

Market related news for the week ending June 16, 2017

- Science Applications International reported mixed fiscal first-quarter earnings. Profits beat forecasts but revenue was weaker-than-expected and shares dropped—down around 12% in after-hours trading Monday—as a result.
- H&R Block reported stronger-than-expected profits and revenue for the fiscal fourth quarter resulting in a share price jump of almost 11% mid-week. H&R Block attributed the results to cost-cutting during the busy tax season.
- Boeing announced plans to divide their defense, space, and security operation into three smaller units. In 2016, those operating units were responsible for almost one third of Boeing's total revenue. In conjunction with the restructuring, it will cut approximately 50 executive positions.
- The planned merger of Dow Chemical and DuPont has been cleared by the Justice Department. The merger deal is on track to close in August 2016.
- The five largest U.S. technology stocks: Apple Inc., Alphabet Inc., Microsoft Corp., Amazon.com Inc. and Facebook Inc. experienced significant market capitalizations drop this week. The combined fall equaled about \$120 billion.
- The slide was again led by sector heavyweights Apple and Alphabet, as investors moved away from what had been the year's best-performing sector and rotated portfolios into stocks that pay higher dividends amid some signs that U.S. economic weakness.
- Amazon announced a deal to purchase Whole Foods for \$13.7 billion. The announcement of the deal lead to falling share prices for several grocers including Kroger, Costco and Supervalu.

Market levels

| | 06/16/17 | 12/31/16 | Market Low |
|----------|----------|----------|--------------|
| Dow | 21,384 | 19,763 | 6,547 (3/09) |
| S&P 500® | 2,433 | 2,239 | 677 (3/09) |
| NASDAQ | 6,152 | 5,383 | 1,268 (3/09) |
| VIX | 10.38 | 14.04 | 56.7 (1/09) |

Market total returns

| | 1 Week | QTD | YTD | 2016 |
|-----------------|--------|-------|--------|--------|
| Dow | 0.59% | 4.12% | 9.52% | 16.50% |
| S&P 500® | 0.12% | 3.46% | 9.74% | 11.95% |
| NASDAQ | -0.88% | 4.37% | 14.94% | 8.97% |
| Russell Midcap® | 0.29% | 2.94% | 8.23% | 13.78% |
| Russell 2000® | -1.00% | 1.76% | 4.26% | 21.28% |
| MSCI EAFE (Net) | 0.02% | 6.59% | 14.31% | 1.00% |
| MSCI EM (Net) | -1.42% | 5.14% | 17.18% | 11.19% |
| REITs | 1.41% | 3.29% | 5.91% | 8.87% |

Global returns¹

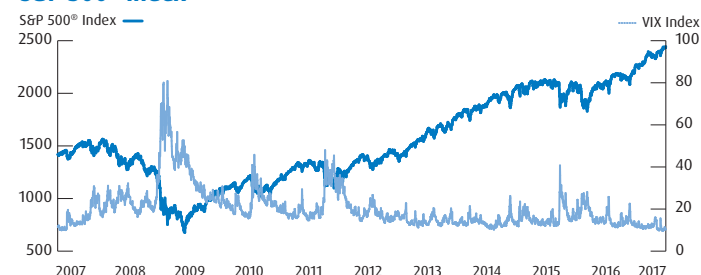
| EAFE countries | 1 Week | YTD | Emerging countries | 1 Week | YTD |
|----------------|--------|--------|--------------------|--------|---------|
| UK | -0.81% | 6.78% | MSCI BRIC | -1.86% | 15.47% |
| Germany | -0.49% | 11.08% | Brazil | -0.94% | 2.32% |
| France | -0.56% | 10.83% | Russia | -3.84% | -12.79% |
| Switzerland | 1.33% | 12.50% | India | -0.60% | 17.29% |
| Japan | -0.35% | 5.19% | China | -0.82% | 1.22% |
| Australia | 1.70% | 4.62% | S. Korea | -0.83% | 16.67% |

¹ See page 3 for global returns country-specific indices.

Real assets

| | 06/16/17 | 12/31/16 | YTD |
|-------------|------------|------------|---------|
| Gold | \$1,253.65 | \$1,152.27 | 8.80% |
| Oil | \$44.74 | \$56.76 | -21.18% |
| Natural Gas | \$3.04 | \$3.59 | -15.31% |
| DJUBS | \$81.27 | \$87.51 | -7.14% |
| USD Index | \$97.16 | \$102.21 | -4.94% |
| USD/EUR | \$1.12 | \$1.05 | 6.48% |

Featured chart: Implied stock market volatility and the S&P 500® Index



Style returns

One week

| | Large | Mid | Small |
|---|--------|-------|--------|
| V | 0.33% | 0.32% | -1.23% |
| G | -0.09% | 0.24% | -0.77% |

Year-to-date

| | Large | Mid | Small |
|---|--------|--------|-------|
| V | 4.99% | 5.37% | 0.35% |
| G | 14.42% | 11.84% | 8.62% |

