

MARKET UPDATE

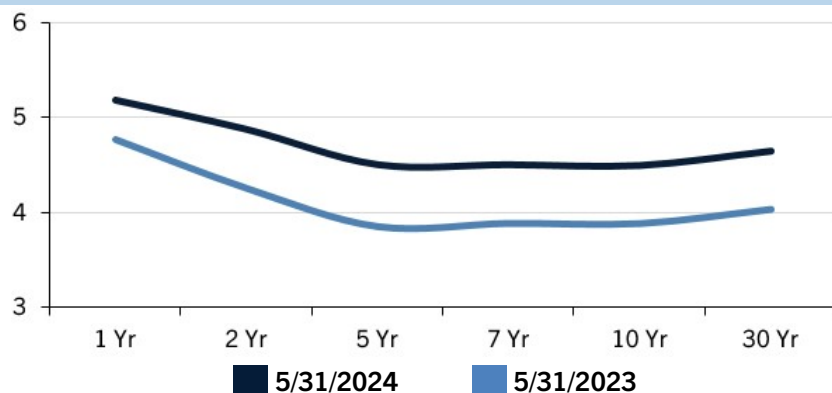
as of 5/31/2024

Monthly Commentary

The Month In Review

- Equities rallied in May on the back of strong earnings reports from a broad swath of companies. The Technology sector was the best-performing sector, followed by Utilities and Telecommunications. Energy was the worst-performing sector, followed by Discretionary and Industrials. The S&P 500 Index gained 4.96% for the month, which brings the YTD result to a very pleasing 11.30%.
- Bond yields declined in May, largely in response to a few economic reports indicating a return to slightly more favorable inflation data coupled with somewhat weaker overall economic vitality. The slower growth is welcome news for the Fed since it may help reduce inflationary pressure. As a result, the Bloomberg U.S. Intermediate Aggregate Index return was 1.46% for the month.
- Municipal bonds could not keep up with Treasuries and delivered negative results for the month of May: -0.29%. Valuations of municipal bonds compared to Treasuries had been on the rich side, so the results in May were not terribly surprising.
- The advance estimate of first quarter GDP of 1.6% was revised lower to 1.3% in the first revision, primarily reflecting a slower pace of consumer spending (mainly from durable goods). Other reports during the month indicate a slower pace of residential real estate activity, no doubt due to elevated interest rates compared to the last few years but also likely reflecting high prices in many markets. These reports add to the mounting evidence from corporate earnings reports that higher interest rates are slowing the pace of economic growth.

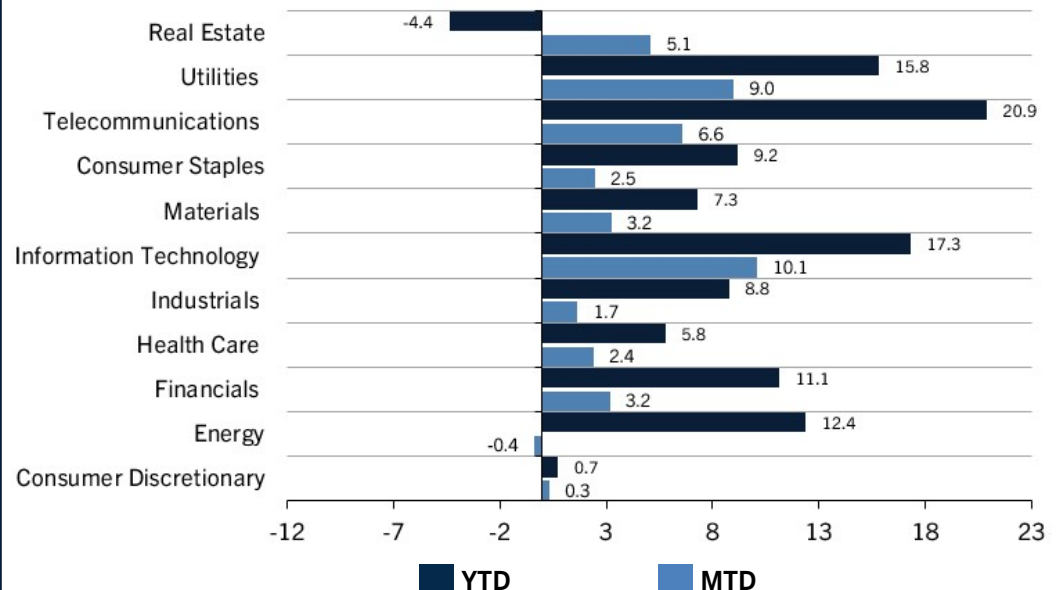
Yield Curve (%)



