

Market Review

Snapshot

Despite the month's debt ceiling drama, U.S. stocks advanced in May and outperformed their global counterparts, which declined. U.S. Treasury yields rose, and bond returns declined for the month.

- Persistent inflation, Fed policy uncertainty and the federal debt ceiling debate kept the stock market on edge in May. Nevertheless, the S&P 500 gained 1%, buoyed largely by rallying mega-cap technology stocks.
- Most S&P 500 sectors declined for May, but strong gains from the information technology, communication services and consumer discretionary sectors powered the broad index higher.
- Amid ongoing global growth concerns, non-U.S. developed markets and emerging markets stocks declined for the month.
- The month began with news of another bank failure, followed by the 10th consecutive Fed rate increase. Market expectations for the Fed to hike again in June rose after data showed job openings rose in April. But rate-hike expectations faded after a Fed policymaker suggested the central bank could pause in June and resume tightening later.
- Annualized U.S. headline inflation continued to ease in April but remained well above the Fed's comfort zone. Inflation also slowed in Europe and the U.K. but remained notably higher than U.S. inflation.
- In the U.S., large-cap stocks generally outperformed small-cap stocks, and growth outpaced value. Outside the U.S., small-cap stocks outperformed, and growth outperformed value.
- U.S. Treasury yields rose for the month, and bonds broadly declined.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	0.43	5.75	9.65	2.92	12.92	11.01	11.98
U.S. Small-Cap Equity							
Russell 2000	-0.92	-7.35	-0.04	-4.68	9.23	2.74	7.35
Intl. Developed Markets Equity							
MSCI World ex USA Index	-4.36	0.54	6.24	1.54	8.84	3.38	4.51
Emerging Markets Equity							
MSCI Emerging Markets	-1.68	0.15	1.05	-8.49	3.47	-0.67	1.90
Global Real Estate Equity							
S&P Global REIT	-3.71	-5.25	-0.99	-13.91	5.06	1.19	3.18
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-1.09	2.04	2.46	-2.14	-3.65	0.81	1.39
Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.95	1.59	1.44	-4.48	-4.68	-1.17	0.08
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.19	1.89	3.34	1.17	1.48	0.91

Data as of 5/31/2023. 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	-2.41	5.59	-1.43	20.76
	Small	-4.41	-1.14	-5.04	4.86

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	-2.27	-0.80	3.15	9.88
	Small	-2.67	-2.25	1.76	3.07

		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	-1.52	-4.70	2.47	-0.64
	Small	2.61	0.99	4.32	7.14

- From a broad perspective, U.S. stocks advanced in May and year to date. Size and style categories were mixed in May and for the year-to-date period.
- Large-cap stocks outperformed small caps in May and year to date, gaining more than 1% and nearly 10%, respectively. Small caps gained 0.05% in May and nearly 1% year to date.
- Across the board, growth stocks outperformed their value counterparts, which declined, in May. Year to date, the growth stock advantage was even greater, particularly among large caps.

