

**HEADLINE NEWS**
**Investors Cautious Ahead of Busy Thursday**

- The path of least resistance for stocks continues to be to the upside as investors have been able to shake off noise out of Washington D.C., geopolitical tensions, and terror attacks abroad. The underpinnings of the rally have been a recovery of corporate profits, improving global economic growth, and policy expectations as they relate to the administration's growth agenda. However, investors are taking a more risk-off approach as they await Thursday's potentially big events: former FBI Dir. Comey's testimony before the Senate's intelligence committee, the ECB's latest monetary policy decision, and the UK's general election.

**Illinois is Downgraded One Notch Above Junk**

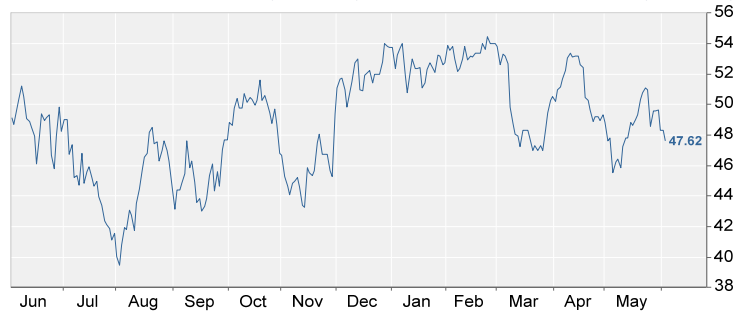
- Both S&P and Moody's downgraded the State of Illinois' General Obligation rating to one notch above junk at BBB- and Baa3, respectively. The negative rating action stemmed from the passing of a May 31<sup>st</sup> deadline to come to an agreement on a fiscal 2018 spending plan. Although the fiscal year begins July 1, Illinois law stipulates that a budget passed after 5/31 requires a two-thirds majority vote. Given the increasingly partisan political environment in the state, the rating agencies clearly voiced their lack of optimism that the Illinois legislature can come to an agreement in a timely manner. We agree with this opinion, and even if a plan is approved by 7/1, we doubt it will include material improvements to the state's fiscal profile. With 7/1 fast approaching, it is likely that Illinois will head into the third consecutive fiscal year without a formal spending plan in place. Both S&P and Moody's have acknowledged that a failure to come to a meaningful resolution in the near-term could result in Illinois being downgraded to sub-investment grade. A move to sub-investment grade would be historical. Considering data back to 1970, neither S&P nor Moody's have rated a state below investment grade. It remains uncertain if this threat of "junk" status is enough to motivate politicians to break the multi-year stalemate. The market responded to the rating actions with intermediate Illinois spreads widening 34 basis points. 10-year GO bonds now trade 261 basis points wider than the AAA municipal benchmark.

**S&P 500**

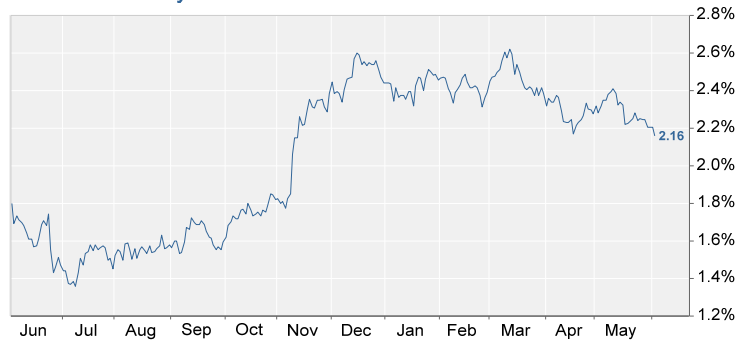

Source: FactSet Prices

**WTI Crude Oil Spot Price (\$/barrel)**

Max: 54.48 (23-FEB-17), Min: 39.50 (02-AUG-16), Last: 47.62 (02-JUN-17)



©FactSet Research Systems

**US 10Y Treasury Yield**


©FactSet Research Systems

**NOTABLE EARNINGS DUE THIS WEEK**

DATE	TIME	TICKER	COMPANY NAME
6/7	08:00 AM	BF.B-US	Brown-Forman Corp.
6/8	07:00 AM	SJM-US	The J. M. Smucker Co.

Source: FactSet and API

**KEY MACROECONOMIC DATA DUE THIS WEEK**

DATE	TIME	EVENT	PERIOD	CONSENSUS	PRIOR
6/7	10:30 AM	EIA Crude Oil Stocks	06/02		-6.4M
6/8	08:30 AM	Initial Claims SA	06/03	240K	248.0K
6/9	01:00 PM	Baker Hughes U.S. Rotary Oil Rigs	06/09		733.0

Source: FactSet and API

**INDEX RETURNS (AS OF 6/2/2017)**

	MTD	YTD
S&P 500	1.14	9.91
Dow Jones Ind. Avg.	0.98	8.52
Barclays MM Short 1-5 Yr.	0.04	2.39
Barclays MM 1-10 Yr.	0.12	3.91
ML US Gov/Corp 1-10 Yr.	0.11	1.72

Source: Interactive Data

**APPLETON PARTNERS, INC ONE POST OFFICE SQ. BOSTON, MA 02109 TEL. 617.338.0700 WWW.APPLETONPARTNERS.COM**

This commentary reflects the opinions of Appleton Partners based on information that we believe to be reliable. It is intended for informational purposes only, and not to suggest any specific performance or results, nor should it be considered investment, financial, tax or other professional advice. It is not an offer or solicitation. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. While the Adviser believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warrant the accuracy of any third-party sources or information. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable. Any securities identified were selected for illustrative purposes only, as a vehicle for demonstrating investment analysis and decision making.