

Market Review



Snapshot

Volatility continued to reign in May, as recession concerns escalated and corporate profit warnings mounted. Inflation worries, supply chain breakdowns, war in Ukraine and rising interest rates complicated economic growth and corporate earnings outlooks. Nevertheless, broad stock and bond indices posted gains for the month.

- Stocks snapped a seven-week losing streak in late May, which helped the S&P 500 Index finish the month with a slight gain. The late-month rally, prompted by an uptick in stock buying after the steep year-to-date sell-off, helped the index avoid slipping into bear-market territory.
- The energy sector outpaced all other sectors, advancing nearly 16% in May. The real estate, consumer discretionary and consumer staples sectors were the weakest, each declining approximately 5% amid rising interest rates and high inflation.
- U.S. headline inflation eased slightly to 8.3% (year over year) in April, a 40-year-high. Europe faced rising and record-high inflation of 8.1%, while U.K. inflation hit a 40-year high of 9%.
- The Fed announced its first 50 bps rate hike in 22 years and suggested tightening would continue at that pace in the near term. The Bank of England lifted rates to the highest level since early 2009. The European Central Bank left rates at 0% but indicated it soon would end its asset purchase program.
- Non-U.S. developed markets stocks advanced and outperformed U.S. stocks. Emerging markets stocks fared slightly better than their developed markets peers.
- Concerns about slowing growth helped push U.S. Treasury yields lower, and bonds generally delivered modest gains.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	0.18	-5.16	-12.76	-0.30	16.42	13.38	14.39
U.S. Small-Cap Equity							
Russell 2000	0.15	-8.65	-16.56	-16.92	9.69	7.71	10.83
Intl. Developed Markets Equity							
MSCI World ex USA	0.83	-4.70	-10.32	-9.05	7.14	4.73	7.09
Emerging Markets Equity							
MSCI Emerging Markets	0.44	-7.29	-11.76	-19.83	4.99	3.80	4.17
Global Real Estate Equity							
S&P Global REIT	-4.95	-4.61	-13.01	-0.72	4.13	4.81	6.70
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	0.64	-5.86	-8.92	-8.22	0.00	1.17	1.71
Global Fixed Income							
Bloomberg Global Aggregate Bond	0.27	-8.11	-11.06	-13.21	-1.44	0.08	0.48
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.05	0.09	0.10	0.12	0.63	1.06	0.59

Data as of 5/31/2022. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

		U.S.			
		QTD		YTD	
		Value	Growth	Value	Growth
Size	Large	-3.81%	-14.12%	-4.52%	-21.88%
	Small	-5.99%	-13.93%	-8.25%	-24.79%

		Non-U.S. Developed Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Size	Large	-2.04%	-9.19%	0.46%	-18.89%
	Small	-5.32%	-9.98%	-8.08%	-20.36%

