MARKET OUTLOOK

***e*Research Corporation** is pleased to provide a commentary on the market from a seasonality standpoint, courtesy of **Equity Clock**, a division of the **Tech Talk Financial Network**. ***e*Research** also posts, daily, the regular technical opinions provided by affiliate: **Tech Talk: TimingTheMarket**.

Excerpts from the June 1 **Equity Clock** market analysis is provided below.

MARKET COMMENT:

Looking at the month just past, the S&P 500 Index added 1.16% in May, much more than the 0.3% average return for this fifth month of the year. The large-cap benchmark remains firmly above its 20-, 50-, and 200-month moving averages, each of which continues to point higher.

Momentum indicators on the monthly look are solidly in over-bought territory, but have yet to show signs of peaking.

While the aggregate result was a bit out of line with historical tendencies, the sector activity followed well with historical norms. Consumer Staples, which has historically been the best sector in the month of May, added 2.65%, out-performing the broader market.

But, the top spot for this spring month goes to Technology, which added 4.15%. The average increase for the Technology sector in May is merely two-tenths of a percent, based on data from the past 20 years.

Rounding off the top three sector gainers in May was Utilities, which added 3.64% amidst falling interest rates.

The theme in the month seems fairly clear: investors playing for growth while becoming defensive. Three of the FANG stocks (Amazon, Netflix, and Google), as well as Apple, were higher by over 6% in the month as traders keep momentum plays in the green. But outside of this momentum play, defensive stocks are showing out-performance versus cyclicals, a sign of risk aversion.

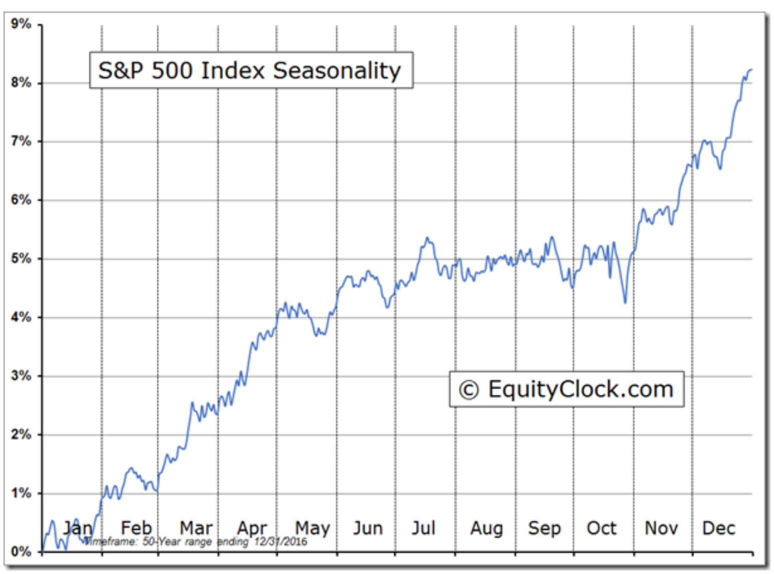
Financials, Energy, and Materials ended in the red as the defensive sectors, including Health-Care, closed the month higher.

This defensive shift is typically a leading indicator of market weakness as investors reduce portfolio beta in anticipation of a pull-back ahead. Defensive, often higher-yielding, equities are in seasonal favour during the summer period as investors hunker down for the volatility that is typical during the summer months.

Looking ahead, the month of June is one of the weaker months of the year for the S&P 500 Index. The large-cap benchmark has averaged a gain of a mere 0.1% over the past 50 years in this last month of the second quarter. Just over half (54%) of Junes have realized a positive result.

Returns for the month have ranged from a loss of 8.6% in June of 2008 to a gain of 5.4% in June of 1999.

Prices tend to trade flat to higher through to mid-month, coinciding with the quarterly futures and options expiration date, then dropping off thereafter as investors reallocate portfolios ahead of the close of the quarter. The end-of-month dip tends to lead to appealing buying opportunities for the summer rally period that follows between June 27th and July 17th, on average.



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