

Monthly Market Perspectives

May 2024

KEY INSIGHTS

- U.S. stock indices rose in May as first quarter earnings came in better than expected and bond yields fell across the curve. Developed and emerging market equities traded higher.
- Bond yields fell during the month as economic activity, employment, and inflation moderated. CPI and PCE still remain higher than the Fed's 2% target rate, although they have made progress after posting stronger than expected prints in the first three months of the year.
- Mixed economic data has caused the Federal Reserve to maintain its higher for longer narrative while the bond market continues to price in 1-2 rate cuts for the year.

WHAT TO WATCH

- ISM Services Index 06/05
- Unemployment Rate 06/07
- Nonfarm Payrolls 06/07
- CPI 06/12
- PPI 06/13
- PCE Deflator 06/28

ECONOMY

- GDP for the first quarter of the year was revised down to 1.3% from the previous estimate of 1.6%.
- The labor market showed weakness as the unemployment rate increased to 3.9% and nonfarm payrolls surprised to the downside.
- The ISM Manufacturing index declined below 50 to 49.2, indicating the sector contracting after last month's expansion. The service sector contracted for the first time since December 2022.
- The headline inflation rate (CPI) in the US came in at 3.4%, in line with expectations. The Fed's preferred inflation gauge, PCE, came inline with expectations at 2.7% year over year.

FIXED INCOME

- In the bond markets, yields across the curve fell during the first half of the month as inflation, retail sales, economic activity and employment figures softened. The Bloomberg U.S. Aggregate Index rose by 1.7%, while the Bloomberg U.S. Corporate High Yield Index rose 1.1%.
- Yields began to tick up in the second half of May as numerous Fed Governors reiterated the importance of keeping rates higher for longer, given stubborn levels of inflation.
- Spreads on corporate bonds remain very tight by historical standards.
- Interest rate futures are still pricing 1-2 cuts for 2024, down from 5-6 cuts at the beginning of the year.

EQUITY MARKETS

- In May, the S&P 500 rose 5.0%. US small and mid cap indices rose during the month by 5.0% and 4.4%, respectively. Developed international and emerging markets rose by 4.0% and 0.6%, respectively.
- As of May 31st, 98% of the S&P 500 had reported earnings, according to FactSet. 78% of companies have beat earnings estimates by an average of 7.4%, compared with the 5 year average of 77% beating by 8.5%.
- The blended growth rate for first quarter earnings is currently 5.9%. If the positive growth rate is achieved, this will mark the highest growth rate since the first quarter of 2022.
- The market still expects nearly 11% earnings growth for 2024. The continued price appreciation of the market will likely hinge on this growth materializing as the S&P 500 has a forward 12 month P/E ratio of 20.3, materially higher than the 10 year average of 17.8.

COMMODITIES / CURRENCIES / REAL ESTATE

- West Texas Intermediate (WTI) declined during the month, ending at \$76.99 a barrel.
- Gold prices increased to \$2,327.33 per oz., up ~\$41 from the end of April.
- The U.S. dollar (USD) Spot Index decreased ~1.46% against a basket of currencies.
- Domestic real estate finished the month higher, as the Wilshire U.S. Real Estate Securities Index rose ~4.86% in May.



