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Market Monitor



- The S&P 500 and NASDAQ Composite had their strongest monthly gains in 3 months.
- Foreign equities continued to generally outpace domestic equities in May and so far this year.
- The Bloomberg U.S. Dollar Index fell 2.15% last month, its third monthly decline and first loss in May since 2009. U.S. crude oil retreated 2.62% in May, hurt by increased output in the U.S. and Libya.

U.S. stocks ended moderately higher in May for a seventh straight month, as the S&P 500 and NASDAQ Composite more than fully recovered from their May 17th declines of 1.8% and 2.6%, respectively. The NASDAQ Composite performed the best among the three major U.S. equity indices, as solid technology earnings drove investor optimism. The index rose 2.67% last month, and was up 15.72% YTD. The Dow Jones Industrials trailed with a 0.71% May gain, up 7.47% YTD. The month was characterized by mixed economic data pointing toward modestly improving GDP growth and tame consumer prices. Investors also assessed the likelihood of another rate hike by the Federal Reserve in June. Fed policymakers last lifted interest rates in March with the consensus view expecting two more increases this year. Meanwhile, Wall Street has been supported by stronger-than expected corporate earnings, with the first quarter earnings season finishing with overall profit growth of 15.4% for the companies in the S&P 500.

Within the S&P 500, 7 of its 11 major sector groups advanced last month, led by Technology (+4.40%), Utilities (+4.24%) and Consumer Staples (+2.85%). On the other hand, value-oriented sectors such as Energy (-3.40%), Financials (-1.21%) and Telecom (-0.98%) fell the most. So far this year, Technology (+20.49%) is the leader, followed by Consumer Discretionary (+12.34%) and Utilities (+11.77%). Only two sectors are negative this year, Energy (-12.46%) and Telecom (-8.06%).

In a reversal from April, large cap stocks, as measured by the S&P 500, performed best in May, outperforming small and mid-cap companies. Small cap companies, as measured by the Russell 2000 Index, fell 2.03% last month, while the Russell Mid Cap Index returned 0.91%. Large cap stocks have also gained the most this year, up 8.66% YTD. Growth stocks outperformed value stocks in May, with the Russell 1000 Growth Index up 2.60%, while the Russell 1000 Value Index fell 0.10%. The outperformance in growth stocks has continued to widen on a year-to-date basis, with growth shares up 14.30%, while value stocks trailed with a 2.97% YTD gain.

The MSCI EAFE Index, a broad performance measure of global developed markets outside of the U.S. and Canada, outperformed emerging market equities last month, gaining 3.67%. The MSCI Emerging Markets Index posted a 2.96% advance in May. On a YTD basis, however, the MSCI Emerging Markets Index has risen the most, up 17.25% versus a return of 14.01% for the MSCI EAFE Index. The MSCI All Country World Index excluding the U.S. rose 3.24% in May and 13.74% YTD.

Even amid somewhat diminished geopolitical risks, prices on benchmark 10-year U.S. Treasury notes edged higher in May, sending its yield lower by 7.6 basis points to end the month at 2.20%, its lowest level this year. The Bloomberg Barclays U.S. Municipal Bond Index gained 1.59% last month, while the Bloomberg Barclays U.S. Aggregate Bond Index, a broader measure of U.S. investment grade bonds, rose 0.77%. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, returned 0.87% in May and 4.79% YTD.

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