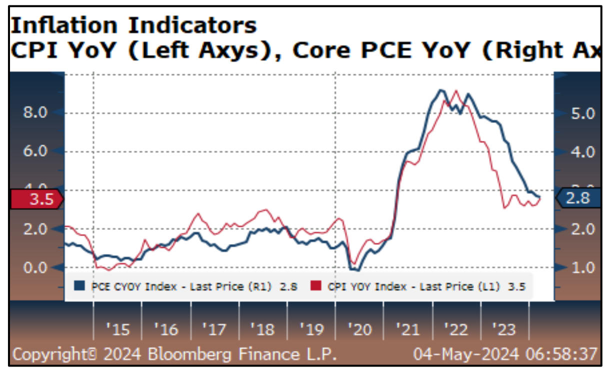
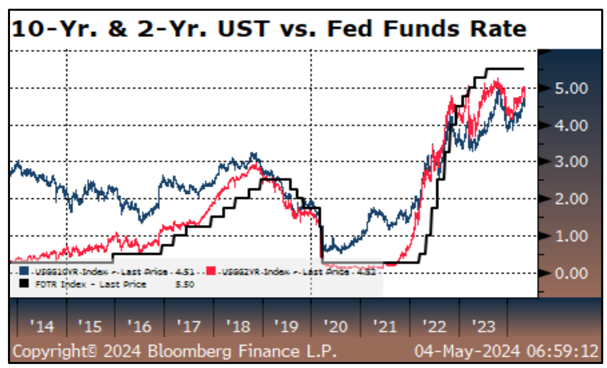
Market Commentary

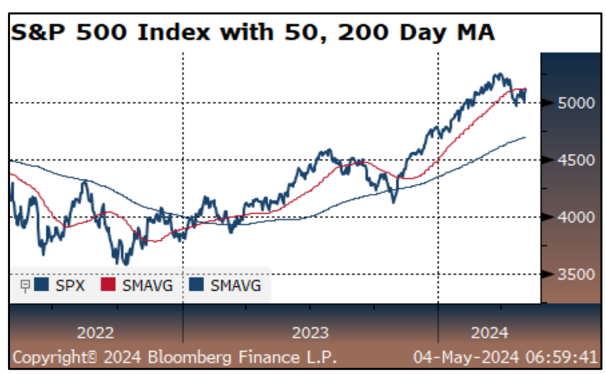
May 2024

Executive Summary:

- The Fed could cut rates before achieving its 2% inflation goal if there is further evidence that the U.S. economy is slowing down.
- The five-month rally in equities paused in April, but the underlying backdrop for the bull market in equities remains intact.
- Short-term Treasuries continue to benefit low-risk savers, and bonds still look attractive for longer-term portfolios.







Earlier this month, the Fed kept the range of its fed funds target unchanged at 5.25% to 5.50%. This decision was expected, but investors were also worried that sticky inflation and hotter economic data might lead them to consider a more *hawkish* posture. FOMC Chair Powell acknowledged that progress on inflation has stalled but stated that the Fed's next move is unlikely to be another rate hike. The Fed could cut rates before achieving its 2% inflation target if economic growth in the U.S. slows sufficiently. Fewer jobs were reported in April, with an uptick in unemployment to 3.9%, indicating that the labor market may be cooling. This (negative) news provided a positive boost for stocks and bonds, ending a volatile April and start of May. Investors still hope for a Goldilocks economic scenario with the Fed able to cut rates as early as September.

The inverted yield curve is benefiting low-risk savers as yields on short-term Treasuries exceed five percent for maturities within 18 months. This will continue if the Fed maintains its restrictive policy for the foreseeable future. Yields on intermediate and longer-term bonds have become more attractive recently, rising from their lows at the beginning of the year. We believe bonds are relatively attractive for longer-term portfolios needing income and for diversification purposes, and stocks have historically performed well over the following 12-months after above average performance. Due to improving economic and company earnings data, we have shifted to a neutral stance on equities versus bonds and cash.

The five-month winning streak for stocks ended in April. Equity prices finally adjusted with expectations that the Fed will keep short-term interest rates higher for longer. The S&P 500 Index was down -4.08% for the month, but it had risen nearly 21% on a six-month basis! We recognize the near-term risks in equities, especially as it pertains to higher valuations. However, the underlying positive fundamental and technical backdrop for stocks remains intact.

