

# Monthly Recap

## Market Indices

Market Indices <sup>1</sup>	May	Year-to-Date
S&P 500	4.76%	-4.97%
Russell 3000	5.35%	-5.63%
Russell 2000	6.51%	-15.96%
MSCI EAFE	4.35%	-14.26%
MSCI Emerging Markets	0.77%	-15.96%
Barclays U.S. Aggregate Bond	0.47%	5.47%
Barclays U.S. Municipal Bond	3.18%	1.24%
Barclays U.S. Corporate High Yield	4.41%	-4.73%

<sup>1</sup>Morningstar Direct (all equity performance percentages are total return based, which include reinvested dividends)

## At-A-Glance

- The S&P 500 and Dow Industrials (+4.66%) posted their first back-to-back monthly gains since late 2019.
- Among the three major U.S. equity indices, the tech-heavy Nasdaq Composite performed best in May (+6.89%), having its strongest two-month gain (+23.5%) since April 2009.
- Risk appetites also continue to expand into fixed-income, with high-yield credit gaining at least 4.4% for a second month.

With the coronavirus pandemic still the major overhang for investors, equities continued to bounce back from multi-year lows in late March due in large part to optimism about businesses reopening to begin revitalizing the economy. Hopes for COVID-19 vaccines and treatments surged as multiple biotech companies announced progress in human trials during the month. The S&P 500 has risen by more than 36.5% from its March 23 low and is down less than 5% year-to-date (YTD).

Mid cap stocks performed best relative to large and small caps for a second straight month. The Russell Mid Cap advanced 7.0% in May, while the small cap-focused Russell 2000 Index gained about 6.5%. Large cap growth stocks sharply outperformed their value counterparts last month, up 6.7% and 3.4% respectively. Growth likewise is crushing value for the year, up 5.2% YTD while value is still down 16% since the start of 2020.

As the sector performance table below illustrates, all 11 major sector groups posted gains for a second month in a row. Technology returned to the forefront as the best performing sector, followed closely by Materials. Although Energy was a Bottom Performer in May, the sector ended positive as U.S. crude oil capped its best month in history, up an astounding 88%. Keep in mind the surge in oil futures follows the steepest downturn on record after a "supercontango" in oil contracts briefly turned prices negative in April.

Foreign equity markets also recovered but underperformed relative to U.S. gains. Newly announced plans for large-scale stimulus efforts in Europe and Japan helped boost the performance of the MSCI EAFE Index of international developed nations' stocks but May gains trailed the S&P 500 by 0.4%. Emerging markets equities rose only fractionally (gaining less than 1%). Globally, the MSCI All-Country World Index climbed nearly 4.4%, while the same index excluding the USA gained 3.3%.

For the month, U.S. Treasuries were little changed with benchmark 10-year yields essentially flat at 0.65%. The Bloomberg Barclays U.S. Government Index posted a fractional loss of 0.24% last month, while the longer-term government bond index gave back 1.82%. Investment-grade bonds of all types returned 0.47% in May. Meanwhile, municipal bonds outperformed, up 3.2%, while higher-risk, non-investment grade high-yield corporate bonds performed best, up a sharp 4.4%.

## Top & Bottom Performers

Top Performers – May	Top Performers – YTD <sup>1</sup>
Technology (+7.05%)	Technology (+7.29%)
Materials (+6.97%)	Consumer Discretionary (+2.13%)
Communications Services (+6.01%)	Healthcare (+1.61%)
Bottom Performers – May	Bottom Performers – YTD <sup>1</sup>
Real Estate (+1.91%)	Industrials (-16.32%)
Energy (+1.38%)	Financials (-23.37%)
Consumer Staples (+1.51%)	Energy (-34.49%)

<sup>1</sup>Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

*This report is created by Cetera Investment Management LLC*

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### Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 200 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **MSCI ACWI** is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The **MSCI ACWI** is maintained by Morgan Stanley Capital International (MSCI) and is comprised of stocks from 23 developed countries and 24 emerging markets.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a reference oil stream produced in Texas and western Oklahoma which serves as a crude or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

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