

W. James Steen, CFP®
jim@petrafin.com

Jason A. Pearson, CFP®
jason@petrafin.com

(O) 937.294.9000

www.petrafinancialsolutions.com

Market Monitor



- For May, the S&P 500 (+2.41%), Dow Industrials (+1.41%) and Nasdaq Composite (+5.50%) each posted strong monthly gains.
- Despite reaching \$72.35/bbl. on May 21, crude oil ended the month at \$67.04, down 2.1%, trimming its YTD gain to 11%.
- First quarter earnings reports have been exceptionally strong, with S&P 500 companies reporting overall earnings growth of 25.6% YoY versus 18.3% expected at the start of the reporting season.

Stocks once again ended the month on a sour note, with the S&P 500 paring strong prior-day gains after the Trump administration refused to extend the temporary tariff exemptions it previously granted for steel and aluminum imports from Canada, Mexico and the European Union. The newly imposed U.S. tariffs (25% on steel, 10% on aluminum, effective June 1) drew immediate retaliatory tariff announcements from affected nations, reigniting trade war fears. Yet despite the renewed trade concerns as well as political turmoil in Spain and Italy, the S&P 500 and Dow Industrials capped May with strong returns and their first two-month gains since January. Technology led the advance, helping extend solid gains on the Nasdaq Composite into a third month.

By market capitalization, small cap stocks widely outperformed both large and mid cap equities. Additionally, as was the case in April, cyclical-oriented sectors were the top performers last month and YTD, while defensive sectors, including Consumer Staples, lagged. In international equities, emerging markets widely trailed ex-U.S. developed markets last month, with both major foreign market groups posting losses in May and YTD.

U.S. Treasuries rallied on safer-haven buying during the second half of May, prompted largely by political turmoil in Italy and Spain, sending the yield on 10-year Treasuries down nearly 10 basis points to 2.859%. The flattening of the yield curve (between 2- and 10-year notes) gained momentum in May, prompting concerns among investors and several Fed officials. On a total return basis, municipal bonds and other investment-grade bonds posted gains in May, while non-investment grade high-yield corporate bonds outperformed on a YTD basis.

Top Performers – May ¹	Top Performers – Year-to-Date
Technology (+7.37%)	Technology (+11.26%)
Energy (+3.04%)	Consumer Discretionary (+7.63%)
Industrials (+3.01%)	Energy (+6.05%)
Bottom Performers – May	Bottom Performers – Year-to-Date
Telecom (-2.28%)	Consumer Staples (-12.49%)
Consumer Staples (-1.53%)	Telecom (-10.48%)
Utilities (-1.13%)	Real Estate (-3.47%)

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends, interest)

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