



MONTHLY MARKET UPDATE

May 2019

Broad Economic News | The month of May continued to show signs of a softening economy as job creation slowed dramatically with payrolls up only 75,000 compared to economist estimates of 185,000. Wage growth also came in below estimates, while unemployment remained unchanged at 3.6%. The US dollar and 10-year yields dropped in reaction to the May jobs report. The data show that concerns over a prolonged trade dispute are increasing and businesses may be taking precautions to safeguard themselves against an economic downturn.

Equity markets also detracted this month with the S&P 500 falling 6.35%. YTD returns are still strong at 10.74% after the 4th quarter downturn. Mid- and small-cap stocks also performed poorly this month with returns of -6.14% and -7.78% respectively. International and emerging markets have a similar story, with returns this month of -4.66% and -7.22%.

Tariffs and Trade | The complexities of the trade war have increased as negotiations broke down in a late April summit in Beijing. In May, the United States raised tariffs from 10% to 25% on \$200 billion of Chinese goods. The Chinese responded with their own tariffs on \$60 billion worth of goods. The unpredictable nature of this conflict has made results hard to forecast for economists and investors. Looking ahead, there are a few instances where the two sides could return to constructive conversations. The G-20 summit, slated for June, is unlikely to see a complete resolution; however, last year's summit resulted in a temporary halt to the conflict. Additionally, the upcoming 2020 election could be motivation for the White House to get a deal finalized.

China is not the only country in the sights of the United States. In late May, President Trump threatened to impose 5% tariffs on all Mexican goods brought into the U.S. in order to curb the inflow of migrants over southern borders. The tariffs are set to increase monthly until they reach a cap at 25%. If the cap were to be met, consumers and suppliers can expect large disruptions to commerce.

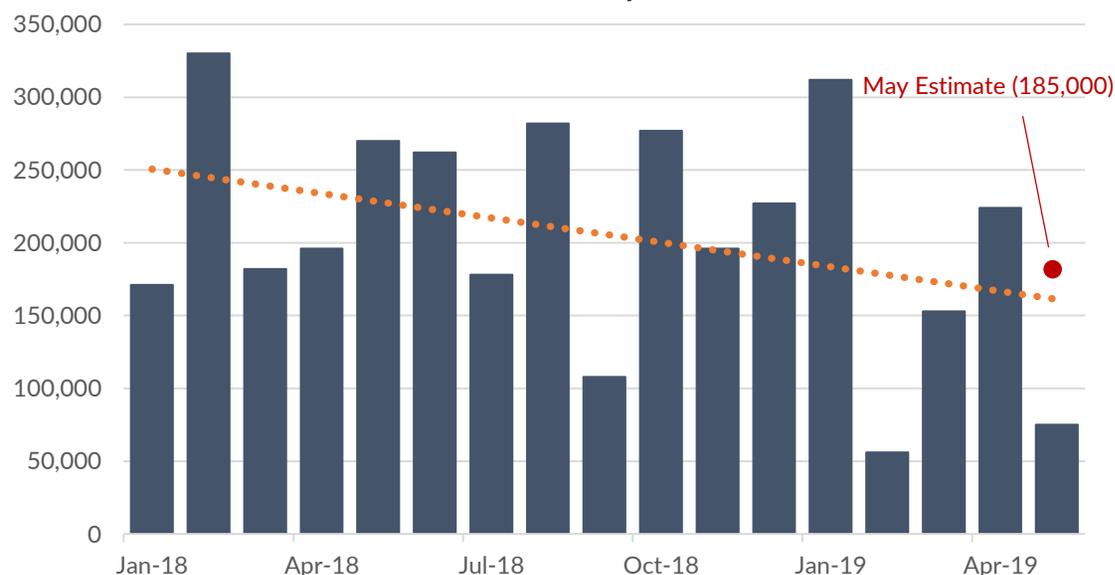
Fed Policy | The yield curve inverted late in the first quarter, which occurs when short-term Treasury rates (3-month) are higher than long-term rates (10-year). An inverted yield curve has historically been an indicator of an impending recession. With that said, a recession typically does not occur until over a year after the initial inversion. Still, the economy is showing signs of weakness from a prolonged trade war and a cooling of job growth. This has caused what many call the "Fed Pause," which marked an end to the Fed's contractionary monetary policy. Now economists and investors are predicting potential rate cuts in 2019 as opposed to initial projections of rate hikes.

