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**Market Review**

Source: Zephyr Style Advisor

The equity markets eked out modest gains across all major indices led by a late-month rally. After bottoming on May 20, the US markets showed signs of life and rallied nearly 8.5% to help end the month flat[[1]](#endnote-1). However, despite the ongoing war, International developed equities rose by 0.9% in May, outperforming both emerging markets (+0.5%) and US equities (+0.2%) during the month.

Within the S&P 500 sectors, higher oil prices drove energy to be the best performing sector, up 15.8%. The Energy sector is now up a whopping 58.5% for the year. Real estate was the worst-performing sector and fell 5.0% hurt by rising interest rates. Reviewing equity styles, value stocks continued to outperform growth stocks for the month and year. Rising interest rates have weighed heavily on growth companies’ earnings, particularly in the technology sector, which is down 19.4% year to date.

Within bonds, the sell-off reversed in May. US fixed income gained 0.6%, followed by emerging markets and international developed bonds, which were both flat. Across US bond sectors, municipals gained 1.5%, as rising rates made the sector attractive once again[[2]](#endnote-2). On the other hand, Treasuries with longer maturities were hit the hardest during the month and were down 1.9% as longer-term interest rates continued to rise.

The broad commodity index continued to rally, gaining 1.5% in May, adding to a year of extraordinary gains of 32.7%. Energy remained the top contributor to the index, up 10.4% for the month and 85.3% for the year. Gold continued to struggle in May and fell 3.6%. As interest rates have risen, investors have left gold in search of yield-bearing assets, putting downward pressure on the bullion[[3]](#endnote-3). The US dollar took a step back this month and fell 1.3%. Rising interest rates drove US REITs down 4.7% for the month.

Relative to a globally balanced (60/40) equity/bond index, allocations to global bonds and commodities helped while gold, global equities and US REITs hurt.

Source: Zephyr Style Advisor

DEFINITIONS

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| **Asset Class** | **Index** | **Definition** | |
| US Equity | S&P 500 | measures the performance of 500 leading companies in the U.S. Constituents generally have a market-cap above $5 billion and represent approximately 80% of the investable market. | |
| Global Equity | MSCI ACWI | measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe. | |
| International Developed Equity | MSCI EAFE | measures the equity performance of countries considered to represent developed markets, excluding the U.S. and Canada. | |
| Emerging Markets (EM) Equity | MSCI Emerging Markets | measures the equity market performance of countries considered to represent emerging markets. | |
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| |  |  |  | | --- | --- | --- | | Global Fixed Income | Bloomberg Global Aggregate | measures the performance of global, investment-grade debt from 24 local currency markets. This benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. | | US Fixed Income | Bloomberg US Aggregate | measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors. | | US Long Treasuries | Bloomberg US Treasury Long | measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value. | | US Municipal | Bloomberg Barclays US Municipal | measures the performance of 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 pre-refunded bonds. | | Emerging Markets Fixed Income | Bloomberg Emerging Markets USD Aggregate | measures the performance of hard-currency emerging markets debt including fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging markets debt. | | International Fixed Income | Bloomberg Global Aggregate ex-USD | measures the performance of investment-grade debt from 24 local currency markets. This multi-currency index includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. It excludes bonds issued in USD. | | Emerging Markets Fixed Income | Barclays Emerging Markets Local Currency Government | Measures the performance of local currency emerging markets debt. | | Commodities | Bloomberg Commodity | Measures the performance of a broadly diversified exposure to physical commodities via futures contracts. | | Gold | Bloomberg Sub Gold | measures the performance of futures contract on Gold and is quoted in USD. | | Sector - Energy | S&P 500 Sector Energy | measures the performance of companies involved in the development and production of crude oil, natural gas and provide drilling and other energy-related services. | | US REIT | FTSE NAREIT All Equity REITs | measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors. | | Sector - Real Estate | S&P 500 Sector Real Estate | measures the performance of companies from the following industries: real estate management & development and REITS, excluding mortgage REITS. | | Sector – Utilities | S&P 500 Sector Utilities | measures the performance of companies that product, generate, transmit or distribute electricity, water or natural gas, and also includes power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources. | | Sector - Technology | S&P 500 Sector Technology | measures the performance of companies involved in technology hardware, storage and peripherals, software, communications equipment, semiconductors and semiconductor equipment, internet software and services, IT services, electronic equipment, instruments and components. | | US Value | S&P 500 Value | measures the performance of value stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | US Growth | S&P 500 Growth | measures the performance of large-cap growth stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | Global 60/40 Index Blend | 60% MSCI ACWI, 40% BBG Barclays Global Aggregate | measures the performance of a blend of global equities and global bond indexes used as a benchmark for balanced portfolios | | US Dollar | US Dollar Index | measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the U.S.'s most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc. | |  |  |  | |  |  |  | |  |  |  | | | | |

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1. [May 2022 Review and Outlook | Nasdaq](https://www.nasdaq.com/articles/may-2022-review-and-outlook) [↑](#endnote-ref-1)
2. [May 2022 Market Commentary | ALM First](https://www.almfirst.com/may-2022-market-commentary/) [↑](#endnote-ref-2)
3. [Gold prices slip as Fed affirms aggressive policy stance | Reuters](https://www.reuters.com/markets/europe/gold-falls-dollar-inches-higher-fed-minutes-fail-surprise-2022-05-26/) [↑](#endnote-ref-3)