ON THE MARGIN

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May 2024 Recap

Joe Nitting, Director of Research, Retirement & Investment Solutions

PRELUDE

April showers brought May flowers for markets this year. While April marked the first month of predominantly negative global asset class returns in 2024, markets rallied broadly in May. Dovish commentary from Federal Reserve officials, weaker-than-expected labor market data, and lower-than-expected inflation data helped drive markets higher over the course of the month. The Magnificent Seven regained formerly positive price momentum and propelled the S&P 500 and NASDAQ to new all-time highs during the month, while the Russell 2000 also rebounded, pushing small cap stocks back into positive territory on a year-to-date basis. Investors' hopes for multiple Fed rate cuts this year grew during May and as interest rates fell broadly, fixed income markets moved higher, with the Bloomberg US Aggregate generating its second positive monthly return of 2024.

GLOBAL EQUITY

May marked another month of broadly positive global equity returns in 2024. In the U.S., the S&P 500 returned +5.0% during the month as the Magnificent Seven resumed leadership of the index, highlighted by NVIDIA's blowout earnings release on May 22nd. NVIDIA is the third largest company in the S&P 500 by market capitalization and the stock generated a whopping +26.9% return in May. Sector returns for May were mostly positive, excluding Energy, as the broad market rally lifted both value- and growth-oriented sectors. While Information Technology generated the best sector returns for the month, the Utilities sector was again a standout performer. Falling interest rates buoyed sector returns, while increasing rhetoric surrounding artificial intelligence and its potential to help improve Utilities companies boosted returns further. Within small caps, the Russell 2000 rose +5.0% during the month amid hopes for multiple Fed rate cuts before year end, which could positively impact more domestically focused companies commonly found in the small cap universe. In other news for U.S. equity markets, meme stock mania returned during May as retail traders piled into GameStop and AMC Entertainment and helped both stocks return +108.7% and +47.8%, respectively for the month. While GameStop and AMC Entertainment are small portions of the U.S. equity market, we are interested to see how this saga evolves, as both stocks received significant attention in 2021 for similar reasons and their price activity resulted in negative follow-on effects for certain institutional investors, particularly hedge fund managers.

TABLE 1: **Global Equity**	MAY	QTD	YTD	1 YR
Dow Jones Industrial Average	2.58	-2.47	3.52	19.97
S&P 500 Index	4.96	0.67	11.30	28.19
Russell 2000	5.02	-2.37	2.68	20.12
Russell 1000 Growth	5.99	1.49	13.08	33.60
Russell 1000 Value	3.17	-1.24	7.64	21.71
MSCI ACWI USD	4.06	0.63	8.88	23.56
MSCI EAFE USD	3.87	1.21	7.07	18.53
MSCI EM USD	0.56	1.01	3.41	12.39
MSCI ACWI ex US USD	2.90	1.06	5.79	16.74

Source: Bloomberg, as of 5/31/2024. Past performance does not guarantee future returns.

International markets also posted positive returns in May as a weaker U.S. Dollar provided a persistent currency tailwind. The U.S. dollar reversed course and weakened against major currencies due to downside labor market and inflationary surprises, fueling investors' hopes for a more dovish Federal Reserve in the near term. Developed international markets, as represented by the MSCI EAFE Index, returned +3.9% for the month. U.K. equities were among the top developed market performers in May as the country emerged from technical recession, while investors also reacted positively to the possibility of the Bank of England cutting interest rates over the summer months. Emerging markets were relatively quiet during May, returning +0.6%.

FIXED INCOME

For the month of May, the U.S. Treasury yield curve shifted downward, aiding fixed income returns as the Bloomberg US Aggregate returned +1.7%. The fall in U.S. Treasuries was roughly uniform across the curve as weaker-than-expected economic data, signs of easing inflationary pressures, and investors' growing anticipation of more dovish Fed monetary policy pushed yields higher. We started the month with labor market data surprising meaningfully to the downside, followed by downside surprises in both the Consumer Price Index and retail sales later in the month.

Following several weaker-than-expected data releases and hearing a more dovish tone from certain Fed officials (Chairman Jay Powell even stated the next move by the Fed would not be a hike), the market increased its expectations for the number of Fed rates cuts in 2024 from one at the beginning of May to roughly one and a half by the end of the month. Despite investors' expectations for a more dovish Fed, we continue to see the same headwinds for the Fed that we described last month. We also do not believe that a set of datapoints from a single month is likely to meaningfully increase the Fed's sense of urgency to cut rates.

TABLE 2: **Fixed Income**

	MAY	QTD	YTD	1 YR
Bloomberg US Aggregate	1.70	-0.87	-1.64	1.31
Bloomberg 1-3 Yr Gov/Credit	0.73	0.39	0.81	3.86
Bloomberg Treasury 5-7 Yr	1.52	-0.85	-1.71	0.07
Bloomberg Investment Grade Corp	2.00	-1.09	-2.12	0.50
Bloomberg High Yield Corp	1.82	-0.71	-1.12	4.05
JPMorgan EMBI Global Diversified	1.10	0.15	1.63	11.24

Source: Bloomberg, as of 5/31/2024. Past performance does not guarantee future returns.

POSTLUDE

"Sell in May and go away" is an old Wall Street adage popularized by The Stock Trader's Almanac. The saying suggests that investors should exit global equity markets in May and re-enter in November, as global equity markets have underperformed in the summer months of certain years past. This May, global markets were broadly positive, which we find encouraging. The S&P 500 had its second-best monthly return of the year, while the Bloomberg US Aggregate had its best monthly return of the year. While we are unsure of how markets will perform through the balance of 2024, we see several market-moving storylines for investors to be aware of. Global central banks and their stance on interest rates will remain in focus, multiple governmental elections around the globe are in the works, and we still have two more earnings seasons ahead of us as well. Regardless of how these storylines may move markets though, we continue to believe that for long term investors, simply spending time in markets is far more important than attempting to perfectly time the markets.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.