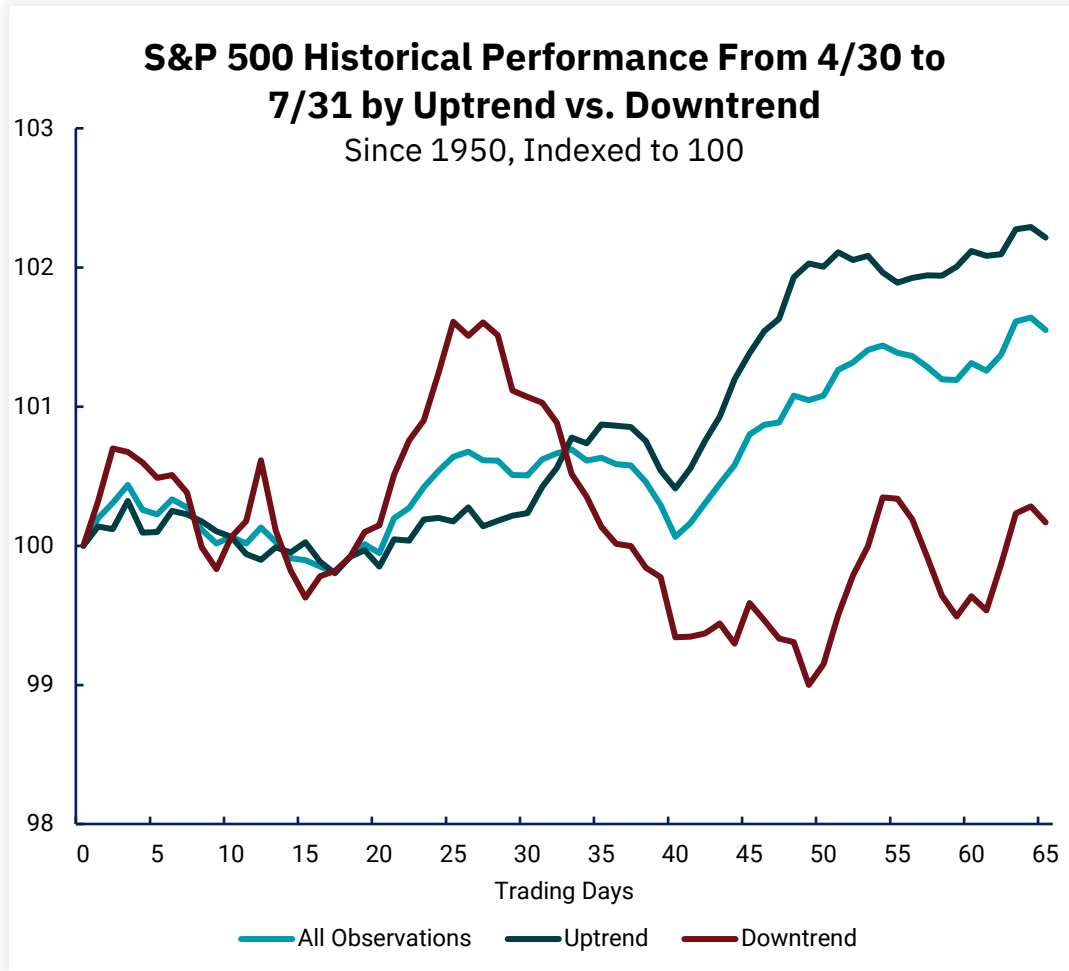


Weekly market update



Chart of the week (May 31, 2024)



Many investors are familiar with the old Wall Street axiom “sell in May and go away.” It essentially suggests investors should reduce equity exposure during the six months from May to October. And so, is there any truth to this axiom? Well, on one hand, research has found that May through October is the weakest six-month return window for the S&P 500 going back to 1950. On the other hand, although this data from May through October appears poor, a different story emerges by cutting the data in half and looking at the historical S&P 500 performance data for just the period from April 30 to July 31.

Our chart this week shows just that: the performance of the S&P 500 in trading days from April 30 to July 31 since 1950. It’s separated into three data sets: performance for all years, performance during an upward trending market environment and performance during a downward trending market environment. Looking across all observations (the light blue line), the period between April 30 and July 31 delivered a positive return of 1.6%. During the years coinciding with an upward-trending market environment (the dark blue line), the period between the same period delivered a return of 2.2%. During the years coinciding with a downward trending market environment (the red line), the S&P 500 returned 0.2%. In other words, in all scenarios, the performance was positive, though to differing degrees.

Today, the S&P 500 is in an upward-trending market environment. The best period of performance in an upward-trending market environment does not start until late May, according to the data. And so, our evaluation of historical performance suggests that there may still be room for the S&P 500 to appreciate in the coming months, meaning that the axiom likely doesn’t hold true right now.