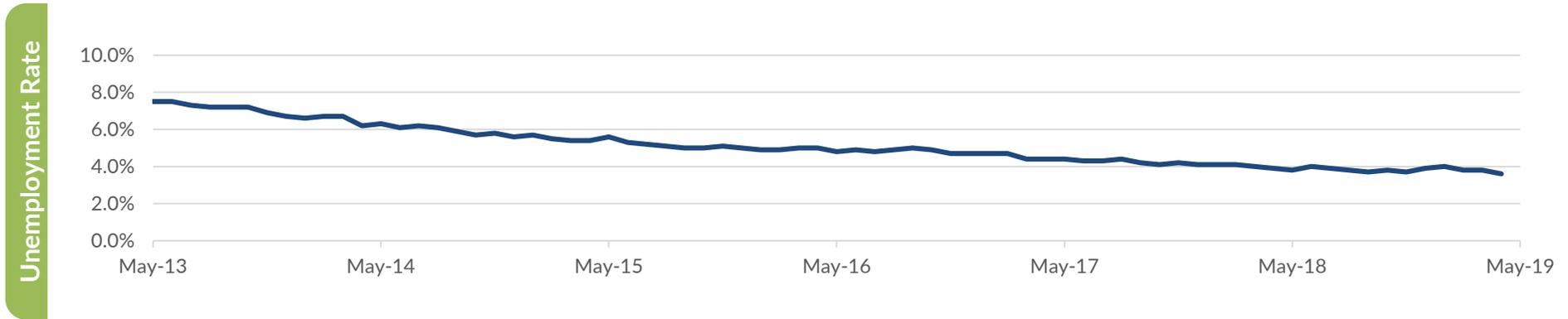
Brexit | After Theresa May's final Brexit solution was once again rejected by Parliament, the UK Prime Minister announced her resignation which is set to take effect on June 7th. May will continue to serve as PM until her replacement is chosen. With October 31st marked as the new Brexit deadline (originally set for March 29th), May's successor will have a significant impact on the nation's exit strategy from the European Union (EU).

Boris Johnson, the right-wing Conservative and current front-runner for the position, is adamant about leaving the EU on the set deadline, with or without a deal. While candidates such as Johnson prefer a decisive break with the EU, other possible replacements such as Jeremy Corbyn remain adamant about maintaining strong ties after the split. Corbyn is the leader of the left-wing Labour Party.

Both strategies, while completely different, would have a meaningful effect on the British economy and trade relations. For instance, with a more decisive split, President Trump has promised a post Brexit free-trade agreement between the UK and the United States. A trade pact between the two nations would face a few hurdles, but it is just one of the many possible outcomes that the new Prime Minister will have to address.

US Non-Farm Payroll Additions

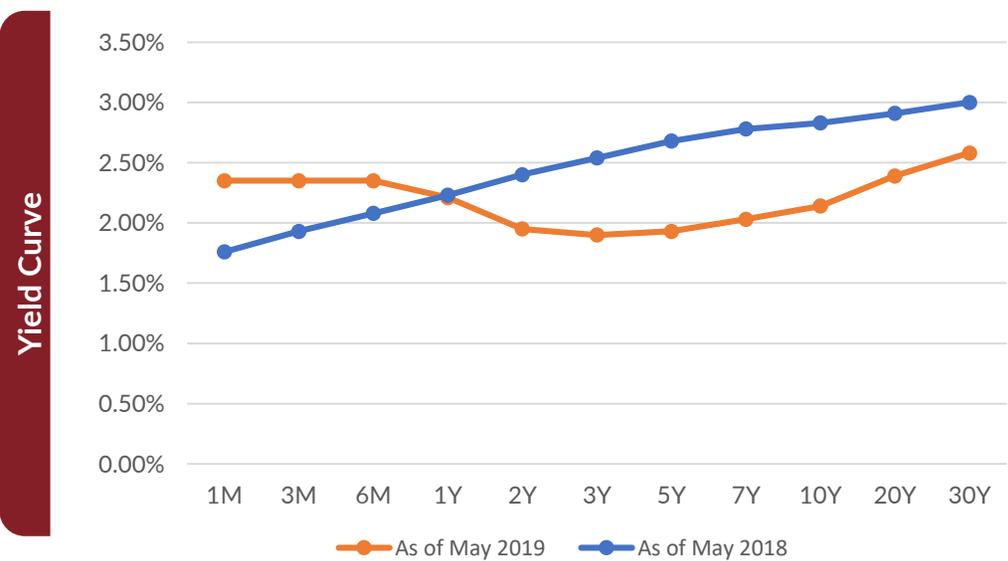




	May Return	YTD Return
Equities		
S&P 500 TR USD	-6.35%	10.74%
Russell 1000 TR USD	-6.37%	11.05%
Russell 2000 TR USD	-7.78%	9.26%
MSCI ACWI GR USD	-5.85%	9.38%
MSCI EAFE GR USD	-4.66%	8.05%
MSCI EM GR USD	-7.22%	4.19%

	Value	Core	Growth
Large	-6.43%	-6.46%	-6.49%
Mid	-6.42%	-6.14%	-5.75%
Small	-8.17%	-7.78%	-7.42%

	May Return	YTD Return
Fixed Income		
ICE BofAML US 3M Treasury Bill	0.23%	1.02%
Bloomberg Barclays US Govt/Credit 1-3 Yr	0.69%	2.14%
Bloomberg Barclays US Govt Interm	1.46%	3.11%
Bloomberg Barclays US Govt/Credit Interm	1.31%	3.86%
Bloomberg Barclays US Govt/Credit	1.96%	5.34%
Bloomberg Barclays US Agg Interm	1.32%	3.75%
Bloomberg Barclays US Agg Bond	1.78%	4.80%
Bloomberg Barclays Global Agg Bond	1.35%	3.28%
Bloomberg Barclays US Treasury	2.35%	4.22%
Bloomberg Barclays US Treasury US TIPS	1.65%	5.25%
Bloomberg Barclays US Corporate IG	1.43%	5.51%
Bloomberg Barclays High Yield Corporate	-1.19%	7.49%
Bloomberg Barclays Municipal	1.38%	4.71%
Bloomberg Barclays Municipal 7 Yr 6-8	1.38%	4.24%



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