

# Market Flash Report

May 2023

## Key Takeaways

- In May, US Large Cap stocks broke away from the pack as Artificial Intelligence news took center stage. The S&P 500 was up +0.4% month-over-month and +9.6% year-to-date. The tech heavy Nasdaq was up almost +6% MoM and up +24% YTD. Growth stocks extended their YTD outperformance in May, with tech, telecom, and consumer discretionary all up, while all other sectors were down, including the energy sector, which was down more than -10%.
- Developed ex-US Large Cap stocks fell -4.1% in May but are still up more than +7% YTD. European equities were down -5.9% for the month, while Japanese equities were up closer to +1.9%. In May, Emerging Market stocks fell -1.7% as Chinese equities fell -8.4%.
- On a year-over-year basis, inflation has slowed marginally for both core and headline. However, recent month-over-month readings continue to come in at elevated levels. As 2022s heightened levels are removed from the calculation, headline CPI is projected to fall to 4.1% from 4.9% in May.
- Payrolls surprised again in May, with 339,000 jobs created vs. 195,000 expected. However, the unemployment rate rose to 3.7% from 3.5% even as the labor force participation rate stayed flat. The Household Survey, which simply asks respondents if they are working or not, revealed a rise in the number of persons reporting being jobless.
- After considerable tentativeness, the US Senate approved an agreement negotiated by President Biden and Speaker McCarthy. As fears of a government default fade, all eyes turn to the Fed and its forthcoming June meeting. Fed officials have hinted at a rate pause, but solid job growth and disappointing inflation statistics have driven yields higher in May, as has the likelihood of another rate rise. The US banking crisis among other factors, according to Powell, might limit the size of any future rate hikes.

## Index Performance (as of 5/31/2023)

	May	Year-to-Date	One-Year
<b>Equity</b>			
U.S. Large Cap	0.4%	9.6%	2.9%
U.S. Small Cap	-0.9%	0.0%	-4.7%
Developed Non-U.S.	-4.1%	7.2%	3.6%
Emerging Markets	-1.7%	1.2%	-8.1%
<b>Real Assets</b>			
Real Estate	-4.5%	-2.3%	-14.7%
Commodities	-5.6%	-11.4%	-22.5%
Natural Resource Equities	-8.6%	-9.6%	-12.1%
<b>Fixed Income</b>			
<u>Core Plus</u>			
U.S. High Yield Debt	-0.9%	3.6%	0.0%
Emerging Market Debt	-1.7%	5.0%	3.7%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	-1.1%	2.5%	-2.1%
U.S. Treasuries	-1.2%	2.4%	-2.3%
U.S. Municipal Bonds	-0.9%	0.8%	1.0%
	<b>Current</b>	<b>Prior Month</b>	<b>One-Year Ago</b>
<b>Month-End Values/Yield</b>			
CBOE Volatility Index	17.9	15.8	26.2
10-Year Treasury Yield	3.6%	3.4%	2.8%

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U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the S&P Global Property Index. Commodities are represented by the Bloomberg Commodity Index. Natural Resource Equities are represented by the S&P North American Natural Resources Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.