



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 0.70% in May, its fourth straight positive month amid growing optimism over the U.S. economic recovery.
- Within the S&P, seven out of 11 sectors posted positive returns. Energy did best, returning 5.77%. Materials followed and returned 5.22%. The Consumer Discretionary sector was the worst performer of the month and returned -3.81%.
- By market capitalization, small-caps (Russell 2000) returned 0.21%, large-caps (Russell 1000 Index), returned 0.47%, and mid-caps (Russell Mid Cap Index) returned 0.80%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 3.13%. Developed markets, represented by the MSCI EAFE Index, returned 3.26%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 2.32% in May.
- Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Energy did best, returning 5.68%, followed by Financials, returning 4.81%. The Information Technology sector was the worst performer, returning 0.11%.
- Within the MSCI Emerging Markets Index, EM Latin America performed best during the month and returned 7.99%. North America was the worst-performing region during the month, returning 0.67%.

Fixed Income

- In May, rates further out the curve continued to exhibit a slight decline. The Bloomberg Barclays U.S. Aggregate Index (Aggregate) increased 0.33%, extending its gain for the second straight month. The 10- and 30-year treasuries rates decreased three and two basis points (bps), respectively, leading to the broad treasury index gaining 0.34%. Credit spreads generally continued to tighten but widened for BB corporates. Investment-grade (IG) corporates also gained 0.72%. Agency CMBS increased 0.75% and EM sovereign debt increased 1.00%, continuing their recovery from a poor first quarter. High yield corporates continued to have positive results, gaining 0.30% during the month.
- Within the IG credit spectrum, AAA-rated bonds returned 0.37%, AA-rated bonds returned 0.64%, A-rated bonds returned 0.66% and BBB-rated bonds returned 0.84%.
- Yields fell across the U.S. Treasury yield curve during May.

Alternatives and Other Asset Classes

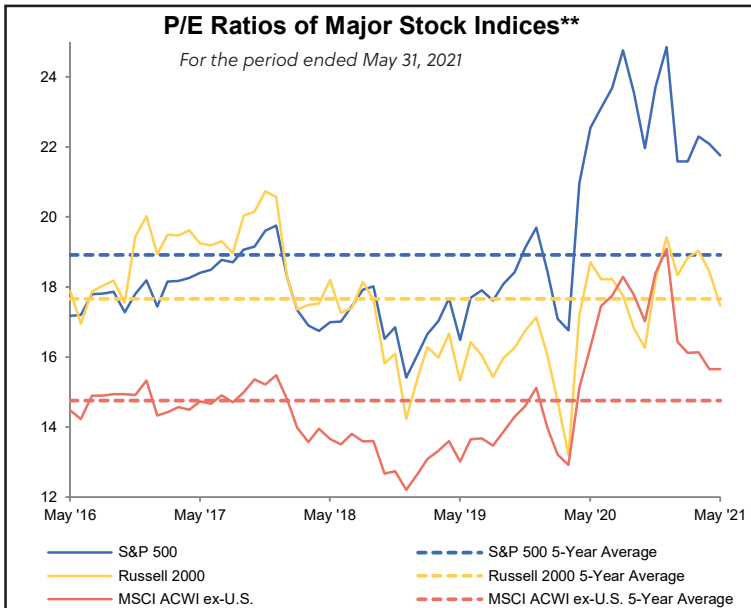
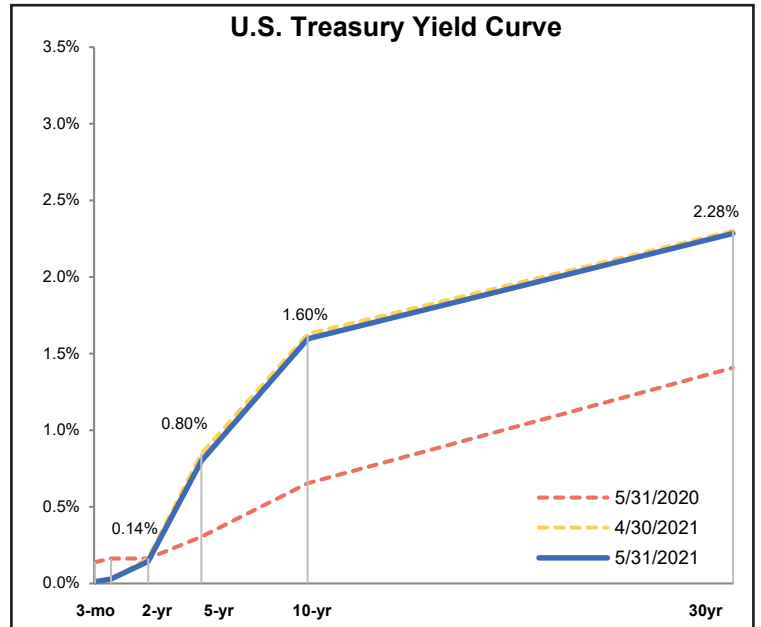
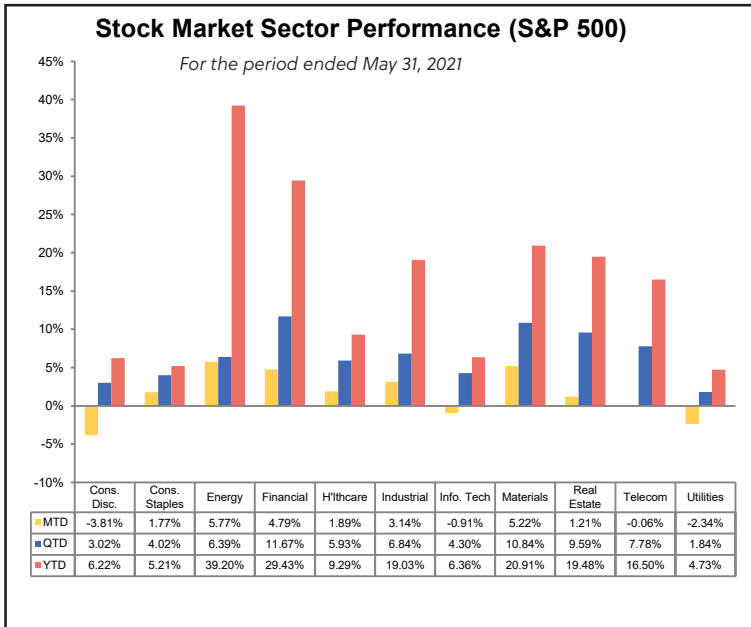
- Real estate investment trusts (REITs) represented by the FTSE NAREIT Index rose 1.02% in May. Performance was positive in seven out of nine real estate sectors. Residential did best, returning 3.51%. The worst-performing REIT sector of the month was Lodging/Resorts, returning -4.78%.
- The active contract for West Texas Intermediate (WTI) crude increased to \$66.32/barrel in May from \$63.58/barrel at the end of April. The Organization of the Petroleum Exporting Countries and their allies kept their current plan to increase oil production gradually through July in place.

