



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), continued to rebound in May, returning 4.76%. Investors were cautiously optimistic as most states in the U.S. began reopening, and the Federal Reserve (Fed) continued to pledge its monetary support.
- Within the S&P, all 11 sectors posted positive returns. Information Technology did best, returning 7.05%, due in large part to the high demand for technology in the current virtual environment. Materials followed, returning 6.97%. Consumer Staples was the worst performing sector of the month, returning 1.51%, followed by Energy, returning 1.88%.
- By market capitalization, mid-caps (Russell Mid Cap Index) returned 7.03%, small-caps (Russell 2000) returned 6.51% and large-caps (Russell 1000 Index) returned 5.28%. Growth stocks outperformed value stocks by a wide margin across all capitalizations.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 3.27% as economies broadly continued to see declines in new coronavirus cases and began to exit lockdowns. Developed markets ex-U.S., represented by the MSCI EAFE Index, returned 4.35%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 0.77% in May.
- Within the ACWI ex-U.S. Index, 10 of the 11 sectors posted positive returns. Industrials did best, returning 6.21%, followed by Consumer Discretionary, returning 5.66%. The Real Estate sector was the worst performer, returning -1.77%, followed by Financials with a return of 0.13%.
- Within the ACWI ex-U.S. index, EM Latin America held up best, returning 6.45%. Meanwhile, Pacific ex-Japan was the worst-performing region, returning -0.40%.

## Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned 0.47% in May as investors weighed the positive effects of exiting lockdowns against the risks of weak fundamentals. Credit spreads tightened for most fixed income asset classes, though at a slower rate than in April.
- Investment-grade (IG) credit within the Aggregate returned 1.63%. Within the IG credit spectrum, AAA-rated bonds returned 0.40%, AA-rated bonds returned 1.34%, A-rated bonds returned 0.96% and BBB-rated bonds returned 2.50%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 4.41%.
- Yields were mixed across the U.S. Treasury Yield curve, with the two-year down three basis points (bps), and the 10-year yield up one bp.

## Alternatives and Other Asset Classes

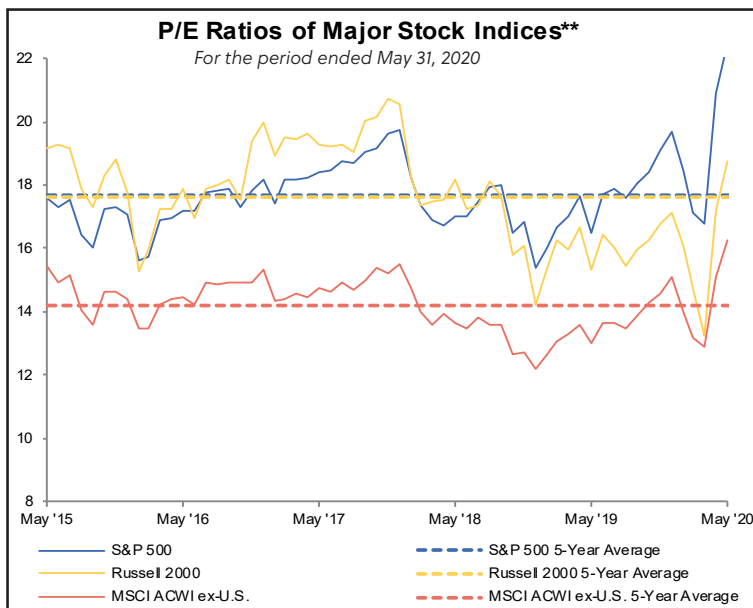
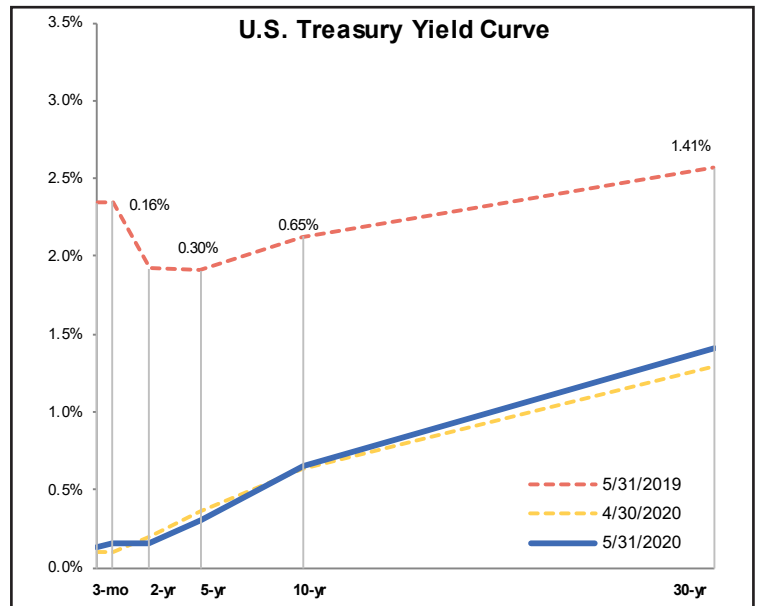
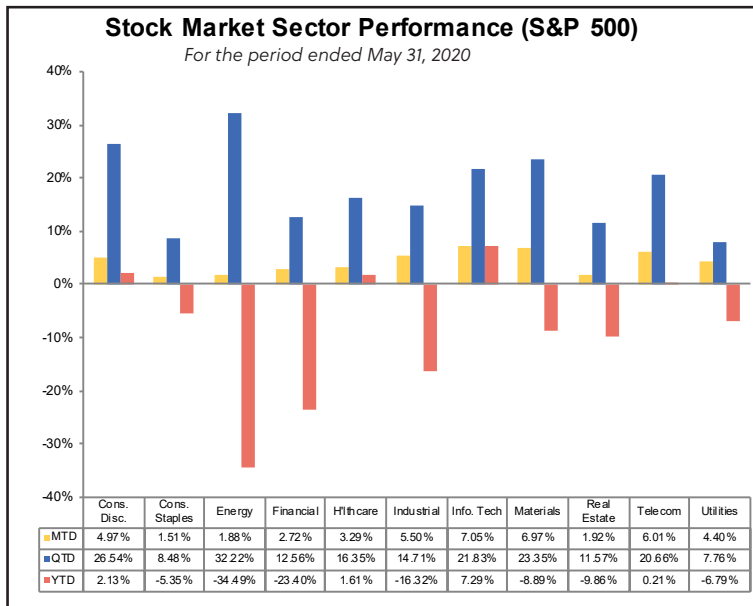
- Real estate investment trusts (REITs) represented by the FTSE NAREIT Index rose 0.19% in May. Performance was positive in five of nine real estate sectors. Self-Storage did best, returning 9.78%. The worst performing REIT sector of the month was Diversified, returning -8.55%.
- The active contract for West Texas Intermediate (WTI) crude increased to \$35.49/barrel in May from \$18.84/barrel at the end of April. After a volatile March and April, supply has been slashed, and the slow reopening of economies appears to be stabilizing demand.

