

Monthly Recap

At-A-Glance

The S&P 500 advanced 6.29% in May, ending the three-month stretch of declines that began in February. The index is now up 1.06% YTD and sits 3.78% below its all-time high.

The Dow Jones Industrial Average gained 4.16% in May, pushing it into positive territory YTD (+0.08%).

The Nasdaq Composite performed best, gaining 9.65% for the month, which trimmed its YTD loss to just 0.74%.

Bloomberg's Commodities Index contracted 0.58% in May, bringing its YTD gain to 3.05%.

Gold futures declined for the first time in five months, sliding 0.11% to end May at \$3,289.40/ounce. On a YTD basis, Gold is still up 25.54%.

U.S. West Texas intermediate (WTI) crude oil futures rallied 4.43% to end the month at \$60.79 per barrel. U.S. crude is down 15.24% for the year.

Market Indices ¹	May	Year-to-Date
S&P 500	6.29%	1.06%
Russell 3000	6.34%	0.64%
Russell 2000	5.34%	-6.85%
MSCI EAFE	4.58%	16.87%
MSCI Emerging Markets	4.27%	8.73%
Bloomberg U.S. Aggregate Bond	-0.72%	2.45%
Bloomberg U.S. Municipal Bond	0.06%	-0.96%
Bloomberg U.S. Corporate High Yield	1.68%	2.68%

¹FactSet (all equity performance is total return, which includes dividends).

Markets posted strong gains in May, with the S&P 500 and Nasdaq Composite turning in their best monthly performances since November of 2023. Equities were buoyed by a surprise tariff de-escalation agreement between the U.S. and China, bolstering hopes that global trade tensions might ease heading into the summer. Meanwhile, resilient corporate earnings, strong AI tailwinds, and improving consumer sentiment contributed to broad-based optimism despite a sharp backup in Treasury yields.

The Federal Reserve held its target range for the federal funds rate steady at 4.25-4.50% in May, as expected. Policymakers acknowledged recent inflation stickiness but emphasized a need for more data before adjusting policy. The pause reinforces the Fed's patient stance amid mixed signals from economic data.

In key economic data, the BEA's second estimate of first quarter GDP was revised higher by 0.1% to a contraction of -0.2%. The upward revision was driven by stronger than expected fixed investment, which partially offset weaker consumer spending and the drag from tariff front-running by businesses and households.

The University of Michigan's preliminary consumer sentiment reading for May was revised higher to 52.2 from 50.8, matching April's level. The modest improvement was partly driven by a temporary pause in certain U.S. tariffs on Chinese goods, which helped ease some near-term concerns. Still, sentiment remains historically low, underscoring continued consumer unease over inflation and broader economic uncertainty.

The first quarter 2025 earnings season is ending with 98% of S&P 500 firms reporting results. Of the companies that have reported, 78% have surprised to the upside, while only about 18% of companies have missed earnings estimates according to FactSet. The S&P 500 is now reflecting a blended earnings growth rate of 12.92% for the first quarter.

All equity sizes and styles advanced in May, led again by Mid cap Growth (+9.59%) and Large cap Growth (+8.85%). Small cap Value (+4.20%) and Large cap Value (+3.51%) gained the least. In year-to-date (YTD) returns, Mid cap Growth remains the standout performer (+5.20%), followed by Large cap Value (+2.50%). Small cap styles are still lagging YTD but have narrowed their 2025 losses to single-digit percentages.

May Returns			Year-to-Date Returns		
	Value	Blend	Value	Blend	Growth
Large Cap	3.51%	6.38%	2.50%	1.00%	-0.27%
Mid Cap	4.36%	5.72%	-0.37%	1.06%	5.20%
Small Cap	4.20%	5.34%	-7.73%	-6.85%	-6.01%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 5/31/2025.

10 of the 11 S&P 500 sectors posted gains in May, led once again by Technology, which extended its leadership from April. Healthcare was the sole laggard, declining (-5.55%) for the month. Growth-oriented sectors outperformed, while more defensive areas underperformed. Despite May's rotation into cyclicals, defensive sectors like utilities and consumer staples remain among the top performers YTD, reflecting investor caution amid ongoing uncertainties.

Top Sector Performers – May ¹	Bottom Sector Performers – May ¹
Technology (+10.89%)	Energy (0.99%)
Communication Services (+9.63%)	Real Estate (0.99%)
Consumer Discretionary (+9.44%)	Healthcare (-5.55%)
Top Sector Performers – YTD ¹	Bottom Sector Performers – YTD ¹
Utilities (+9.07%)	Healthcare (-3.10%)
Industrials (+8.83%)	Energy (-3.88%)
Consumer Staples (+8.45%)	Consumer Discretionary (-5.96%)

¹ FactSet (all S&P 500 sector performance percentages are total return based, which include dividends).

Foreign equities in developed markets lagged relative to the U.S. last month with the MSCI EAFE Index climbing 4.58% to extend its YTD gain to 16.87%. In MSCI EAFE country-specific indices, Germany continued to lead in May, advancing 5.68%, extending its YTD performance to 31.29%. Japan advanced another 4.05% last month, reflecting a 9.86% YTD gain. Emerging markets posted a more modest advance in May, rising 4.27%. Taiwan performed best among EM nations, jumping 12.54% in May, while Saudi Arabia shed 4.77%.

The yield on benchmark 10-year Treasuries rose 0.24% to end the month at 4.39%, following an intra-month spike above 4.5%. The Bloomberg U.S. Government Index declined by 1.02% in May while longer-duration Bloomberg U.S. Government long-term bonds fell 2.86%. These indices are up 2.51% and 0.57%, respectively, YTD.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index, declined 0.72% in May. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, advanced 1.68%. Bloomberg's U.S. Municipal Bond Index inched up 0.06% in May after showing signs of stabilization and improving sentiment ahead of anticipated normalization in the municipal market.

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A diversified portfolio does not assure a profit or protect against loss in a declining market.

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 USD_X 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.