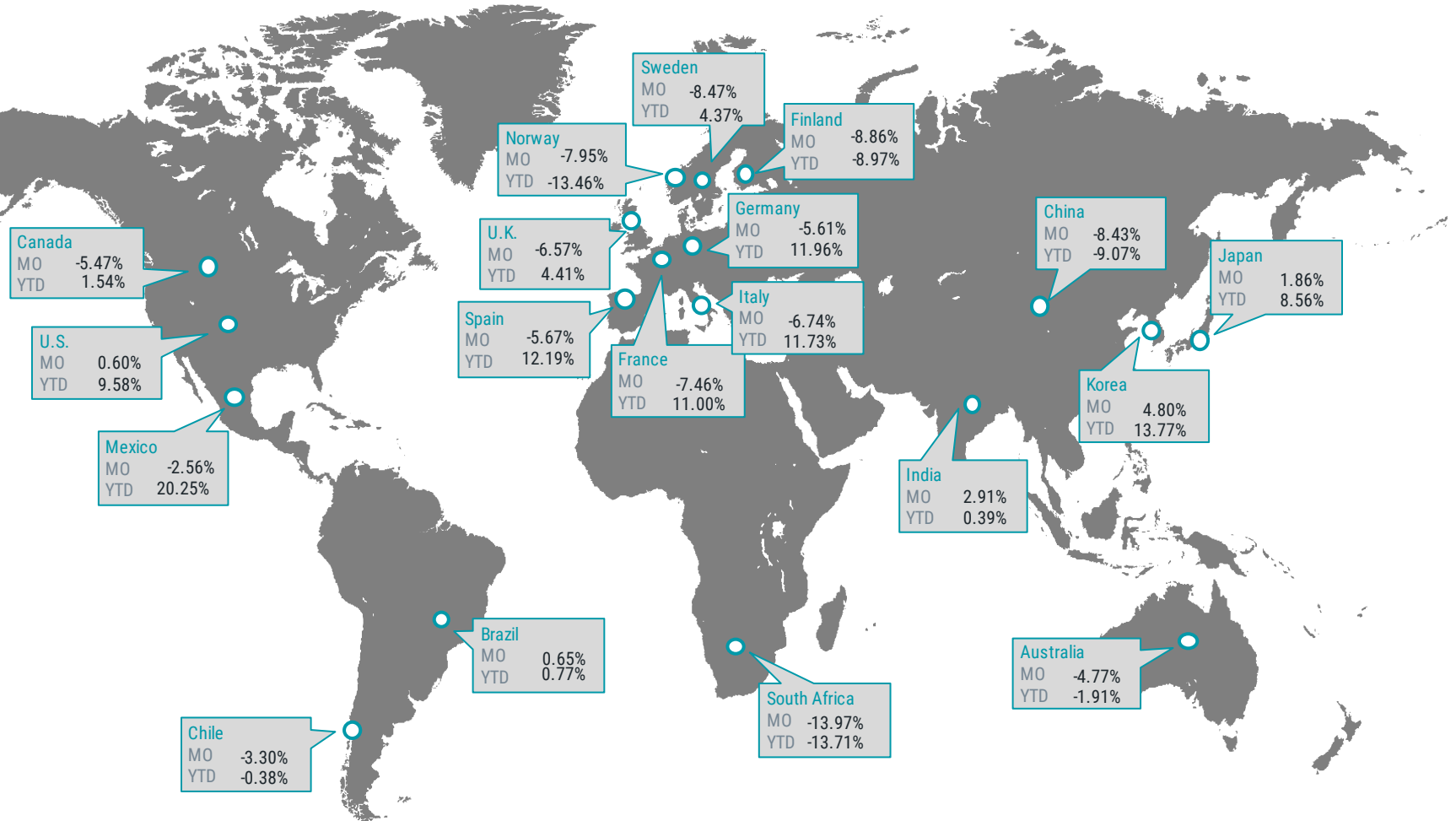
- The broad international developed markets stocks index, along with the size and style benchmarks, declined in May but maintained year-to-date gains.
- Large- and small-cap cap stocks declined more than 4% for the month with large caps modestly underperforming. Year to date, large-cap stocks significantly outperformed.
- Growth stocks fared better than value stocks in May. Year to date, growth stock gains were notably larger than gains among value stocks across the size spectrum.

- The broad emerging markets stocks index declined modestly in May but advanced year to date.
- Small-cap stocks advanced in May and outperformed large caps, which declined. Year to date, small caps gained nearly 6%, outperforming large caps, which returned nearly 1%.
- Value stocks underperformed growth stocks among large caps and outperformed in the small-cap arena in May. Year to date, value outperformed among large caps but underperformed among small caps.

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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



Fixed-Income Returns

Amid still-high inflation and a resilient labor market, Treasury yields climbed in May. All bond market sectors delivered negative returns.

