



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index ("S&P"), decreased -6.35% in May as concerns grew over the impact of a revived trade war between the U.S. and China.
- Sector performance within the S&P during the month was negative in 10 of 11 sectors. Real Estate and Utilities held up best, returning 1.16% and -0.77%, respectively. Energy and Information Technology were the worst performers, hurt by a declining oil demand outlook and a potential increase in government regulation for tech companies such as Alphabet and Facebook. Energy returned -11.14%, and Information Technology returned -8.69%.
- By market capitalization, Russell Mid-Cap Index (mid-caps) outperformed returning -6.14%, followed by Russell 1000 Index (large-caps) returning -6.37%, and Russell 2000 Index (small-caps) returning -7.78%. Growth stocks outperformed value stocks across all capitalizations.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month down -5.37% as trade tensions threatened global growth. Developed markets, represented by the MSCI EAFE Index, finished down -4.80% while emerging markets, represented by the MSCI Emerging Markets Index, returned -7.26%.
- Within the ACWI ex-U.S. Index, all 11 sectors posted negative returns. Defensive sectors, such as Utilities and Consumer Staples, held up best in May with Utilities returning -1.05% and Consumer Staples returning -2.40%. Consumer Discretionary and Information Technology lagged, returning -8.68% and -8.24%, respectively.
- EM Latin America and Pacific ex Japan were the best performing regions, returning -2.04% and -2.76% respectively. EM Asia and North America were the worst performing regions, EM Asia returning -8.79% and the UK returning -6.00%.

## Fixed Income

- The Bloomberg Barclays U.S. Aggregate (Aggregate) Index returned 1.78% in May.
- Investment grade (IG) credit within the Aggregate returned 1.47%. Within the IG credit spectrum, returns were positive across all qualities. AAA-rated bonds returned 1.58%, AA-rated bonds returned 1.88%, A-rated bonds returned 1.70% and BBB-rated bonds returned 1.19%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned -1.19% in May on falling oil prices and a flight to safe haven assets.
- Yields declined across the U.S. Treasury Yield Curve in May, highlighted by a 38 basis point decline in the 10-year yield.

## Alternatives and Other Asset Classes

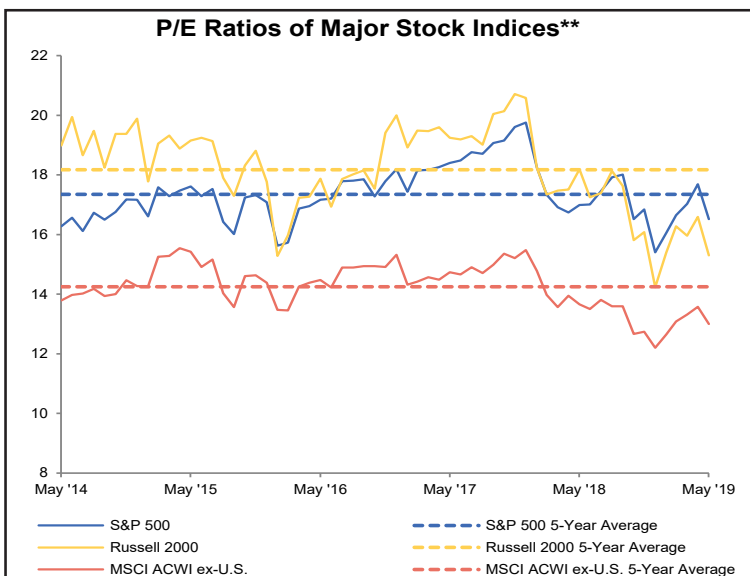
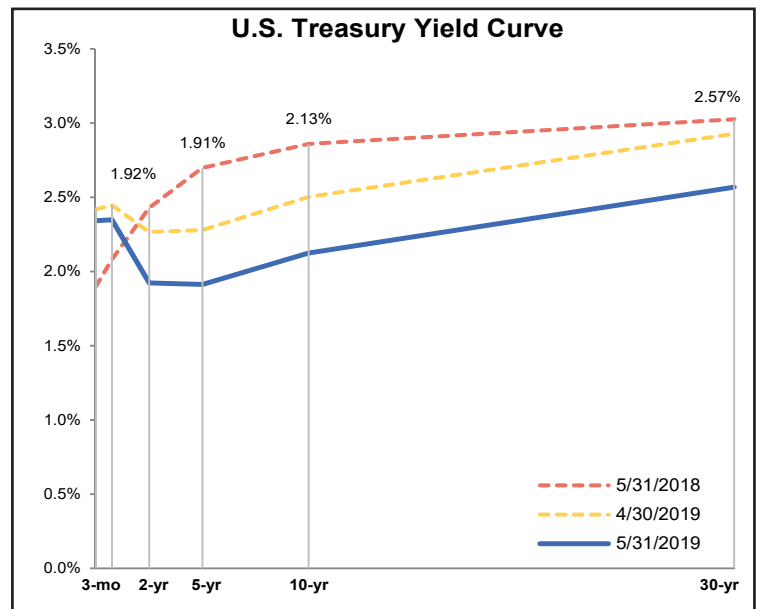
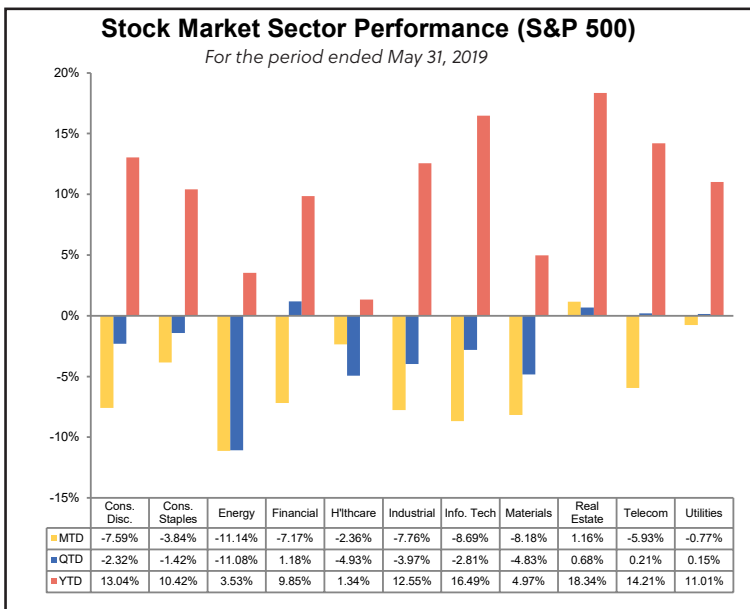
- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, returned 0.22% in May. Returns were positive in five of the nine real estate sectors. Self-Storage and Healthcare REITs were the strongest performers, returning 5.77%, and 5.73%, respectively. The worst performing REIT of the month was Lodging/Resorts, which had a return of -6.92% followed by Retail REITs which returned -2.80%.
- The active contract for West Texas Intermediate (WTI) crude fell sharply to \$53.50/barrel, down from \$63.91/barrel in April, on fears of weakening demand and a slowing global economy.