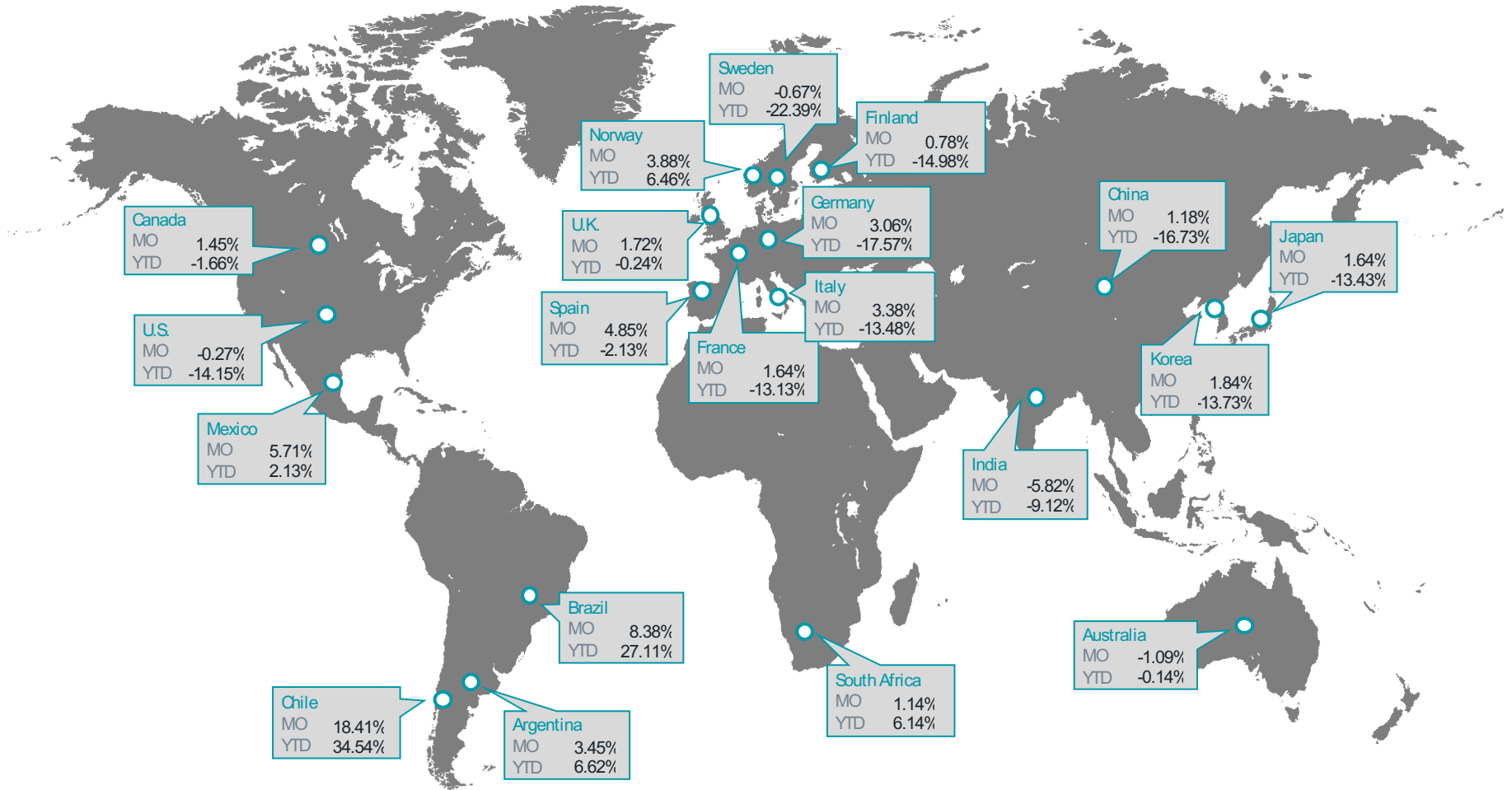
		Emerging Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Size	Large	-4.92%	-5.25%	-8.26%	-15.66%
	Small	-5.27%	-7.90%	-6.85%	-14.25%

- U.S. size and style categories delivered mixed results in May, while year-to-date performance trends remained negative.
- Small-cap stocks advanced slightly in May and outperformed large-cap stocks, which declined fractionally. Year to date, small- and large-cap stock declined sharply.
- Small- and large-cap value stocks posted gains in May and outperformed growth stocks, which declined. While value and growth stocks declined year to date, value losses weren't nearly as steep as growth losses.
- International developed markets stocks advanced in May. Year to date, the broad index declined.
- Large-cap stocks broadly posted gains in May, while small-cap stocks declined. Year to date losses were greater among small-cap stocks than they were among large caps.
- Large- and small-cap value stocks advanced in May and fared better than their growth counterparts, which declined. Large-cap value stocks delivered a slight gain year to date, while all other style categories declined.
- The broad emerging markets stock index advanced in May and outperformed the broad developed markets index. Year to date, emerging market stocks declined but outperformed developed markets.
- Large caps posted a slight gain in May, while small caps declined. Year to date, large- and small-cap stocks declined.
- Large-cap value stocks were up in May, while growth stocks declined. Among small caps, value and growth declined at a similar pace. Year to date, all style categories declined.

Data as of 5/31/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.

U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 5/31/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

Despite still-high inflation and hawkish Fed policy, U.S. Treasury yields retreated in May amid weaker economic data and growing recession worries. European yields generally rose as inflation increased and growth outlooks declined.

