

Market review: May, 2024

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Asset class recap for May

May was a good month for all asset classes in our table below. Interest rates dropped slightly and corporate earnings reports were generally positive, providing a tailwind for markets. Most asset classes recouped their losses from April, but not much more. Equity asset classes have pressed further into positive territory YTD, while longer dated bonds are still underwater.

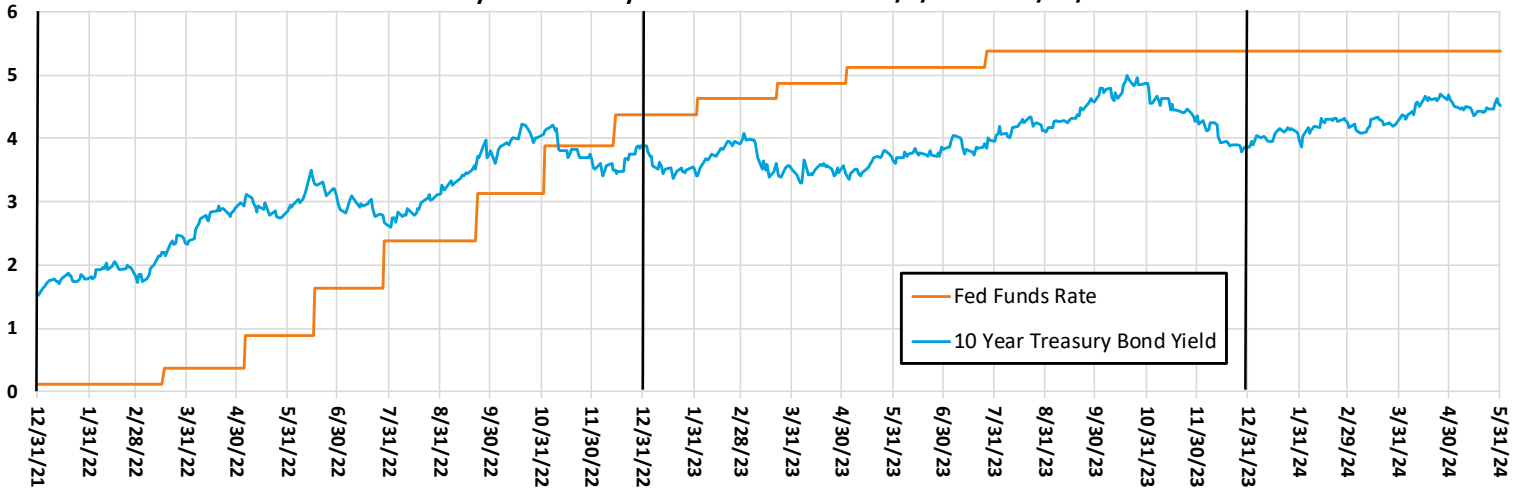
Asset class	Returns as of 5/31/2024					Annualized			Representative Index
	May 2024	YTD 2024	2023	2022	2021	3 yr	10 yr	30 yr	
U.S. Stocks	5.0	11.3	26.3	-18.1	28.7	9.6	12.7	10.6	S&P 500
U.S. Growth Stocks	6.0	13.1	42.7	-29.1	27.6	11.1	15.8	11.1	Russell 1000 Growth
U.S. Value Stocks	3.2	7.6	11.5	-7.5	25.2	5.5	8.6	9.6	Russell 1000 Value
U.S. Mid Cap Stocks	2.9	5.7	17.2	-17.3	22.6	3.1	9.5	10.9	Russell Mid Cap
U.S. Small Cap Stocks	5.0	2.7	16.9	-20.4	14.8	-1.7	7.7	8.8	Russell 2000
International Stocks	3.9	7.1	18.2	-14.5	11.3	3.1	4.6	5.2	MSCI EAFE
Emerging Market Stocks	0.6	3.4	9.8	-20.1	-2.5	-6.2	2.7	*	MSCI Emerging Market Equity
High Yield Bonds	1.1	1.6	13.4	-11.2	5.3	1.8	4.3	6.8	Bloomberg US Corp High Yield
Long Term Bonds	2.8	-5.1	7.1	-27.1	-2.5	-7.8	1.5	5.9	Bloomberg US Gov/Cred Lng Term
Intermediate Bonds	1.7	-1.6	5.5	-13.0	-1.5	-3.1	1.3	4.5	Bloomberg US Agg Bond
Short Term Bonds	0.7	0.8	4.6	-3.7	-0.5	0.3	1.3	3.4	Bloomberg US Govt/Credit 1-3 Yr
3-Month T-Bills (Cash)	0.5	2.2	5.0	1.5	0.0	2.9	1.5	2.5	ICE BofA US 3M Treasury Bill

* The Emerging Markets Equity index has not been in existence for 30 years yet. Source: Morningstar

In the financial press, major headlines have continued to be dominated by interest rate concerns and artificial intelligence enthusiasm. The U.S. Federal Reserve has not made any real changes to its positioning or communications with markets, leaving many investors disappointed that their expectations for rate cuts in 2024 are not transpiring. The yield on the 10 year treasury bond dropped slightly during May from 4.69% at 4/30/24 to 4.51% at 5/31/24 and is staying stubbornly below the Fed's Overnight Funds Rate.