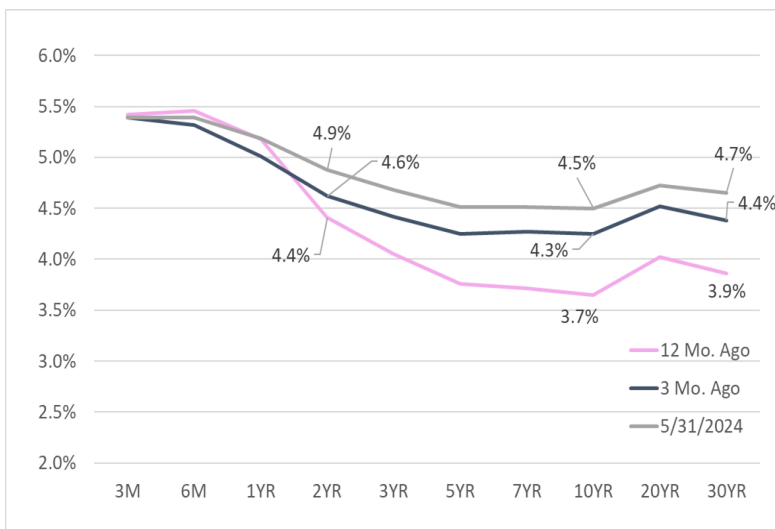
GLOBAL MARKET SUMMARY

Index	Level	1 Mos.	3 Mos.	12 Mos.
S&P 500	5,277.51	5.0%	3.9%	28.2%
Dow Jones Industrial Average	38,686.32	2.6%	-0.3%	20.0%
NASDAQ Composite	16,735.02	7.0%	4.2%	30.4%
MSCI Emerging Markets	1,048.96	0.6%	3.6%	12.8%
MSCI EAFE	2,355.67	4.0%	4.9%	19.2%
MSCI All Country World	785.54	4.1%	4.0%	24.1%

U.S. TREASURY MARKET

Maturity	12 Mo. Ago	3 Mo. Ago	5/31/2024	Change 3 Month
1M	5.2%	5.4%	5.4%	-0.03%
3M	5.4%	5.4%	5.4%	0.01%
6M	5.5%	5.3%	5.4%	0.07%
1YR	5.2%	5.0%	5.2%	0.18%
2YR	4.4%	4.6%	4.9%	0.25%
3YR	4.0%	4.4%	4.7%	0.27%
5YR	3.8%	4.2%	4.5%	0.26%
7YR	3.7%	4.3%	4.5%	0.24%
10YR	3.7%	4.3%	4.5%	0.25%
20YR	4.0%	4.5%	4.7%	0.21%
30YR	3.9%	4.4%	4.7%	0.27%

U.S. TREASURY YIELD CURVE



U.S. EQUITY SIZE & STYLE RETURNS

3 Month				12 Months		
Value	Core	Growth		Value	Core	Growth
3.03%	3.91%	4.62%	Large	24.01%	28.17%	31.76%
3.65%	3.59%	3.50%	Medium	20.84%	25.94%	30.82%
1.11%	2.36%	3.57%	Small	16.19%	20.25%	24.19%

S&P 500 Index Sector Returns

Index	1 Mos.	3 Mos.	12 Mos.
Information Technology	10.1%	6.2%	38.2%
Health Care	2.4%	-0.5%	14.4%
Financials	3.2%	3.6%	33.6%
Cons. Discretionary	0.3%	-3.9%	20.8%
Industrials	1.7%	2.3%	29.7%
Communication Services	6.6%	8.9%	41.8%
Cons. Staples	2.5%	5.1%	11.9%
Energy	-0.4%	9.3%	25.1%
Utilities	9.0%	18.1%	16.0%
Real Estate	5.1%	-2.1%	9.3%
Materials	3.2%	4.9%	24.5%

U.S. FIXED INCOME

Index	Level	1 Mos.	3 Mos.	1 Year
Bloomberg U.S. Treasury Bills: 1-3 Months	280	0.7%	0.7%	3.4%
Bloomberg U.S. Aggregate	2,126	1.7%	0.0%	1.3%
Bloomberg Treasury	2,235	1.5%	-0.3%	-0.2%
Bloomberg U.S. TIPS	342	1.7%	0.8%	1.6%
Bloomberg U.S. Credit	3,185	1.9%	0.6%	4.4%
Bloomberg Corporate High Yield	2,520	1.1%	1.3%	11.2%

OTHER

	5/31/2024	4/30/2024	2/29/2024
Fed Funds Target	5.5	5.5	5.5
30-Year Fixed Mortgage	7.29	7.55	7.30
WTI Oil (\$/barrel)	76.99	81.28	76.18
Gold (\$/oz)	2327.33	2286.25	2044.30
Natural Gas (\$/mmBtu)	2.59	1.99	1.86
Euro (\$/€)	1.085	1.067	1.081



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