10-year government note finished the month above 11%, while the country's two-year note yielded more than 23% in an indication of the market's assessment of near-term default risk.

Oil Prices Stabilize High Yield…

High yield corporate bonds eked out a small gain in May. Oil prices steadied at higher levels than at the beginning of the year, providing support for the asset class. Bonds from oil-related issuers account for a large proportion of most high yield indexes.

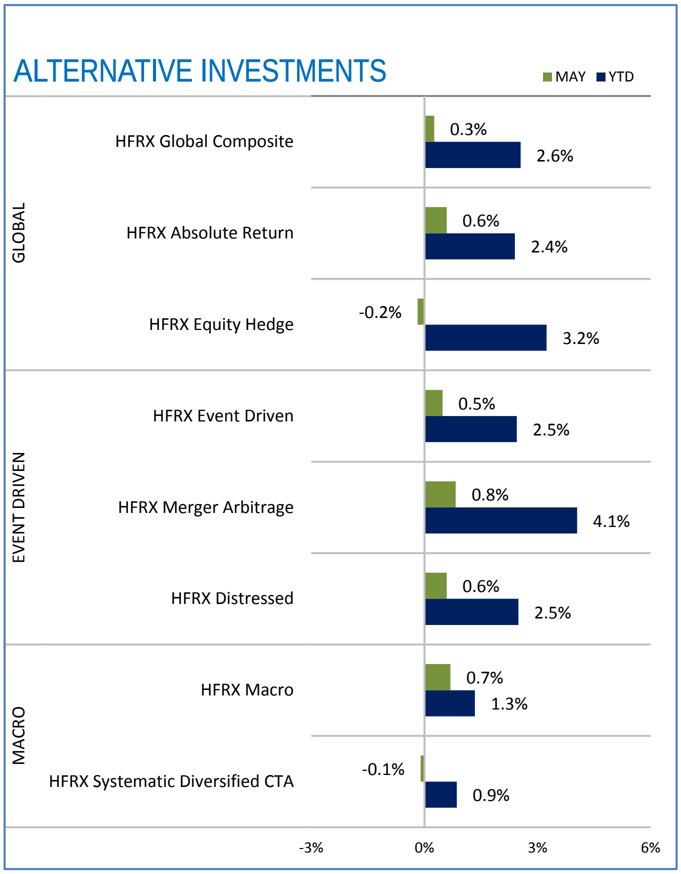
…But, Defaults Were Also Up

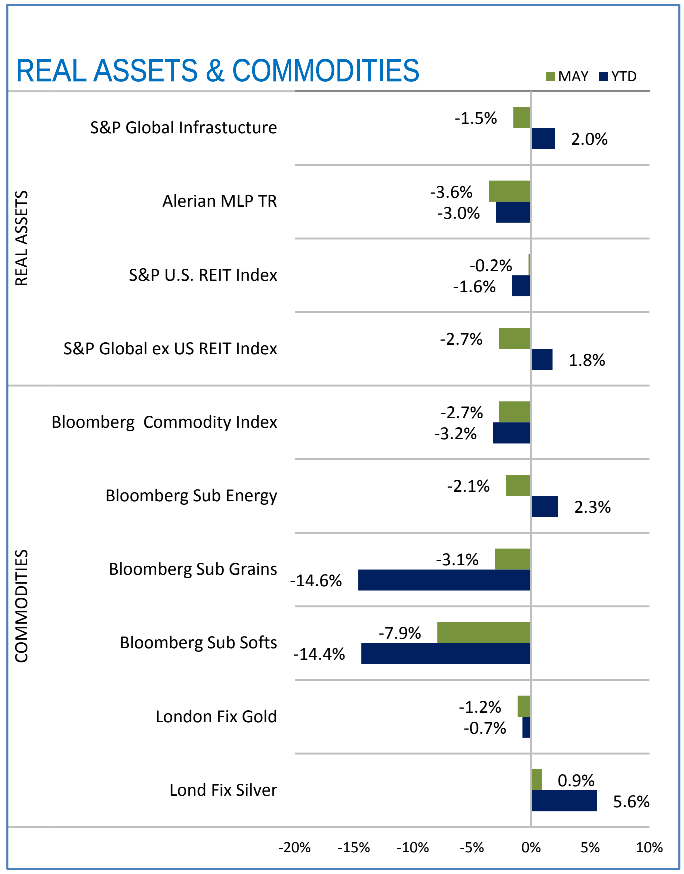
According to Fitch Ratings, there were 9 defaults in May, all in the energy and metals/mining sectors. This pushed the trailing 12-month U.S. high yield default rate to 2.3%, and represents the highest number of defaults in a single month since October 2009.

Muni's Follow Treasuries Lower

Municipal bonds declined as a result of elevated new issuance levels and the selling pressure in Treasuries. Moody's Investors Service cut its credit rating on Chicago's general obligation debt to below investment grade, adding to the strain on the city's finances. The move from Moody's followed a decision by the Illinois Supreme Court striking down a law that would have permitted cuts to the retirement benefits of public workers.

ALTERNATIVES: ETFs To Be Bigger Than Hedge Funds





ETFs Set To Surpass Hedge Fund Assets

The boom in exchange-traded funds continues at a rapid pace, with total assets invested in ETFs set to exceed the amount invested in hedge funds within months, according to London-based research firm ETFGI. ETFGI estimates assets in global ETFs at $2.926 trillion at the end of the first quarter, compared with $2.939 trillion invested in hedge funds, according to HFR data. The gap between the amount of assets held in the ETF industry versus the amount invested in hedge funds narrowed from $230 billion at the end of 2013 to $13 billion at the end of the first quarter, according to the figures.

REITs Hold Steady

REITs held steady in May, as concerns over interest rate increases and uneven economic data continued to put pressure on the market. The total returns of the S&P U.S. REIT Index slipped 0.2% in May, while the S&P 500 Index gained 1.3%. The yield on the 10-year Treasury note rose 0.1 percent for the month. Through the end of May, total returns from the S&P Global ex US REIT were down 2.7%.

Oil Increases Trumped By Falling Sugar

The Bloomberg Commodity Index fell 2.7% in May, as 15 out of 22 constituents traded lower. Softs and industrial metals were the two worst performing sectors. Although oil rose for an 11th week, the longest winning streak since futures started trading in New York in 1983, the price recovery from a six-year low in January is slowing amid speculation a global glut will persist.