

~ May 2019 NEWSLETTER ~

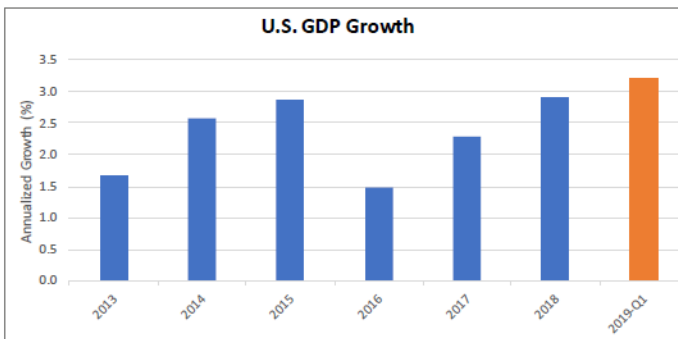
Monthly Summary

Market volatility increased in May, following an otherwise calm start to the year. Headlines of better than expected global growth paired with moderate inflation pressures, were quickly overshadowed by rising global trade tensions. While the U.S. and China have been at the epicenter, direct tariffs on Mexico have also come into the spotlight- adding significant downward pressure on most global equity markets. Within the S&P, the energy sector fared the worst, following a precipitous decline in the price of oil. Defensive sectors, such as utilities and consumer staples, weathered the storm best. This is typically the case in a risk-off environment. The real estate sector also held up well, as it was seen to benefit from declining borrowing rates. Outside of the S&P, small-cap securities lagged large-caps. In a reversal from earlier in the year, many developed non-U.S. equity markets outperformed. This partially narrowed the year-to-date gap between the performance of U.S. and international markets.

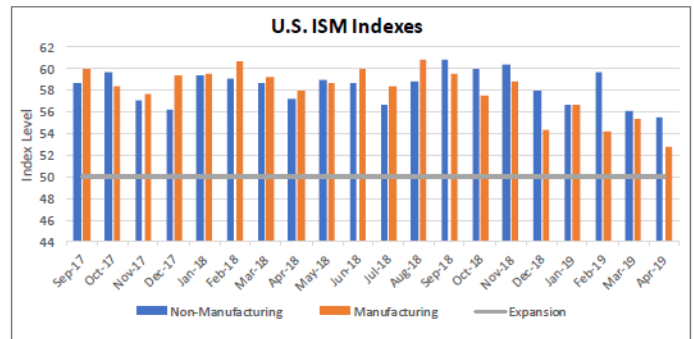
Bond markets performed well against this backdrop, as investors fled to safety. Fixed income had the added benefit of declining rates, with the U.S. Treasury 10-Year yield falling to its lowest level in nearly two-years. Positive results were most pronounced in the least credit-sensitive areas of the market. This included the municipal bond market, which continued to benefit from a positive supply/demand dynamic. Areas of the market that are more exposed to credit risk, such as high yield, saw some of the benefit of falling rates offset by expanding credit spreads.

Many economic indicators released in May were incrementally negative. This shift followed the additional uncertainty rising trade tensions introduced to the market. Select areas of the economy, such as domestic manufacturing, autos, and housing, have seen more dramatic declines. Overall, the world economy continues to walk a tightrope between expansion and slowing growth. Until resolved, trade tensions risk pushing economic growth lower and contributing to heightened market volatility.