Russell Value and Growth Indices

Index characteristics

| | Trlg P/E | Fwd P/E | Div Yield | Earn Yield |
|---------------|----------|---------|-----------|------------|
| S&P 500® | 20.95 | 16.73 | 2.02 | 4.77 |
| MSCI EAFE | 18.03 | 14.30 | 3.20 | 5.54 |
| MSCI EM | 14.37 | 11.25 | 2.70 | 6.96 |
| Russell 1000® | 20.88 | 16.93 | 1.98 | 4.79 |
| Russell 2000® | 22.05 | 22.03 | 1.24 | 4.54 |

S&P sector performance

| | Weight | 1 Week | QTD | YTD |
|------------------------|--------|--------|-------|--------|
| Information technology | 22.5% | -1.1% | 4.8% | 18.0% |
| Financials | 14.3% | 0.3% | 2.7% | 5.3% |
| Health care | 14.2% | 0.6% | 4.9% | 13.7% |
| Consumer discretionary | 12.3% | 0.0% | 2.8% | 11.5% |
| Industrials | 10.4% | 1.7% | 5.8% | 10.7% |
| Consumer staples | 9.2% | -0.4% | 3.5% | 10.0% |
| Energy | 6.1% | 0.5% | -4.2% | -10.6% |
| Utilities | 3.3% | 1.6% | 6.5% | 13.3% |
| Materials | 2.9% | -0.7% | 3.6% | 9.6% |
| REITs | 2.9% | 1.6% | 3.5% | 7.1% |
| Telecommunications | 2.2% | 0.1% | -3.4% | -7.2% |

Economic news for the week ending June 16, 2017

- Tuesday: Producer Price Index for Final Demand (PPI-FD) for May was unchanged over the previous month and is up 2.4% year-over-year.
- Wednesday: Consumer Price Index (CPI) for May decreased 0.1%. Excluding the more volatile categories of food and energy the index is up 1.9% year-over-year.
- Wednesday: Retail Sales for May decreased unexpectedly by 0.3% compared to consensus estimates of 0.1% increase.
- Wednesday: The Federal Reserve raised short-term interest rates 25 basis points to a range of 100-125 basis points. Janet Yellen, Chair of the Federal Reserve, confirmed the likelihood that the Federal Reserve would make one more rate hike in 2017 and three hikes in 2018.
- Thursday: Industrial Production for May did not change month-over-month. The consensus estimate was for a 0.2% increase.
- Friday: Housing Starts for May fell unexpectedly to 1.092 million annualized units versus a consensus estimate of 1.223 million units. Housing permits — a longer-term indicator — were reported to be 1.168 million annualized units.

Economic events for the week ending June 23, 2017 (all times listed are Eastern)

- This week seven Federal Reserve board members make public speaking appearances
- Wednesday: Existing Homes Sales for May will be reported at 10:00am
- Friday: New Home Sales for May will be reported at 10:00am

Bond market returns

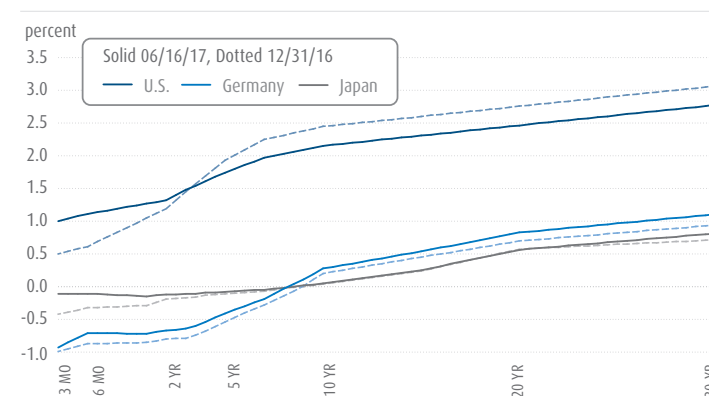
| | U.S. Aggregate | Intermediate Gov't/Credit | U.S. Treasury | Inv. Grade Corporates | MBS | 1-10-Yr Municipals | High Yield | EM Corporates |
|---------------------------------|----------------|---------------------------|---------------|-----------------------|--------|--------------------|------------|---------------|
| 1-Week Total Return | 0.26% | 0.15% | 0.31% | 0.49% | 0.02% | -0.03% | 0.10% | 0.22% |
| MTD Total Return | 0.30% | 0.15% | 0.32% | 0.61% | -0.01% | 0.03% | 0.22% | 0.32% |
| 3-Month Total Return | 2.59% | 1.80% | 2.35% | 3.74% | 1.96% | 2.53% | 3.43% | 2.79% |
| YTD Total Return | 2.69% | 2.07% | 2.36% | 4.11% | 1.75% | 3.35% | 5.02% | 4.93% |
| 12-Month Total Return | 0.61% | 0.53% | -1.34% | 3.35% | 0.60% | 0.80% | 13.82% | 8.30% |
| Effective Duration (years) | 6.00 | 4.10 | 6.28 | 7.54 | 4.51 | 4.04 | 3.84 | 4.52 |
| Effective Maturity (years) | 8.25 | 4.46 | 7.71 | 10.94 | 6.86 | 5.84 | 6.32 | 6.30 |
| Yield to Worst | 2.47% | 1.99% | 1.81% | 3.13% | 2.76% | 1.61% | 5.50% | 4.39% |
| OAS (basis points) | 44 | 33 | NA | 112 | 33 | NA | 365 | 265 |
| Average OAS (from January 1997) | 63 | 55 | NA | 153 | 55 | NA | 550 | 491 |

