THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished May at 34,529, up +1.93% for the month, and +12.82% year-to-date. The S&P 500 closed May at 4,204, up +0.55% for the month, and +11.93% so far for the year. The NASDAQ Composite lost -1.53% in May, up +6.68% for the year. Small-company stocks as measured by the Russell 2000, ended May up +0.11% for the month, +14.89% year-to-date. Energy (+6.60%) was the best performing sector in May.

"The S&P 500 has gone almost nowhere since the middle of April... That doesn't happen all too often- and when it does, forward returns have suffered: Six months later, the S&P 500 has been lower more than two thirds of the time."
(Barron's, The Trader, Ben Levisohn, June 4, 2021)

MARKETS TREADING WATER - SEARCHING FOR SIGNALS ON INFLATION, FED POLICY

With markets up double digits for the year, and over +20% higher than their pre-pandemic peaks, markets have mostly taken a breather through the spring. Major indexes have calmly ebbed and flowed, with the VIX Volatility Index at it's lowest level since before the pandemic began, and the S&P 500 ending May just +0.44% higher than it's previous record high on April 16th. Many long-term investors have been pleased with recent returns, but most strategists agree it's likely to be a steeper climb for additional gains from here. Despite robust earnings growth and a favorable outlook for many U.S. businesses, much of the good news is already priced in, and market participants continue to fear a successful economic reopening could become too successful, resulting in the economy overheating, supply shortages, and inflation.

One key area of uncertainty remains the Federal Reserve's monetary policy. Low interest rates are accommodative to the economy and help support growth. Despite projections suggesting interest rates will remain at 0% - 0.25% through 2022, observers are closely watching for signs that higher than expected inflation may cause the Federal Reserve to raise interest rates ahead of schedule in order to tap the brakes. Whether the inflationary pressures being observed in the supply chain prove temporary due to pandemic related issues, or more persistent, is the question market participants are grappling with at this time. Many experts expect there may be some moderate amounts of both. With this issue likely to remain unclear in the near-term and with already high valuations in markets, increasing risks around cybersecurity and ransomware, and a still-present global pandemic, we view market risk as to the downside at this time. We'd encourage investors not to be surprised by a market correction or volatility. With elevated uncertainty and market levels near record highs, many investors are taking the opportunity to ensure their cash reserves are adequate to support at least 6-12 months of cash needs. Otherwise, as we often encourage investors to do, we believe the best approach in the midst of volatility is to zoom out to your multi-year and multi-decade goals, and to attempt to tune out the daily headlines.

"Major U.S. stock indexes have been mostly muted in recent trading sessions, with investors assessing a range of factors including the economic outlook, supply-chain problems, and high valuations for stocks. While inflation expectations have eased in recent days, investors remain on edge for signs that Federal Reserve officials may consider pulling back on easy-money policies that have supported a longtime rally in equities. 'It almost feels like the market is going to be at a standstill until we get a better clarity on inflation and the growth outlook,' said Seema Shah, chief strategist at Principal Global Advisors." (The Wall Street Journal, *Stocks Finish in Mixed Territory*, Caitlin Ostroff, June 7, 2021)

MAY JOBS REPORT JUST RIGHT FOR MARKETS

The economy added 559,000 jobs in May, more than double April's numbers but short of expectations for 671,000. The unemployment rate ticked down from 6.1% to 5.8%. To many observers, this report suggested that the economic recovery remains solid and intact, while remaining moderate enough to support the Federal Reserve's patient timeline for raising interest rates. This down the middle report is what markets will likely be looking for as we head into the next phase of the recovery. Reports on either extreme are likely to trigger concerns that growth is either stalling or is beginning to run too hot. One negative aspect of the report was that the labor force participation rate ticked down again to 61.6%. Persistent pandemic related issues including health concerns and a lack of child care have been major headwinds to people fully returning to the workforce. Whether this dynamic proves temporary or more permanent will be a closely watched factor moving forward.

Market Metrics

INDEX OR METRIC	CLOSE AS OF 04/30/2021	CLOSE AS OF 05/31/2021	CHANGE PREVIOUS MONTH END	2021 YTD % CHANGE
Dow Jones Industrial Average	33,874.85	34,529.45	+654.60	+12.82%
S&P 500	4,181.17	4,204.11	+22.94	+11.93%
NASDAQ Composite	13,962.68	13,748.74	-213.94	+6.68%
RUSSELL 2000	2,266.45	2,268.97	+2.52	+14.89%
Fed Funds Rate	0.00%-0.25%	0.00%-0.25%	UNCHANGED	
2-Year Treasury	0.16%	0.14%	-0.02%	
10-Year Treasury	1.65%	1.58%	-0.07%	
Crude Oil $ per Barrel	$63.58	$66.32	+$2.74	+36.69%
Gold $ per Troy oz.	$1,767.70	$1,905.30	+$137.60	+0.54%
UK Point in U.S. $	$1.3846US = 1£	$1.4215US = 1£	$ WEAKER	+3.99%
Euro in U.S. $	$1.2038US = 1€	$1.2227US = 1€	$ WEAKER	-0.07%
Canada $ per U.S. $	$1.2302C = $1.00US	$1.2081C = $1.00US	$ WEAKER	-5.17%
Japan Yen per U.S. $	109.305¥ = $1.00US	109.395¥ = $1.00US	$ STRONGER	+5.96%