Still, it bears considering: what is the obstacle most likely to stand in the way of the equity markets continuing to perform well? The most visible near-term risk surrounds inflation, interest rates and the Federal Reserve. If investors receive hotter-than-expected inflation readings (or inflation-related data), this could cause an increase in interest rates and bring back fear of a more hawkish Federal Reserve—a Federal Reserve that is more likely to adhere to a higher-for-longer policy approach to interest rates. There are certainly other potential risks lurking in the markets out there, including geopolitical events. Still, if history is any guide, investors may be looking at a relatively warm summer—in the equity markets, at least.

Weekly market update



Commentary (May 31, 2024)

Domestic Equities

- U.S. stocks fell for the week, dragged down by some big earnings misses and weak economic data.
- Big Tech came under pressure as Salesforce reported quarterly revenue that missed expectations and cut its fiscal-year outlook. The stock fell over 20% on the news Thursday, and the tech-heavy Nasdaq Composite ended the week down over 1%.
- Several durable companies fared better during the week. HP reported strong results and a bright outlook for devices with AI capabilities coming to the market this year. Costco also reported positive financial results and a positive outlook.
- GDP grew at a slower-than-expected pace in the first quarter, which is good news for stubbornly high inflation but also indicates that Americans are spending less on goods and services.

Bonds

- U.S. Treasury yields initially rose following a series of lackluster auction results, with the two-, five-, and seven-year auctions tailing during the week. However, yields moved lower into the end of the week, after first quarter GDP was revised lower and the U.S. Consumer Expenditure Index (PCE) advanced at its slowest pace since last December.
- The broad investment-grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was slightly positive for the week, with the drop in short-term rates and narrowing spreads credit spreads being most additive to return.
- European bond yields moved higher on hotter-than-expected eurozone CPI data. Despite the upside surprise in inflation data, the market is still pricing in 96% probability that the ECB will cut rates on June 6.

International Equities

- Foreign markets fell this week as stocks came under pressure from rising bond yields as inflation remains elevated, depressing risk assets. Higher yields suggest that global central banks could delay future policy rate cuts.
- European stocks tumbled this week, dragging down returns in developed markets. Inflation rose slightly more than expected in both the eurozone region and Australia. At the same time, unemployment within the eurozone fell to a record low in April, a signal that the region's job market is stronger than expected ahead of the European Central Bank (ECB) meeting.
- Emerging markets fell for the second straight week, ending May on a low note, as markets across Asia and Latin America fell. India's GDP rose 8.2% for the fiscal year ending in March, making it one of the world's fastest-growing economies.

Economics

- The Bureau of Economic Analysis (BEA) reported personal income rose 0.3% in April, an increase of \$65 billion compared to the prior month, and disposable income increased 0.2%, totaling \$40 billion.
- The BEA also reported consumer spending increased by \$39 billion, exclusively due to a rise in services spending. That's as spending on durable and non-durable goods declined in the month. The personal savings rate was unchanged at 3.6%.
- Personal Consumption Expenditures (PCE) inflation was 0.3% in April and 2.7% over the prior 12 months. Core PCE inflation was slightly higher at 2.8%.
- The Job Openings and Labor Turnover Survey (JOLTS) report will be released on Tuesday, and the May employment report will be released on Friday.

Weekly Market Update

For Week Ending May 31, 2024

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	38,686.32	-0.9%	3.5%	20.0%
S&P 500 Index	5,277.51	-0.5%	11.3%	28.2%
NASDAQ Composite	16,735.02	-1.1%	11.8%	30.4%
S&P 400 Midcap Index	2,982.86	0.2%	7.9%	26.0%
S&P 600 Smallcap Index	1,329.65	0.7%	1.6%	20.3%
MSCI EAFE	8,334.24	-0.1%	7.1%	18.5%
MSCI Emerging Markets	552.02	-3.1%	3.4%	12.4%
Bloomberg US Agg	2,126.49	0.0%	-1.6%	1.3%
Bloomberg Municipal 5 Yr	479.93	-0.2%	-1.8%	1.9%
Bloomberg US Corporate	3,185.11	0.1%	-1.1%	4.4%
Bloomberg Glb Agg ex US Hdg	564.13	-0.1%	-0.1%	4.6%
Bloomberg High Yield	2,520.25	0.0%	1.6%	11.2%
MSCI US REIT Index	2,076.13	1.7%	-3.4%	8.5%
Bloomberg Commodity Index	241.80	-1.8%	6.8%	10.9%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	5.50%	5.25%
3-Month Treasury	5.40%	5.40%	5.33%	5.39%
1-Year Treasury	5.18%	5.20%	4.76%	5.17%
2-Year Treasury	4.87%	4.95%	4.25%	4.40%
5-Year Treasury	4.51%	4.53%	3.85%	3.75%
7-Year Treasury	4.51%	4.49%	3.88%	3.70%
10-Year Treasury	4.50%	4.47%	3.88%	3.64%
30-Year Treasury	4.65%	4.57%	4.03%	3.86%