## Items to Watch

- As the number of new COVID-19 cases continues to decline, particularly in developed economies, the focus is beginning to shift toward exiting lockdowns. Market volatility declined during the month, as investors remain attentive to developments related to vaccine development. All 50 states took action to reopen during the month.
- The S&P is now about 10% below its February peak. Curiously, the markets appear to have shrugged off many of the current risks such as weak economic fundamentals, deteriorating trade relations between the U.S. and China, and the potential for a second wave of infections. The optimism is likely due in large part to the Fed's steadfast monetary support which Chairman, Jerome Powell, reinforced during the month. Other encouraging news included a clinical trial for a potential vaccine, which concluded with a positive result.
- U.S. corporate earnings, as represented by S&P 500 companies, declined an estimated 13.5% in the first quarter. Defensive sectors such as Consumer Staples, Utilities and Healthcare were most resilient, whereas Financials, Energy and Consumer Discretionary sectors were hardest hit. FactSet's early estimate for second-quarter earnings growth for S&P 500 companies is -43.3%.
- Following record job losses, the U.S. economy gained a record 2.5 million jobs in May, an encouraging sign of recovery given that the economy was expected to shed even more jobs during the month. The unemployment rate fell to 13.3%, down from 14.7% in April. The job gains appear to reflect the eagerness of many Americans to return to the marketplace.
- The European Union (EU) announced an \$826 billion coronavirus recovery package. If negotiations between all 27 member countries are successful, the program would be a significant step toward a unified recovery. The EU will borrow the capital by issuing long-term government bonds in international markets. EU Central Bank President Christine Lagarde said that the eurozone economy could shrink up to 12% in the worst-case scenario, and near 8% in the best case scenario.

Total Return of Major Indices as of 05/31/2020				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	4.76%	18.19%	-4.98%	12.82%
Russell 3000	5.35%	19.30%	-5.64%	11.45%
Russell 2000	6.51%	21.14%	-15.96%	-3.47%
Russell 1000	5.28%	19.19%	-4.92%	12.53%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	3.27%	11.10%	-14.85%	-3.44%
MSCI EAFE	4.35%	11.10%	-14.26%	-2.81%
MSCI Emerging Markets	0.77%	10.00%	-15.96%	-4.39%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.47%	2.25%	5.47%	9.42%
Bloomberg Barclays Global Agg	0.44%	2.41%	2.08%	5.59%
Bloomberg Barclays U.S. HY	4.41%	9.11%	-4.73%	1.32%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	0.19%	8.51%	-21.12%	-14.55%
Bloomberg Commodity	4.33%	2.71%	-21.45%	-18.23%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	13.3%	14.7%
Initial Jobless Claims (4 week average)	2284 K	2608.8 K
CB Leading Economic Indicators	-4.4	-7.4
Capacity Utilization	64.9%	73.2%
GDP (annual growth rate)	-5.0%	2.1%
University of Michigan Consumer Confidence	72.3	71.8
New Home Starts	623 K	619 K
Existing Home Sales	4.3 MM	5.3 MM
Retail Sales (YoY)	-18.8%	-1.1%
U.S. Durable Goods (MoM)	-17.7%	-16.7%
Consumer Price Index (YoY)	0.3%	1.5%
Producer Price Index (MoM)	-3.5%	-1.1%
Developed International*	3/31/2020	12/31/2019
Market GDP (annual rate)	-2.6%	0.6%
Market Unemployment	4.6%	4.3%



Source: Bloomberg. Data as of May 31, 2020, 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, 2020 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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