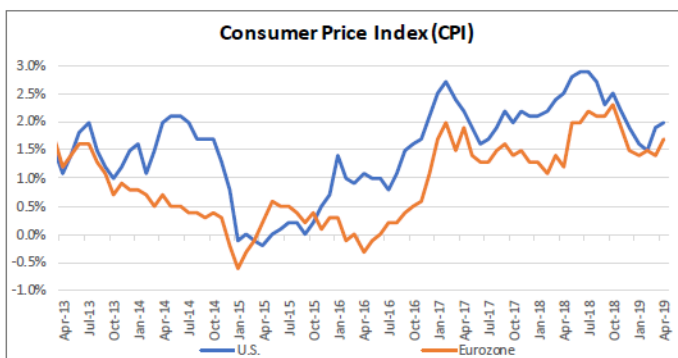
Economic Data



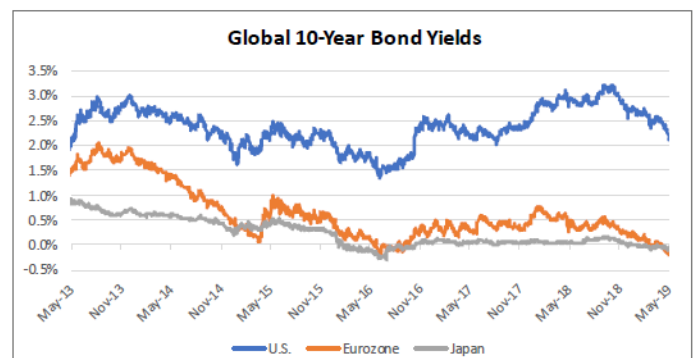
U.S. Department of Commerce



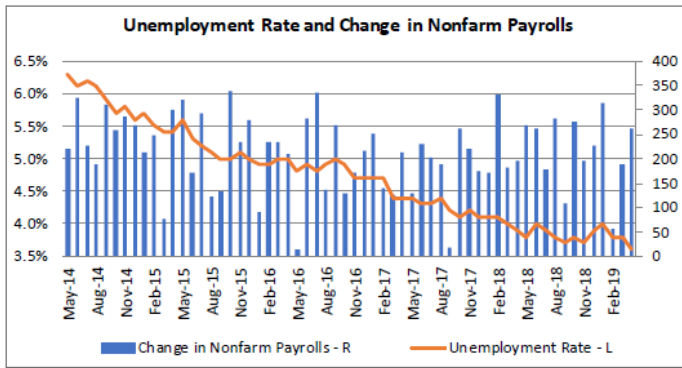
Institute for Supply Management



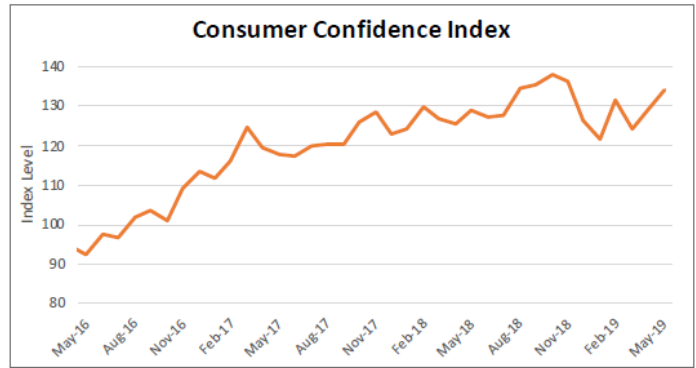
U.S. Bureau of Labor Statistics



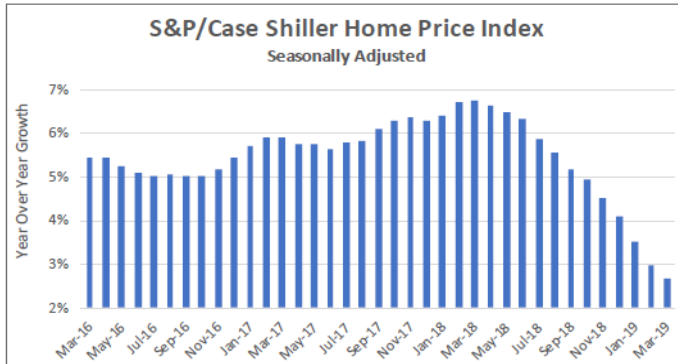
Bloomberg



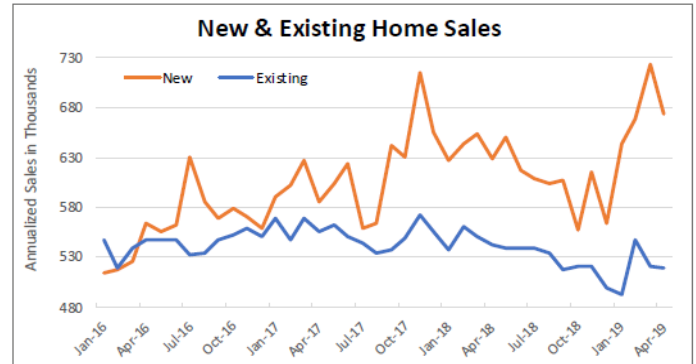
U.S. Bureau of Labor Statistics



Conference Board



S&P/Case Shiller



U.S. Bureau of the Census

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