Markets Post Small Gains in May

Continuing political tension from anonymous leaks send the market lower for the majority of the month. However, with the President on his first international trip and a dovish outlook from the Fed was enough to propel the major indices to modest gains.

For the month, the DJIA gained 0.3% and is up 6.3% for the year. The NASDAQ gained 2.7% and is up 15.2% for the year while the S&P 500 gained 1.2% and is up 7.7% for the year.

The Williams Sector Strength Strategy fund choice, Fidelity Select Banking (FSRBX), finished the month down 2.6%. With the likelihood of Trump's Tax plan being pushed to later in the year, EIS recommends transferring assets in FSRBX to Fidelity Select Semiconductors (FSELX). FSELX is the top choice for the Williams' Sector Strength Strategy. FSELX was the top performing Fidelity Select Fund during May rallying 7,4%.

For the Diversified Williams' Sector Strength Strategy: ¼ of FSRBX holdings should be transferred to FSELX and the remaining ¾ of assets should be transferred to Fidelity Select Utilities (FSUTX). Utilities usually rally over the summer month, so the addition of this fund should provide some downside protection.

The remaining Fund that makes up the Diversified Williams Sector Fidelity Select Chemicals (FSHCX) was down 2.4% during May. If bi-partisan infrastructure plans is approved FSCHX should rally. FSCHX remains recommended.

The Widely-Held Stock Strategy, which remains the top performing strategy so far this year, struggled during May. The One and Only was down 1.2% in May and is up 12.3% for the year. The Terrific Two lost 1.4% in May and is up 14.4% for the year, The Fantastic Four lost 2.0% and is up 16.9% for the year. Following the strategy at the end of each quarter, the current stocks will be replaced with four new stocks that meet the criteria. This information is posted on the website under Widely-Held Stocks Tab.

There were lots of news on the MLPs . First up is EEP, as somewhat telegraphed, EEP has reduced its dividend from $0.58/unit to $0.35/unit. The dividend yield is now 8.4%. Although no one likes a dividend cut, the first in EEP history, the yields of this MLP still look attractive. EEP remains recommended.

Sunoco Logistics Partners L.P. (SXL) and Energy Transfer Partners, L.P. (ETP) announced the completion of their previously announced merger of an indirect subsidiary of SXL.

At the effective time of the merger, each ETP common unit converted into the right to receive 1.5 SXL common units

As part of the completion of the merger, Sunoco Logistics Partners L.P. changed its name to Energy Transfer Partners, L.P. and its common units and begin trading on the New York Stock Exchange ("NYSE") under the "ETP" ticker symbol on Monday, May 1, 2017.

SXL dividend is lower ETPs and transfer resulted in a 20% decline in dividends, however, investors now own 50% more shares than they did before the merger. SXL has a history of dividend increases. ETP increased it dividend $0.015 per unite for its 48 consecutive quarter of increases. ETP current dividend is $0.535/unit and has a dividend yield of 9.7%. This MLP is our top recommended MLP.

With the energy market still struggling with supply issues, shares of EEP of ETP could struggle in the immediate future, however, after the mergers and dividend adjustments, dividends are much more substainable. For investors looking for income both EEP and ETP remain recommended..

So what's next for the market? Political events were able to move markets briefly last month. Many Democrats seem to be counting on Trump being removed from office in the near future, leaving their own candidate to run against Pence in 2020.

Let's be clear: This is pure fantasy.

What about Comey? The Russians? Trump's financial quagmires?

Impeachment would require a majority in the House. Actually removing Trump from office would require at least a two-thirds vote in the Senate as well. Without massive Republican defections, Democrats will not be in a position to impeach Trump, let alone achieve the two-thirds majority required in the Senate to actually depose him. The 2018 elections will not change this reality. It will be extremely difficult for Democrats to gain even a simple majority in the Senate in 2018. A two-thirds majority is out of the question. As for taking the House? Even less likely.

Could Trump instead be declared unfit for duty in accordance with the 25th amendment? No chance. First, this would require the vice president and a majority of his Cabinet to turn on him. Then, if Trump protested his ouster (which he would), it would take a two-thirds majority in both chambers of Congress to prevent him from regaining power. As previously discussed, this is wildly implausible.

Although political redecorate could rattle the market in the short-term, a bombshell and market sell-off event of Trump's stepping down will not happen.

The final arbiter on the economy is often the Federal Reserve The central bank looks at growth and makes policy decisions accordingly. Judging by recent statements out of the Fed, it's prepared to move ahead with additional rate hikes this year as well as to begin the process of winding down its $4.5 trillion balance sheet. Expect to here more dovish comment from UltraDove Fed chairperson Janet Yellen. This will likely keep Treasury Notes trading below 2.5%.

The most important gauge of surprises measured against expectations happens during earnings season. The first quarter of 2017 provided a pleasant upside. Fully 75 percent of S&P 500 companies beat estimates, good for a profit increase of 13.9 percent, the best since Q3 of 2011.

The Technology Sector remains the top-performing sector YTD. The large majority of the gains of this sector are coming from four stocks. Amazon, Google, Apple and Facebook.   Although June is a historical flat month for the market, the last trading two trading days of June followed by the next 8 trading days of July is historically the 10 day period of the year for the technology sector. EIS is increasing technology assets in all portfolios. This position will be held until July 19th, the beginning of the weaker seasonal time for the market. Assets in this sector will be reduced after that date.

Small/Mid Cap, historically outperformed the market during the first quarter of the year. This year that rally came right after the election. Small rally late last year and have underperformed the S&P 500 during 2017. Small Caps historically struggled over the summer months. Allocations in this asset class will be reduced.

Fidelity Select Semiconductors (FSELX) has become the top fund pick for The Williams Sector. Allocations will increase in this asset class. Fidelity Select Utilities (FSUTX) will be added to all portfolios. This sector, which is defensive in nature, historically perform well over the summer months .

The Sell date for Ford was May15th (subscribers who missed this trade should execute it now – the is up 0.5% form its sell price). Ford stock replaced with Fidelity Select Utilities (FSUTX). June 30th is the sell date for GM stock.

There are multiple portfolio changes this month. Check out changes and stay tuned.

If a change is recommended between scheduled updates, EIS will **Text Message** ***subscriber.***

EIS has rebuilt its website and it was posted on June 2nd.

We would welcome any comments. They can be sent to jreis@provide.net.