Key Rates (%)	May-24	1 Year Ago	2 Years Ago
Fed Funds Rate	5.50	5.25	1.00
2-Yr U.S. Treasury	4.87	4.50	2.65
10-Yr U.S. Treasury	4.50	3.69	2.93
30-Yr Fixed Mortgage	7.29	7.08	5.35

Index Returns (%)	May-24	YTD	1 Year	3 Year Ann.
S&P 500	4.96	11.30	28.17	9.54
MSCI EAFE	3.87	7.07	18.53	3.06
MSCI EM	0.56	3.41	12.39	-6.22
Bloomberg Int. U.S. Aggregate	1.46	-0.87	2.00	-2.05
Bloomberg Municipal Bond	-0.29	-1.91	2.67	-1.29

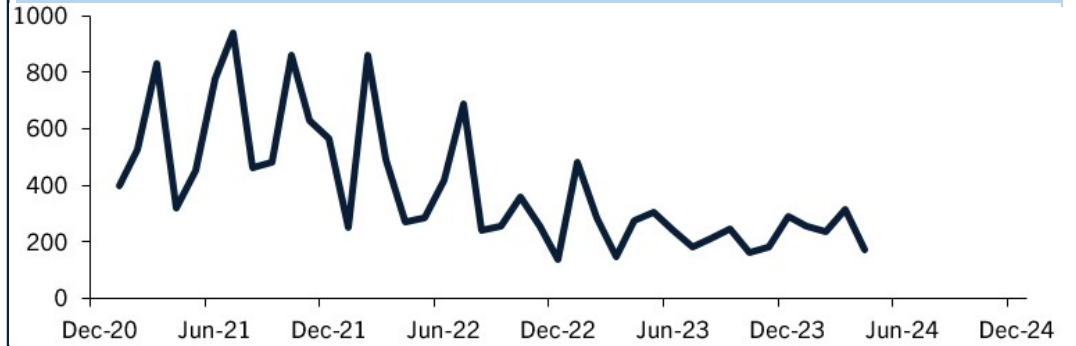
Equity Returns by Sector (%)



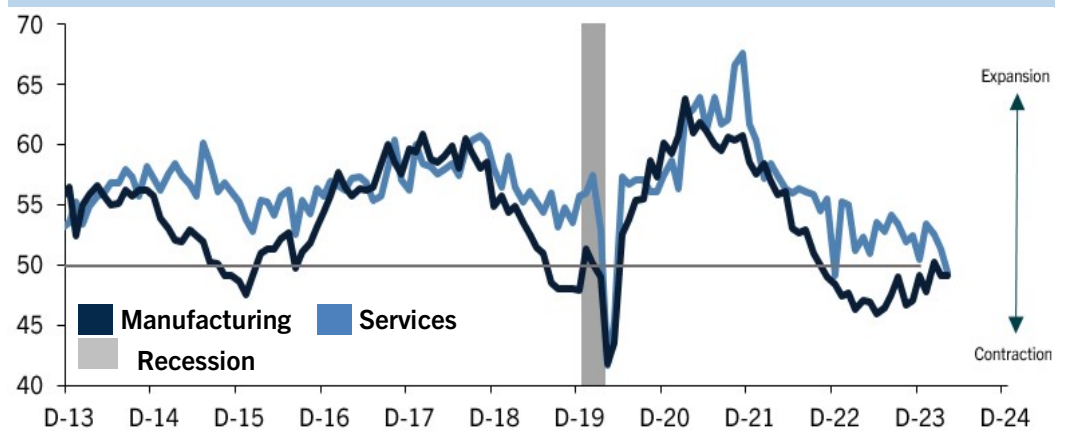
Monthly Commentary Continued

- International equity indices experienced mixed results in May. International Developed Markets turned in solid results of 3.98%, but International Developing Markets barely registered a positive return of 0.59%.
- Another economic report known as the “Beige Book” is worth a mention. Released eight times a year, the May release revealed more signs of slower growth. The words “moderate” and “modest” were used 163 times, while “strong” and “robust” were used only 48 times. A sense of mounting pessimism was observed in the anecdotes, and the low-to-moderate income consumer segment is reportedly pulling back on spending or trading down across the consumer goods category.
- Earnings reports from many consumer product companies noted this trading down behavior, which is very common way following higher inflation. Target and other retailers are responding by lowering prices on thousands of products. This type of activity is ultimately how inflation can come back into line.
- May saw a strong rebound in equities following a very weak April. The Nasdaq Index had its strongest month on the year, higher by 7.0%. Also worth noting, the Information Technology sector for the S&P also had its strongest month of the year, higher by 10.1%
- Nvidia Corp, Apple Inc, and Microsoft Corp were the top three contributors to return for the S&P 500 in May whereas Salesforce Inc, Tesla Inc, and Intuit Inc were the biggest detractors.
- The Energy sector was the only negative sector for the S&P in May, following the price of Crude Oil, which was off 6.0% on the month.