## Items to Watch

- Trade tensions again headlined global market news during the month. A trade deal between the U.S. and China appeared imminent at the end of April, but after U.S. trade officials claimed China reneged on previous concessions, President Trump reinstated 25% tariffs on \$200 billion worth of Chinese goods within days. China responded by raising tariffs on \$60 billion of American goods as high as 25%. President Trump also threatened Mexico with increased tariffs in an effort to incentivize the country to do more to address the migrant crisis at the southern border. The tariff would be effective June 10, and would start at 5% and progressively increase to 25% by October.
- The Institute for Supply Management (ISM) said its U.S. Manufacturing PMI Index fell to 52.1 from 52.8 in May, the lowest level since October 2016. New orders decreased for the first time since August of 2009 as manufacturers faced growing uncertainty. Global growth expectations have declined, with the World Bank lowering its 2019 growth forecast to 2.6% from 2.9% in January 2019.
- Brexit negotiations face additional uncertainty with the resignation of U.K. Prime Minister Theresa May and a subsequent leadership contest. Hardline Brexiters are the favorites to succeed May, putting a no-deal Brexit back on the table.
- In May the U.S. added 75,000 jobs, marking the 104th consecutive month of gains, but significantly missing economists' expectations of 180,000. The employment rate held steady at 3.6%, and wages were up 3.1% on the year.
- The 10-year yield fell to its lowest level since September 2017 after a weaker-than-expected jobs report, and global growth fears. Yields across the curve saw significant declines over the month, and markets are now pricing in two or three rate cuts in 2019.

Total Return of Major Indices as of 5/31/19				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-6.35%	-2.56%	10.73%	3.78%
Russell 3000	-6.47%	-2.74%	10.92%	2.49%
Russell 2000	-7.78%	-4.64%	9.25%	-9.08%
Russell 1000	-6.37%	-2.59%	11.05%	3.46%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-5.37%	-2.87%	7.15%	-6.26%
MSCI EAFE	-4.80%	-2.13%	7.64%	-5.75%
MSCI Emerging Markets	-7.26%	-5.30%	4.09%	-8.70%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	1.78%	1.80%	4.80%	6.40%
Bloomberg Barclays Global Agg	1.35%	1.05%	3.28%	3.09%
Bloomberg Barclays U.S. HY	-1.19%	0.22%	7.49%	5.51%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	0.22%	-0.01%	16.32%	14.62%
Bloomberg Commodity	-3.56%	-4.17%	1.29%	-14.34%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.6%	3.6%
Initial Jobless Claims (4 week average)	215 K	217.5 K
CB Leading Economic Indicators	0.2	0.3
Capacity Utilization	77.9%	78.5%
GDP (annual growth rate)	3.1%	2.2%
University of Michigan Consumer Confidence	100.0	97.2
New Home Starts	673 K	723 K
Existing Home Sales	5.2 MM	5.2 MM
Retail Sales (YoY)	3.3%	3.7%
U.S. Durable Goods (MoM)	-2.1%	1.7%
Consumer Price Index (YoY)	2.0%	1.9%
Producer Price Index (MoM)	0.4%	1.4%
Developed International*	3/31/2019	12/31/2018
Market GDP (annual rate)	1.3%	1.1%
Market Unemployment	4.6%	4.6%



Source: Bloomberg. Data as of May 31, 2019, unless otherwise noted.  
 \*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of March 31, 2019 due to release dates of numerous countries.  
 \*\*P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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