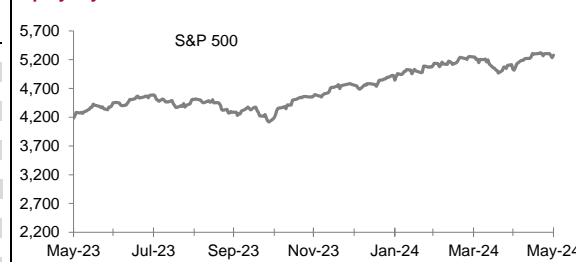
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.29%	7.38%	6.99%	5.83%
Prime Rate	9.25%	9.25%	9.25%	9.00%
SOFR	5.34%	5.32%	5.38%	5.08%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,327.33	2,333.83	2,062.98	1,962.73
Crude Oil (WTI)	76.99	77.72	71.65	65.52
Gasoline	3.54	3.60	3.12	3.57
Natural Gas	2.59	2.77	2.33	3.25
Copper	4.60	4.75	3.89	3.70

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.04	20.70	4.93	1.93
S&P 500	21.57	23.14	4.79	1.44
S&P 500 Value	16.40	17.18	2.78	2.41
S&P 500 Growth	28.16	31.24	10.77	0.69
NASDAQ	30.53	35.98	6.46	0.80
S&P Midcap 400	16.26	16.45	2.51	1.84
S&P Smallcap 600	15.19	15.06	1.77	2.75
MSCI EAFE	14.94	14.80	1.90	3.16
MSCI Emerging Markets	12.72	14.81	1.69	2.93

Source: Bloomberg

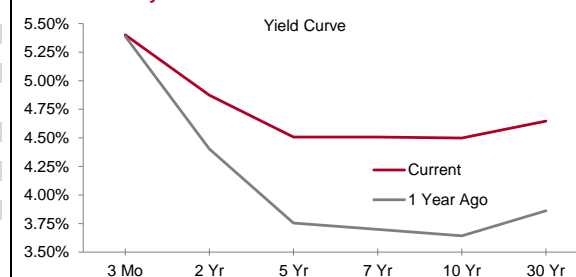
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
2.97	4.96	6.60	6.48	11.30	15.50
Mid					
4.68	4.39	4.12	2.40	7.87	13.14
Small					
4.61	5.04	5.46	-2.06	1.59	5.26

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
0.70	1.11	2.85	0.61	-0.61	-6.53
Corp					
0.80	1.41	2.82	1.36	0.31	-3.90
HY					
0.97	1.10	1.06	2.72	1.67	-0.52

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.4%	4.9%
CPI Core Inflation	3.6%	5.5%
Personal Consumption Exp (PCE) Core	2.8%	4.8%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	3.9%	3.4%
Broader Unemployment Rate (U6)	7.4%	6.6%
JOLT Survey (in millions)	8.49	9.62
Jobless Claims (000's)	219	231
Change in Non-Farm Payroll (000's)	175	278
Average Hourly Earnings (Y/Y % Change)	3.9%	4.7%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	102.0	102.5
Consumer Spending (\$ Bil)	19,341	18,364
Consumer Credit (\$ Bil)	5,059	4,943
Retail Sales (\$ Bil)	705	684

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,360	1,368
Case-Shiller Home Price Index	316.65	297.34

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	22,750	22,112
Quarter over Quarter Change	1.3%	2.2%
Year Over Year Change	2.9%	1.7%
ISM Manufacturing	49.20	47.00
Capacity Utilization	78.40	79.79
Markit US Composite PMI	54.40	54.30

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	101.8	107.6
Trade Weighted Dollar Index	122.0	120.6
EUR / USD	1.08	1.07
JPY / USD	157.31	139.34
CAD / USD	0.73	0.74
AUD / USD	0.67	0.65

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	6.58%	20.88%
Information Technology	10.08%	17.31%
Utilities	8.97%	15.82%
Energy	-0.39%	12.38%
Financials	3.16%	11.16%
Consumer Staples	2.45%	9.18%
Industrials	1.65%	8.77%
Materials	3.22%	7.30%
Healthcare	2.38%	5.78%
Consumer Discretionary	0.30%	0.73%
Real Estate	5.08%	-4.38%

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