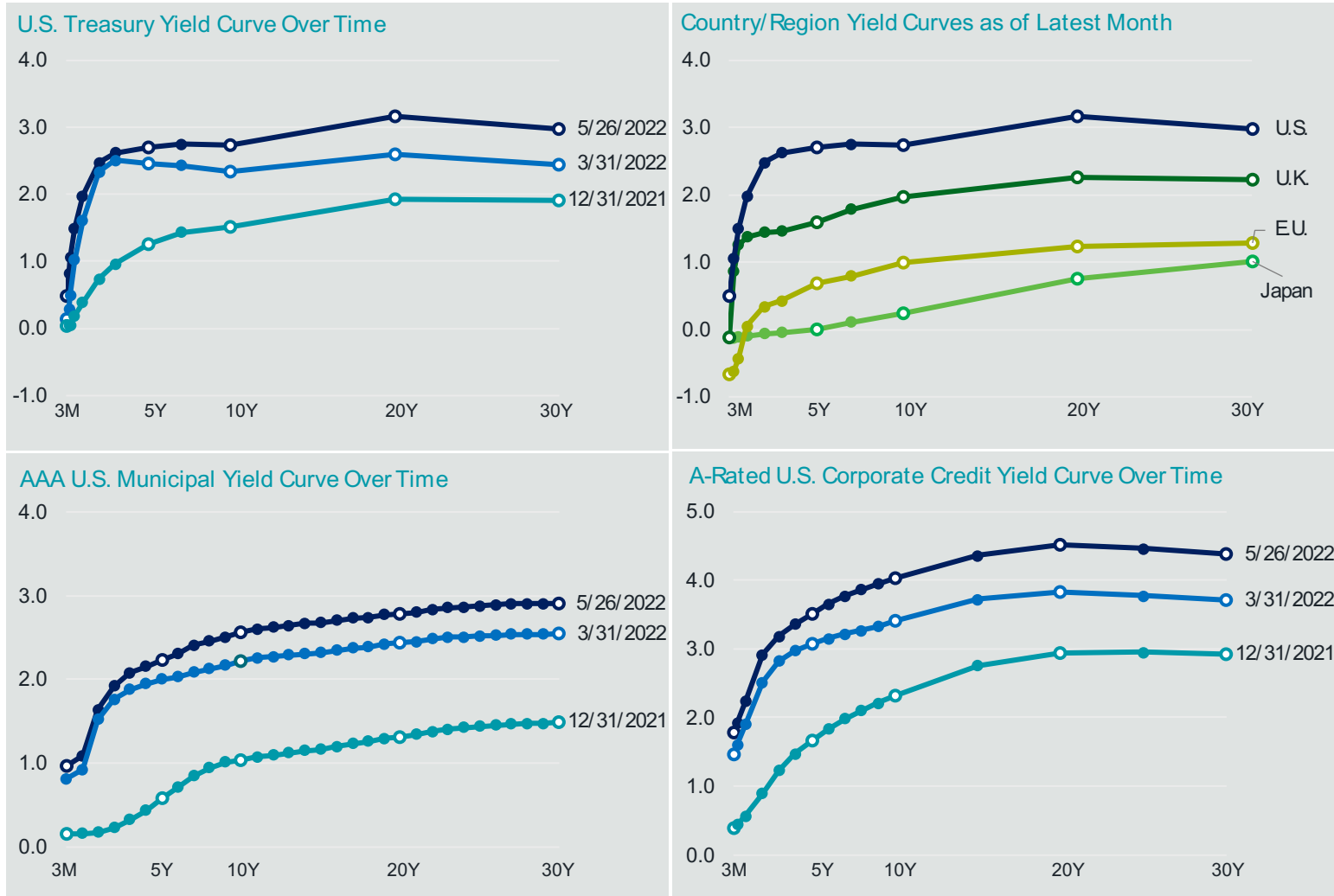
- The Bloomberg U.S. Aggregate Bond Index rebounded in May, and all key index sectors posted gains. MBS outperformed investment-grade corporates and Treasuries.
- Investment-grade corporates outperformed their high-yield counterparts, partly due to concerns about slowing growth.
- The yield on the 10-year U.S. Treasury finished May at 2.85%, down 8 bps from the end of April. The two-year Treasury yield dropped 17 bps to 2.55%, and the yield curve steepened.
- The annual headline inflation rate, as measured by the Consumer Price Index, fell slightly from 8.5% in March to 8.3% in April. The index's energy component rose more than 30%, while food costs jumped more than 9%. Prices for used cars and trucks were up nearly 23%.
- The Fed lifted interest rates 50 bps in May to 0.75% to 1.00%. Policymakers also announced they would start reducing the Fed's record \$9 trillion balance sheet. At month end, fed futures contracts pointed to another 50 bps rate hike in June.
- Municipal bonds rallied and delivered the strongest monthly performance within the fixed-income asset class.
- The 10-year inflation breakeven rate declined in May, which contributed to losses among TIPS.

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U.S. High Yield Corporate							
Bloomberg U.S. Corporate High-Yield Bond	0.25	-4.43	-8.00	-5.27	3.33	3.56	5.42
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	0.93	-6.99	-11.92	-10.28	0.76	1.92	2.94
Municipals							
Bloomberg Municipal Bond	1.49	-4.52	-7.47	-6.79	0.50	1.78	2.54
U.S. TIPS							
Bloomberg U.S. Treasury - U.S. TIPS	-0.99	-4.82	-5.95	-1.45	4.44	3.68	2.00
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	0.18	-5.94	-8.33	-7.50	-0.28	0.88	1.06
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.05	0.09	0.10	0.12	0.63	1.06	0.59

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Global Yield Curves



Data as of 5/26/2022

Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).