Items to Watch

- Federal data shows that more than 50% of the U.S. population has received at least one COVID-19 vaccine shot as nationwide case counts continue to fall. The CDC recently said fully vaccinated people do not need to wear masks in most settings, though masks are still required on airplanes, buses, trains, and public transportation. On the other side of the world, Asia-Pacific is experiencing a renewed surge in infections, with India, Malaysia and Japan among countries that have reported record increases in daily COVID-19 cases. Based on current vaccination rates, Natixis economists project that only Singapore and mainland China will be able to vaccinate 70% of the respective countries' population this year — a similar timeline to the U.S. and the UK.
- President Biden's \$6 trillion budget proposal maps his vision of an expansive federal government role in the economy and the lives of Americans. The budget proposal includes significant increases in spending on infrastructure, public health and education, along with tax hikes on corporations and the wealthy. President Biden recently rejected a new Republican infrastructure counteroffer, but will continue talks with Republicans as the White House considers whether it should abandon hopes for a bipartisan deal.
- Job creation disappointed again in May, with non-farm payrolls up what normally would be considered a solid 559,000 but still short of lofty expectations. The unemployment rate fell to 5.8% from 6.1%, which was better than the estimate of 5.9%. May's letdown came after April sharply undershot expectations.
- President Biden will need to decide in the coming months to reappoint or replace its chairman, Jerome Powell, whose four-year term expires next February. Presidents going back to Ronald Reagan reappointed chairmen installed by their predecessors, nurturing the institution's reputation for nonpartisan independence. President Trump broke that tradition by replacing Democrat Chairwoman Janet Yellen after a single term with Mr. Powell, a Republican.

Total Return of Major Indices as of 05/31/21				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	0.70%	6.07%	12.61%	40.30%
Russell 3000	0.46%	5.63%	12.33%	43.89%
Russell 2000	0.21%	2.31%	15.30%	64.54%
Russell 1000	0.47%	5.88%	12.13%	42.65%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	3.13%	6.17%	9.87%	42.78%
MSCI EAFE	3.26%	6.37%	10.07%	38.41%
MSCI Emerging Markets	2.32%	4.87%	7.26%	51.00%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.33%	1.12%	-2.29%	-0.40%
Bloomberg Barclays Global Agg	0.94%	2.21%	-2.35%	4.47%
Bloomberg Barclays U.S. HY	0.30%	1.39%	2.25%	14.96%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	1.02%	9.16%	18.85%	38.61%
Bloomberg Commodity	2.73%	11.24%	18.92%	46.10%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	5.8%	6.1%
Initial Jobless Claims (4 week average)	428 K	458.5 K
CB Leading Economic Indicators	1.6	1.3
Capacity Utilization	74.6%	74.2%
GDP (annual growth rate)	6.4%	4.3%
University of Michigan Consumer Confidence	82.9	88.3
New Home Starts	863 K	917 K
Existing Home Sales	5.9 MM	6 MM
Retail Sales (YoY)	40.6%	20.4%
U.S. Durable Goods (MoM)	-1.3%	1.3%
Consumer Price Index (YoY)	4.2%	2.6%
Producer Price Index (MoM)	0.3%	1.3%
Developed International*	3/31/2021	12/31/2020
Market GDP (annual rate)	-1.0%	-2.2%
Market Unemployment	7.3%	7.6%



Source: Bloomberg. Data as of May 31, 2021, 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 December 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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