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MONTHLY RECAP

May 2022 Recap

Market Indices[1]	May	Year-to-Date
S&P 500	0.18%	-12.76%
Russell 3000	-0.13%	-13.89%
Russell 2000	0.15%	-16.56%
MSCI EAFE	0.75%	-11.34%
MSCI Emerging Markets	0.44%	-11.76%
Barclays U.S. Aggregate Bond	0.64%	-8.92%
Barclays U.S. Municipal Bond	1.49%	-7.47%
Barclays U.S. Corporate High Yield	0.25%	-8.00%

[1]Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

At-A-Glance

The S&P 500 remains in correction, down 13.3% from its Jan 3 record high. Positively, the index ended its last full week in May up 6.6%, snapping seven-straight weekly losses, its longest losing streak in over a decade.

Similarly, the Dow Jones Industrial Average inched just 13 points higher in May (+0.3%). The Dow ended May 9.6% below its Jan 4 record high.

The Nasdaq Composite fell 1.9% last month, extending its YTD loss to 22.5%. The Nasdaq remains mired in a bear market ending May 24.5% below its Nov 19, 2021 record high.

Despite the YTD losses, the S&P 500 is still up 91% since the Mar 23, 2020 COVID-19 bear market low. Since that date, the Dow 30 is up 85.4% and the Nasdaq gained 79.1%.

The yields on 10- and 30-year Treasurys reached new peaks on May 6 at 3.12% (highest since Nov 2018) and 3.23% (highest since Dec 2018), respectively.

Bloomberg's Commodities Index rose 1.5% in May, extending its YTD gain to 32.7%. U.S. crude oil jumped 9.5% in May, ending the month at $114.67/barrel (+52.5% YTD).

May's roller coaster performance was one for the record books with the S&P 500 ending less than 0.25% higher from where it ended in April. Overall, a month-ending surge fully erased earlier May losses. In contrast, the S&P 500 lost 8.8% in April, its worst month since March 2020. Equities experienced intense volatility last month amid worries of a future recession, persistent inflation, and rising interest rates. The S&P 500 surged over 8% after momentarily plummeting over 20% from its January 3 all-time high. However, the S&P 500 narrowly avoided the -20% common definition of a bear market based on closing prices.

The key catalyst behind the May volatility rested squarely with the Federal Reserve. Indeed all seven trading days last month with the S&P 500 moving plus or minus 2% or more were each marked by Fed commentary on aggressive rate policy insights. Fed members voted to raise interest rates by a ½-point at their May 3-4 FOMC policy meeting and Fed Chairman Powell telegraphed successive ½-point increases are likely at the next two policy meetings to help rein in inflation. Most recently, Atlanta Fed President Bostic said Fed policymakers may pause rate tightening in September if inflation meaningfully slows in the coming months. Meanwhile, the second estimate of first quarter U.S. GDP contracted at a slightly deeper -1.5% annualized pace (-1.4% previously estimated).

Corporate profits are coming under inflationary pressures aggravated by higher wages and supply-chain disruptions. Margin outlooks are likely to compress as forward EPS (earnings per share) analyst revisions for S&P 500 companies are trending lower until 2023. Consumer-oriented industries are among those facing the biggest challenges.

The University of Michigan's consumer sentiment index deteriorated last month to a decade low and respondent's views for durable goods buying conditions fell to the lowest level on record. However, a late May report showed inflation-adjusted "real" consumer spending rose 0.7% in April, the most in three months, signaling households were holding up well despite higher pricing pressures that were countered by lower savings rates.

All six value-oriented capitalization levels for the month and year are widely outperforming their core and growth counterparts. Larger cap value stocks are benefiting most based on their traditionally higher dividend payouts. So far this year, value is outperforming growth by at least 16.5% YTD in all market cap levels. This YTD value outperformance has strengthened from at least a 13% differential the month prior.

May

	Value	Core	Growth
Large	1.94%	-0.15%	-2.32%
Mid	1.92%	0.08%	-3.87%
Small	1.92%	0.15%	-1.89%

YTD

	Value	Core	Growth
Large	-4.52%	-13.72%	-21.88%
Mid	-5.88%	-12.87%	-25.43%
Small	-8.25%	-16.56%	-24.79%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In sector performance, six of the 11 major groups posted May gains, led by double digit returns in Energy followed by Utilities. This Energy and Utilities outperformance also prevailed on a YTD basis. As already mentioned, consumer-oriented sectors are among the biggest decliners in May while delivering uneven results YTD. Consumer Staples fell the least this year (the third-best YTD performer), while Consumer Discretionary is down the most YTD.

Top Performers – May	**Top Performers – YTD [1]**
Energy (+15.77%)	Energy (+58.47%)
Utilities (+4.32%)	Utilities (+4.65%)
Financials (+2.73%)	Consumer Staples (-3.16%)
Bottom Performers – May	**Bottom Performers – YTD [1]**
Consumer Staples (-4.61%)	Technology (-19.39%)
Consumer Discretionary (-4.85%)	Communication Services (-24.35%)
Real Estate (-5.02%)	Consumer Discretionary (-24.69%)

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets outperformed relative to the U.S. in May, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) near 0.8% return eclipsing the S&P 500's 0.2% gain. Germany and Japan again delivered outsized gains, up 3.1% and 1.6% respectively. Emerging markets (+0.4%) also outshined the U.S. albeit less aggressively as Brazil's 8.4% rebound from a 13.7% April loss was partially offset by widening losses in India (-5.8%).

Turning to fixed income markets, the Bloomberg U.S. Government Bond Index (+0.19%) trimmed its YTD loss to -8.2%. On a broader basis, investment-grade bonds of all types fared even better, climbing 0.64% last month while appetites for higher-risk, non-investment grade high yield corporate bonds returned 0.3% to trim its YTD loss to 8%. Municipal bonds of all types performed best, up 1.5% to dampen its YTD loss to 7.5%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary
The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P.

Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-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. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with
a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.