

# Weekly Market Update: May 27, 2011

## The Economy

- Despite this week's sluggish economic data, SEI maintains a bullish outlook because of expansive U.S. monetary policy, and believes that it is reasonable to expect continuing growth.
- The U.S. Department of Commerce reported that first-quarter gross domestic product (GDP) was unchanged from an earlier estimate, growing at a 1.8% pace. Economists were expecting an upward revision to 2.1%. A deceleration in consumer spending due to surging energy costs contributed to the low number.
- The Federal Reserve Bank of Chicago reported that its National Activity Index fell to -0.45 in April from 0.32 in March, indicating below-trend growth in the U.S. economy. Compromised auto production as a result of the disasters in Japan was to blame for the decline.
- The Personal Consumption Expenditures Core Price Index was in line with consensus expectations for the month of April, coming in with a 0.2% increase on a month-over-month basis, according to the U.S. Department of Commerce.
- Manufacturing activity in the central Atlantic region slowed after seven consecutive months of expansion, as the Richmond Federal Reserve Bank's Index registered a reading of -6 in May.
- The U.S. labor market continued to show instability, as the U.S. Department of Labor reported that initial jobless claims increased by 10,000 to reach 424,000 last week.
- The Mortgage Bankers Association stated that U.S. mortgage applications rose for a fourth consecutive week with an increase of 1.1%.
- Consumer confidence, as measured by the Thomson Reuters/University of Michigan Consumer Sentiment Index, strengthened from 69.8 in April to 74.3 in May, as job gains offset consumer concerns about inflation.
- According to the Office for National Statistics, U.K. GDP rose 0.5% in the first quarter, matching initial estimates. Growth was aided by a 3.7% increase in exports, which helped to offset a 0.6% decline in consumer spending and a 4.4% drop in business investment.
- Markit Economics reported that European services and manufacturing growth experienced a slowdown in May, as a composite index dropped to 55.4 from 57.8 in April. While a reading above 50 still indicates expansion, it is feared that rising energy costs may be taking a toll on both sectors.
- The European Commission reported that economic sentiment in the eurozone reached a six-month low in May, as its Economic Sentiment Indicator dropped to 105.5 from 106.1 the month prior. The third consecutive month of declining confidence has led to concerns about a possible slowdown for the economic recovery.

## Economic Calendar

- May 31: Consumer Confidence, Chicago Purchasing Managers' Index
- June 1: ISM Manufacturing, ADP Employment Change
- June 2: Initial Jobless Claims, Nonfarm Productivity, Factory Orders
- June 3: Change in Nonfarm Payrolls, Unemployment Rate

## Stocks

- Global equity markets were marginally positive for the week.
- In the U.S., value stocks beat growth stocks, and small-company stocks beat large-company stocks. Energy and Industrial Products performed well, while Health Care and Utilities lagged.
- In the U.K., Materials, Energy and Financials performed best. Health Care, Consumer Discretionary and Telecommunications lagged.

- In Europe, Health Care, Financials and Energy did best, while Industrials, Telecommunications and Information Technology struggled.

## Bonds

- Global bond markets were higher for the week.
- On a global level, government bonds performed best. Asset-backed securities also performed well.
- Municipal bond funds saw outflows continue for a twenty-eighth consecutive week, as \$296 million left the funds. The inflow streak for taxable bond funds continued for a twenty-third consecutive week, with \$3.8 billion entering the funds.

The Numbers as of Friday May 27, 2011	1 Week	YTD	1 Year	Friday's Close*
<b>Global Equity Indices*</b>				
MSCI World (\$)	0.1%	4.6%	23.4%	1338.5
MSCI EAFE (\$)	0.2%	4.1%	23.9%	394.1
MSCI Emerging Mkts (\$)	0.6%	-0.3%	26.9%	1147.8
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	-0.6%	7.5%	21.3%	12441.6
S&P 500 (\$)	-0.2%	5.8%	20.7%	1331.1
NASDAQ (\$)	-0.2%	5.4%	22.8%	2796.9
S&P/TSX Composite (C\$)	1.1%	2.6%	17.4%	13797.6
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	-0.2%	1.0%	15.6%	3094.6
MSCI Europe ex UK (€)	-1.1%	0.9%	10.1%	943.7
<b>Asian Equities</b>				
Topix (¥)	-0.3%	-8.2%	-5.2%	824.9
Hong Kong Hang Seng (\$)	-0.4%	0.4%	19.0%	23118.1
MSCI Asia Pac. Ex-Japan (\$)	-0.6%	1.4%	30.4%	485.4
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	2.9%	-3.7%	20.8%	4444.9
Mexican Bolsa (peso)	1.5%	-7.1%	11.7%	35819.2
Brazilian Bovespa (real)	2.7%	-7.2%	3.5%	64295.0
<b>Commodities (\$)*</b>				
West Texas Intermediary Spot	1.1%	10.1%	34.9%	100.6
Gold Spot Price	1.7%	8.2%	26.9%	1537.6
<b>Global Bond Indices (\$)*</b>				
Barclays Capital Global Agg.	0.3%	2.9%	6.0%	190.5
JPMorgan Emerging Mkt Bond	-0.3%	3.6%	12.4%	541.5
<b>10-Year Yield Change (basis points**)</b>				
US Treasury	-7.2	-22.1	-28.8	3.07%
UK Gilt	-5.1	-10.4	-32.1	3.29%
German Bund	-7.1	2.1	28.0	2.98%
Japan Govt Bond	0.0	0.2	-12.5	1.13%
Canada Govt Bond	-8.6	-5.9	-31.3	3.06%
<b>Currency Exchange Rates*</b>				
US\$ per euro***	0.5%	6.6%	15.6%	1.4271
Yen per US\$	-1.0%	1.0%	-11.0%	80.82
US\$ per £***	-2.3%	-2.6%	13.3%	1.6487
C\$ per US\$	-0.3%	-1.0%	-7.0%	0.9766
Source: Bloomberg, total return. Equity returns are index price only. *New York close for Commodities, currency returns, and global equity and bond indices; all else local market close. **100 basis points = 1 percentage point. ***A gain in US\$ per euro and £ = a decline in the dollar, and vice-versa.				

*Index returns are for illustrative purposes only and do not represent actual fund performance.*

*Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.*

*Diversification may not protect against market risk. There are risks involved with investing, including loss of principal.*

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