Key rates

| | This week | Prior week | Most recent quarter-end | Prior year-end |
|---------------------|-----------|------------|-------------------------|----------------|
| 2-Year Treasury | 1.32 | 1.34 | 1.26 | 1.19 |
| 5-Year Treasury | 1.74 | 1.77 | 1.92 | 1.93 |
| 10-Year Treasury | 2.15 | 2.20 | 2.39 | 2.45 |
| 2-Year AAA Muni | 0.90 | 0.89 | 1.03 | 1.23 |
| 5-Year AAA Muni | 1.24 | 1.22 | 1.58 | 1.80 |
| 10-Year AAA Muni | 1.85 | 1.86 | 2.26 | 2.35 |
| 2-Year A Corporate | 1.84 | 1.86 | 1.84 | 1.80 |
| 5-Year A Corporate | 2.42 | 2.46 | 2.61 | 2.61 |
| 10-Year A Corporate | 3.12 | 3.18 | 3.37 | 3.37 |

Fixed income markets

Developed markets | Government Bond yield curves





¹ Global returns shown on page one represent the following indices: FTSE 100 Index (UK), Deutsche Borse AG German Stock Index (Germany), CAC 40 Index (France), Swiss Market Index (Switzerland), Nikkei-225 Stock Average (Japan), S&P/ASX 200 (Australia), MSCI BRIC Index, Ibovespa Brasil Sao Paulo Stock Exchange Index (Brazil), Russian Trading System Cash Index (Russia), S&P BSE Sensex Index (India), Korea Stock Exchange KOSPI Index (South Korea), The Shanghai Stock Exchange Composite Index (China).

Equity indices

S&P 500® Index (S&P 500®) is an unmanaged index of large-cap common stocks.

Dow Jones Industrial Average (Dow) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 1000® Index (Russell 1000®) consists of approximately 1,000 of the largest companies in the U.S. equity markets.

Russell 1000® Growth Index measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index (Russell Midcap®) measures the performance of the smallest 800 U.S. companies in the Russell 1000 Index.

Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

Russell 2000® Growth Index measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index measures the performance of those Russell 2000 Companies with lower price-to-book ratios and lower forecasted growth values.

MSCI EAFE Index (NDDUEAFE) (Developed Markets)—MSCI EAFE Index Europe, Australasia, and Far East Index (EAFE) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International.

MSCI Emerging Markets Index (NDUEEGF) is a market capitalization weighted index comprised of over 800 companies representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

VIX Index—The Chicago Board Options Exchange Market Volatility Index is a measure of implied volatility of S&P 500 index options, often referred to as the “fear” index.

MSCI BRIC Index (NDUEBRIC) is a free float weighted equity index designed to measure performance of the following four emerging market country indices: Brazil, Russia, India and China.

NIKKEI 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

KOSPI Index is a capitalization-weighted index of all common shares on the Korean Stock Exchanges.

FTSE NAREIT All Eq REITs Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation.

Deutsche Borse AG German Stock Index (DAX) is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CAC 40 Index is a modified cap-weighted index of 40 companies on the Paris Bourse.

Swiss Market Index is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basle Stock Exchanges.

S&P/ASX 200 measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization. Representative liquid and tradable, it is widely considered Australia’s preeminent benchmark index. The index is float-adjusted.

Ibovespa Brasil Sao Paulo Stock Exchange Index is a gross total return index weighted by market value to the free float & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

Russian Trading System Cash (RTS) Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange.

S&P BSE Sensex Index is a cap-weighted index. The index members have been selected on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation.

Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

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Fixed income indices

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged index comprised of government and corporate bonds rated BBB or higher with maturities between 1-10 years.

Bloomberg Barclays U.S. Corporate Bond Index is designed to measure the performance of the U.S. corporate bond market.

Bloomberg Barclays U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg Barclays U.S. MBS Index is an index that includes 15- and 30-year fixed-rate securities backed by mortgage pools of GinnieMae, FreddieMac and FannieMae.

Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Barclays Emerging Markets Corporate Index is a component of the Barclays US Emerging Markets Index which is made up of debt issued by corporations.

Other Definitions

Duration: incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Effective duration can also be defined as the approximate percentage change in a security's price that will result from a 1% (100-basis-point) change in its yield.

Yield to Worst: lowest potential yield that can be received on a bond without the issuer defaulting. This yield measure takes in to account any bond calls or sinking funds.

OAS: acronym for "option adjusted spread" which is the spread that has to be added to the Treasury yield curve in a pricing model (including embedded options) to discount a security to match its market price.

Investments cannot be made in an index.

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