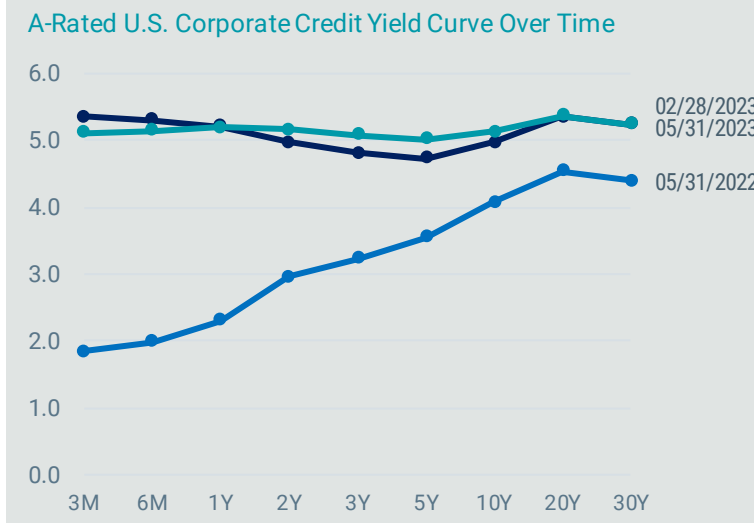
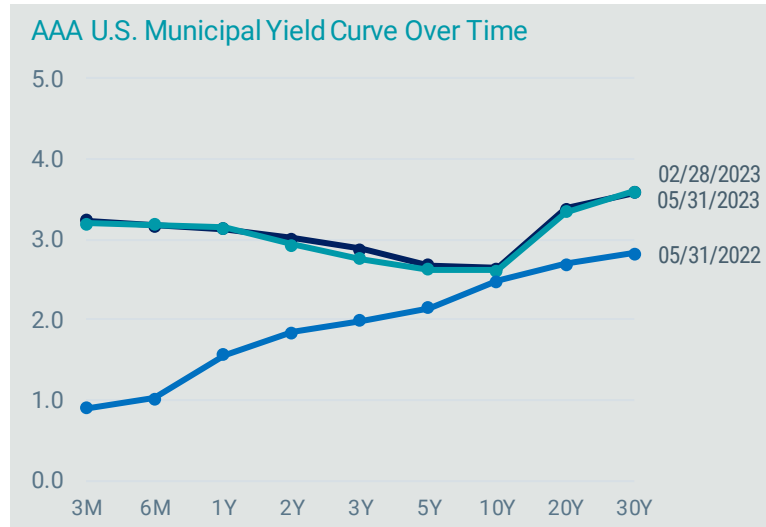
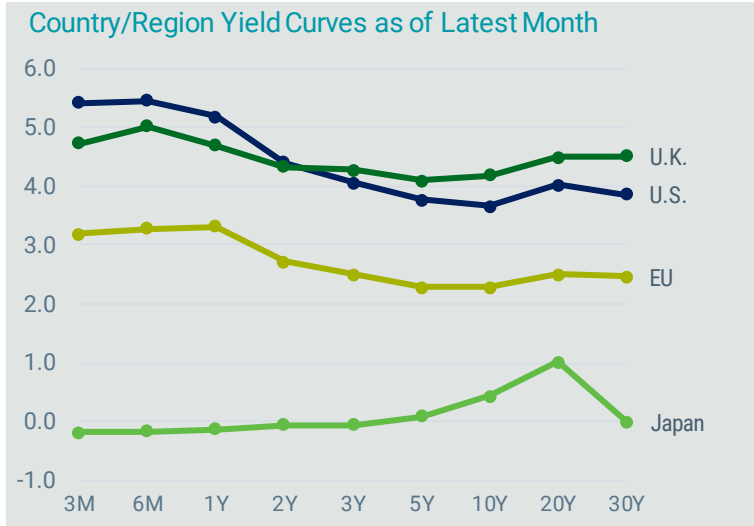
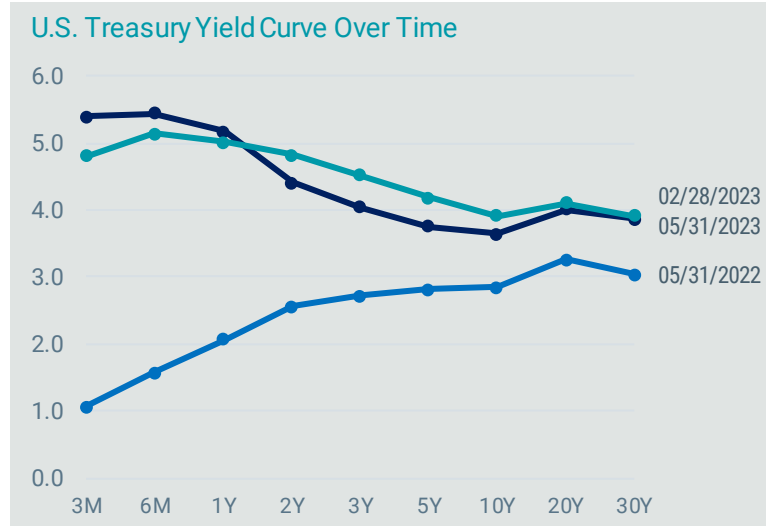
- The Bloomberg U.S. Aggregate Bond Index declined 1.45% in May, with all its sectors posting losses.
- The yield on the two-year Treasury note jumped 40 bps in May to 4.41%, while the 10-year Treasury yield rose 23 bps to 3.65%.
- Investment-grade credit spreads widened slightly for the month, and corporate bonds underperformed Treasuries and MBS. Meanwhile, high-yield corporates declined but outperformed investment-grade corporates.
- The Fed lifted rates another 25 bps in early May, pushing its target lending rate range to 5% to 5.25%, a nearly 16-year high. Future Fed policy remained uncertain, though, as banking industry stress complicated the central bank's inflation-fighting effort.
- Annual headline CPI eased from 5% in March to 4.9% in April, while core inflation inched down from 5.6% to 5.5%. The energy component continued to decline, falling 5.1% year over year. Other key CPI components remained elevated, including transportation services (up 11%), electricity (up 8.4%), shelter (up 8.1%) and food (up 7.7%).
- Municipal bonds declined for the month but generally fared better than Treasuries.
- Ten-year inflation breakeven rates were unchanged for the month. TIPS declined but outperformed nominal Treasuries.

Returns (%)

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Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.95	1.59	1.44	-4.48	-4.68	-1.17	0.08
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-1.09	2.04	2.46	-2.14	-3.65	0.81	1.39
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	-0.92	1.14	3.64	0.05	2.90	3.09	3.98
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-1.45	2.07	2.78	-1.70	-2.95	1.56	2.30
Municipals							
Bloomberg Municipal Bond	-0.87	1.10	1.65	0.49	-0.64	1.65	2.28
U.S. TIPS							
Bloomberg U.S. TIPS	-1.20	1.77	2.21	-4.20	0.36	2.64	1.75
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-1.16	2.24	2.35	-2.26	-4.53	0.59	0.92
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.19	1.89	3.34	1.17	1.48	0.91

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Global Yield Curves



Data as at 5/31/2023 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).