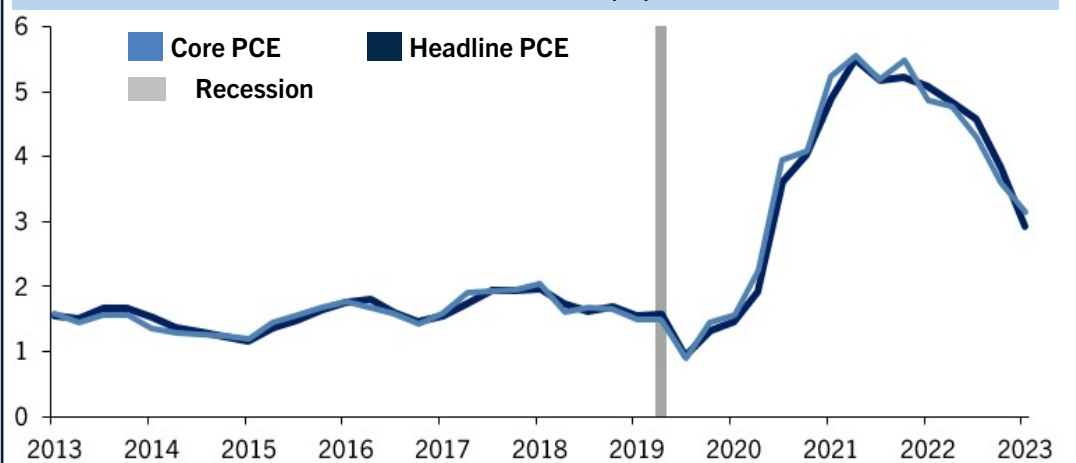
Non-Farm Payrolls (Thousands)



ISM Manufacturing and Services



PCE Inflation (%)



Disclosures

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Index Definitions

The S&P 500 (S&P 500) Total Return is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

MSCI EAFE Total Return Net is the Morgan Stanley Capital International Europe, Australia, and Far East index that is a market-capitalization-weighted index of 21 non-U.S. industrialized country indexes. The index includes net dividends reinvested minus-tax-credit calculations, but subtracts withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

The MSCI Emerging Markets (MSCI EM) Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD (Municipal Bond Index) covers the US-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.

The Bloomberg Intermediate U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market with less than 10 years to maturity. The securitized sector includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight. When a depository institution has surplus balances in its reserve account, it lends to other banks in need of larger balances. In simpler terms, a bank with excess cash, which is often referred to as liquidity, will lend to another bank that needs to quickly raise liquidity. (1) The rate that the borrowing institution pays to the lending institution is determined between the two banks; the weighted average rate for all of these types of negotiations is called the effective federal funds rate.(2) The effective federal funds rate is essentially determined by the market but is influenced by the Federal Reserve through open market operations to reach the federal funds rate target. All Key Rates and Returns by Index are quoted out of Bloomberg.

The CPI Index represents changes in prices of all goods and services purchases for consumption by urban households. Retail Gas Prices are provided by AAA using data from up to 120,000 retail stations. West Texas Intermediate (WTI) crude oil is a specific grade of crude oil and one of the main three benchmarks in oil pricing, along with Brent and Dubai Crude.

Equity Returns by Sector are based on the GICS methodology. Return data are calculated by Bloomberg using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Chart Definitions

The Services and Manufacturing PMI from the Institute for Supply Management (ISM) is a composite index based on the diffusion indexes for four of the indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries. The Manufacturing PMI is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries, and Inventories (seasonally adjusted). Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining. Supplier Deliveries is an exception. A Supplier Deliveries Index above 50 percent indicates slower deliveries and below 50 percent indicates faster deliveries.

The PCE Price Index Excluding Food and Energy, also known as the core PCE price index, is released as part of the monthly Personal Income and Outlays report. The core index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices. The core PCE price index is closely watched by the Federal Reserve as it conducts monetary policy. The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States. Quarterly and annual data are included in the GDP release.

Disclosures

Total Nonfarm, commonly known as Total Nonfarm Payroll, is a measure of the number of U.S. workers in the economy that excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed. This measure accounts for approximately 80 percent of the workers who contribute to Gross Domestic Product (GDP).

The diffusion non-farm payrolls chart are based on the percent of industries with employment increasing plus one-half the industries unchanged employment, where 50% indicates an equal balance between industries with increasing and decreasing employment.

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