Gold and Bitcoin have both made headlines recently and are enjoying good returns in 2024. Gold started the year at \$2,062 per ounce and was up to \$2,323 at May 31, for a 12.7% jump. Bitcoin started the year at \$42,265 per coin and was at \$67,491 at May 31 for an increase of 59.7%. The popularity in these alternative investments may be partly due to the upcoming presidential election, ballooning U.S. federal debt, and a richly valued stock market.

10 Year Treasury Yield History and Fed Funds Rate - 1/1/2022 to 5/31/2024

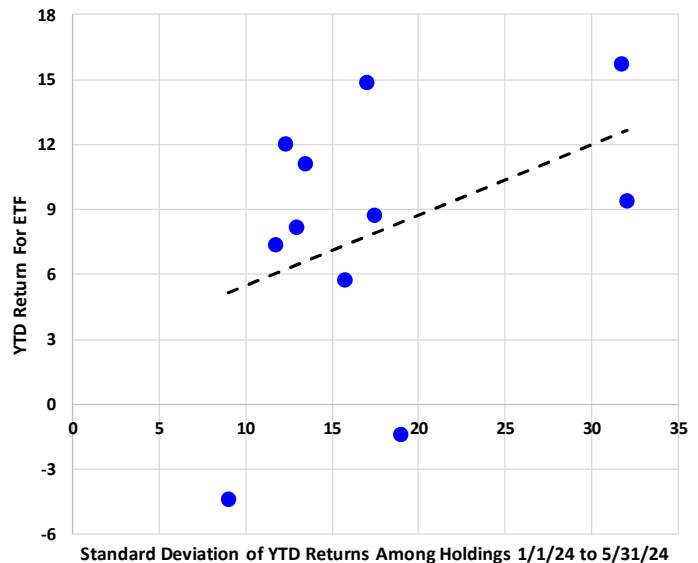


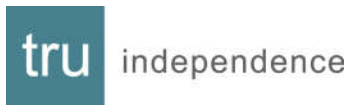
Diversification vs Stock Picking

Among U.S. equity sectors, Utilities, Communication Services, Energy, and Financials have each had returns over 10% so far in 2024. Consumer Discretionary and Real Estate have posted negative returns. The table and chart below include risk and return information for State Street’s eleven SPDR sector ETFs as well as the 500 stock holdings that make up these ETFs. In addition to the returns for the high-level ETFs, the table and chart report the variance among the underlying stocks that make up these sector ETFs.

Risk and return charts typically plot the return for a security versus the standard deviation of the time series returns for that security, but we have instead put the standard deviation of YTD returns among the underlying holdings of each ETF on the x-axis. The typical risk/return best-fit line holds – the greater the risk, the greater the reward.

U.S. Equity Sector ETF Name	Ticker	Total YTD Return for ETF at 5/31/24	Std Deviation Of YTD Returns Among The ETFs Holdings	Max YTD Return Among ETF Holdings @ 5/31/24	Min YTD Return Among ETF Holdings @ 5/31/24
Utilities Select Sector SPDR® ETF	XLU	15.7	31.8	157.8	-9.6
Communication Serv Sect SPDR®ETF	XLC	14.9	17.0	32.0	-27.6
Energy Select Sector SPDR® ETF	XLE	12.0	12.3	37.5	-13.5
Financial Select Sector SPDR® ETF	XLF	11.1	13.5	38.2	-31.6
Technology Select Sector SPDR® ETF	XLK	9.4	32.0	176.0	-40.2
Industrial Select Sector SPDR® ETF	XLI	8.7	17.5	60.1	-31.9
Consumer Staples Sector SPDR® ETF	XLP	8.1	13.0	25.9	-36.0
Materials Select Sector SPDR® ETF	XLB	7.4	11.8	30.6	-14.9
Health Care Select Sector SPDR® ETF	XLV	5.7	15.8	43.3	-25.1
Consumer Discret Sel Sect SPDR® ETF	XLY	-1.4	19.0	63.7	-39.0
Real Estate Select Sector SPDR®	XLRE	-4.4	9.0	16.3	-21.7





Source: State Street website www.ssga.com and Morningstar

Advisors and investors often ask about the value of owning an ETF in environments like today when it seems that only a handful of stocks are driving the majority of market returns. We like to remind investors (and ourselves) that the risk reduction benefits from diversified funds like ETFs can have a major benefit to portfolios by helping to avoid drawdowns. For every investor who picks a stock in a sector that outperforms the sector's average, there is a second investor who has picked an underperforming stock. The risk of getting it wrong is immense. Even the best returning sector ETF (Utilities in this year-to-date review) had 10% of its underlying securities post negative returns. Idiosyncratic risk (factors unique to specific corporations) can be diversified away, while / systematic / market risk cannot.

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