

June 8, 2018

Perspective on the Market Through a Technical Lens

And just like that...June has begun. The month of May is behind us, and so too is the talk of “Sell in May and go away”; however, does that mean we are completely out of the woods? Well, we are still firmly entrenched in what is known as the seasonally weak six month period in the market, so it remains important to pay attention out there. The S&P 500 managed a gain of 2.16% in the month of May to put the S&P 500 up 2.74% over the first five months of the year. Underneath the surface, though, there were two notable themes: Small Caps showed a resilient resurgence and International Equities cooled off.

The month of May saw most of the major Small Cap indices push to new all-times highs (like the Russell 2000 and S&P 600 Small Cap Index), and performance across the broad-based Small Cap ETFs ranged between 6.2% for the iShares Russell 2000 ETF (IWM) and 8.4% for the Invesco DWA Small Cap Momentum ETF (DWAS). The strength in Small Caps during the month also lead to the Small Cap Growth Style box to move up to the top of the Size and Style rankings of DALI. Small Cap Growth has been among the leaders all year long as the style box has been in the top three of the nine style boxes; however, now it has moved up to lead the pack.

DALI Size and Style Rankings:

<u>Rank</u>	<u>Style Box</u>
1	Small-Cap Growth
2	Large-Cap Growth
3	Mid-Cap Blend
4	Mid-Cap Growth
5	Mid-Cap Value
6	Small-Cap Blend
7	Small-Cap Value
8	Large-Cap Blend
9	Large-Cap Value

Rankings as of 5/30/18

Coming off a strong year of 2017, global equity markets have faced more headwinds so far in 2018. The SPDR MSCI ACWI ex-US ETF (CWI) fell more than 2% in the month of May causing the performance of this International Equity benchmark to fall into negative territory on the year. The strength in the US Dollar (DX/Y) has certainly contributed to this near term weakness in the International Equities markets. The US Dollar spent the better part of 2017 falling in a negative trend; however, since falling to a recent low of 88.50 in February of this year the Dollar has rallied more than 7% off its lows to a recent high of 95.00. All of this being said, International Equities continues to hold onto the number two position within the broad asset class ranks of

DALI behind US Equities. The recent weakness in International has caused the gap between US and International to widen a bit, but as it stands today International Equities continues to enjoy a notable lead over the number three ranked asset class, Commodities.

Editorial Note: DALI stands for Dynamic Asset Level Investing and is a tool available on the Dorsey Wright Research platform. The DALI tool was designed as a tactical tool to provide guidance for asset allocation decisions among asset classes, as well as within asset classes, steering an investor toward those areas of the market that are exhibiting superior relative strength. DALI is used to evaluate the supply and demand forces of asset classes, and rank them from strongest to weakest based on a relative strength score. Relative strength is a ranking system used to measure a security's price momentum relative to its peers.