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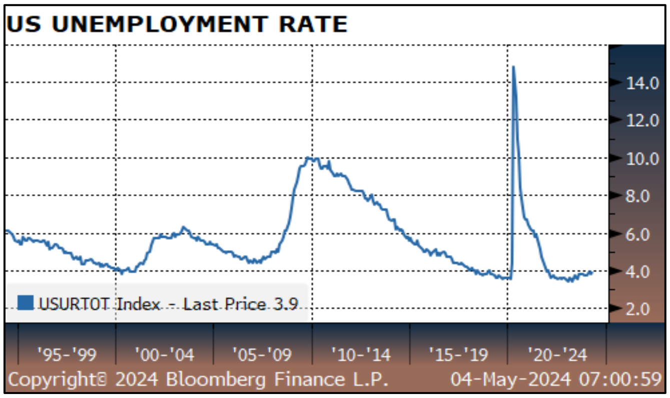

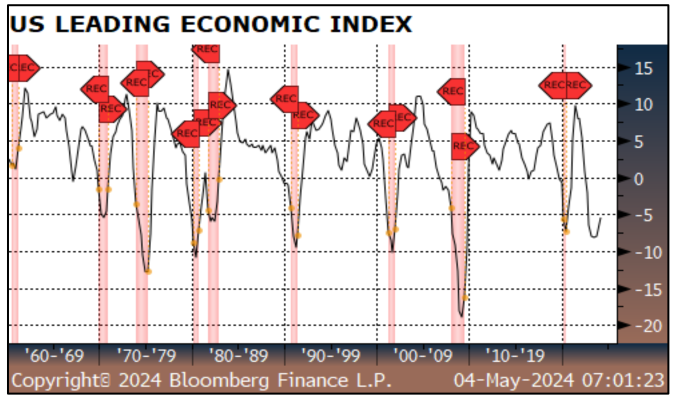

SECTORS	2023	YTD	EQUITY INDICES	2023	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	55.80%	16.91%	S&P 500 INDEX	26.26%	7.99%	WTI CRUDE FUTURE Jun24	78.11	8.31%
S&P 500 CONS DISCRET IDX	42.30%	2.74%	DOW JONES INDUS. AVG	16.18%	3.21%	BRENT CRUDE FUTR Jul24	82.96	8.54%
S&P 500 CONS STAPLES IDX	0.52%	7.12%	NASDAQ COMPOSITE	44.70%	7.86%	NATURAL GAS FUTR Jun24	2.14	-14.97%
S&P 500 ENERGY INDEX	-1.42%	11.55%	S&P 400 MIDCAP INDEX	16.39%	5.79%	LME COPPER 3MO ($)	9,910.00	15.78%
S&P 500 FINANCIALS INDEX	12.10%	8.34%	RUSSELL 1000 GROWTH INDX	42.67%	9.54%	Gold Spot $/Oz	2,301.74	11.57%
S&P 500 HEALTH CARE IDX	2.06%	3.70%	RUSSELL 1000 VALUE INDEX	11.41%	5.32%	Silver Spot $/Oz	26.56	11.62%
S&P 500 INDUSTRIALS IDX	18.08%	8.16%	RUSSELL MIDCAP RT INDEX	17.19%	4.25%	Euro Spot	1.08	-2.52%
S&P 500 INFO TECH INDEX	57.84%	10.18%	RUSSELL 2000 INDEX	16.88%	0.85%	British Pound Spot	1.25	-1.45%
S&P 500 MATERIALS INDEX	12.55%	4.97%	MSCI ACWI ex US	15.62%	4.25%	Japanese Yen Spot	153.05	-7.85%
S&P 500 REAL ESTATE IDX	12.27%	-6.85%	MSCI EAFE	18.95%	4.75%	DOLLAR INDEX SPOT	105.03	3.65%
S&P 500 UTILITIES INDEX	-7.08%	9.02%	MSCI EM	10.20%	4.50%			

Source: Bloomberg As of: 5/4/2024

Bloomberg Barclays Bond Indices	Total Return 2022	2023	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	-13.01%	5.53%	-2.06%	6.23	8.53	5.09%	Effective Fed Funds	5.33%
Intermediate	-8.23%	5.24%	-0.64%	3.94	4.36	4.91%	2-yr Treasury	4.82%
Global Agg ex USD	-18.70%	5.72%	-4.47%	7.12	8.65	2.93%	10-yr Treasury	4.51%
Inv Grade Corporate	-15.76%	8.52%	-1.65%	7.17	10.79	5.52%	10-yr German Bund	2.49%
U.S. Corporate High Yield	-11.19%	13.45%	1.47%	3.68	4.87	7.85%	Prime Rate	8.50%
Tax Exempt								
Muni 1-10 Yr Blend (1-12)	-4.84%	4.61%	-0.88%	3.82	6.13	3.32%		

Source: Bloomberg As of: 5/4/2024