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Global Market Commentary – A Very Solid May

U.S. Markets Surge In May

In May, U.S. equity markets delivered a standout performance, with all major indexes finishing the month firmly in positive territory. The S&P 500 and NASDAQ led the charge, both posting their strongest monthly gains since November 2023. The S&P 500 rose more than 7%, while NASDAQ surged over 10%, buoyed by a rebound in large-cap technology stocks, easing inflationary pressures, and investor optimism surrounding trade developments and economic stability. The small-cap Russell 2000 and the Dow Jones Industrial Average also logged solid gains, though to a lesser extent, reflecting broader market strength beyond just tech.

One of the key catalysts driving investor enthusiasm in May was progress on international trade fronts. The U.S. announced a resolution of several long-standing tariff disputes with the United Kingdom, including agreements on steel and aluminum duties that had been in place since 2018. More significantly, tensions with China showed signs of cooling after months of uncertainty. Both countries resumed constructive trade talks, and there were indications of a potential rollback on certain tariffs, which reassured markets that a more cooperative economic path might lie ahead. The prospect of fewer trade barriers helped lift investor confidence and supported companies that had been burdened by import costs and supply chain disruptions.

In addition to trade optimism, economic data offered a mixed but manageable backdrop. A downward revision to Q1 GDP suggested the economy was contracting more slowly than feared, while consumer sentiment stabilized after months of decline.

For the month of May:

- The DJIA jumped 5.5%;
- The S&P 500 gained 7.9%;
- NASDAQ soared 11.6%; and
- The Russell 2000 advanced 5.2%.

Global Markets Rally as Volatility Eases and Oil Stabilizes

Global markets followed the U.S. lead in May, with developed international equities posting broad-based gains. All 37 MSCI developed market indices advanced during the month, reflecting widespread investor confidence and improving sentiment abroad.

Emerging markets also participated in the rally, with 43 out of 46 MSCI emerging market indices finishing higher. These gains were fueled in part by easing trade tensions, resilient earnings in key sectors, and growing expectations that central banks in major economies might adopt a more accommodative stance if needed.

Market volatility also receded sharply in May, adding to the upbeat tone. The CBOE Volatility Index (VIX) – a popular measure of investor fear – dropped more than 20% over the course of the month. This marked a dramatic turnaround from April, when the VIX spiked over 150% in response to mounting anxieties over global tariffs and geopolitical instability. The easing of those pressures, including signs of resolution in trade disputes with both China and the UK, played a pivotal role in calming markets and restoring investor confidence.

Commodity markets echoed the stability seen in equities. West Texas Intermediate crude oil prices edged higher during the month, gaining just over $2 to settle at $60.79 per barrel – a roughly 20% decline from levels one year ago.

Taken together, the global rebound in equity markets, the sharp drop in volatility, and steadying commodity prices painted a picture of renewed optimism heading into the summer months.

Market Performance Around the World

Investors who broadened their focus beyond U.S. borders were rewarded in May, as all 37 MSCI-tracked developed markets posted gains – most rising by more than 4%. While slightly less robust, emerging markets also delivered strong results, with 43 out of 46 MSCI indices advancing for the month, signaling broad global participation in the market rally.

Index Returns	May 2025
MSCI EAFE	+3.97%
MSCI EUROPE	+3.70%
MSCI FAR EAST	+4.41%
MSCI G7 INDEX	5.83%
MSCI NORTH AMERICA	+6.40%
MSCI PACIFIC	+4.26%
MSCI PACIFIC EX-JAPAN	+4.79%
MSCI WORLD	+5.69%
MSCI WORLD ex USA	+4.15%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Was Strong

Sector performance in May was notably strong, with 9 of the 11 S&P 500 sectors advancing and 4 sectors surging more than 9%. This marks a significant improvement compared to April, when performance was mixed and only 5 sectors ended the month in positive territory. In fact, May's gains are a near mirror image of March, when 9 sectors posted losses – including three that declined by more than 7%.

From a relative perspective, May represented clear progress, with 9 sectors outperforming their April results. Standouts included Information Technology and Industrials, both of which posted substantial gains. These sharp month-to-month shifts highlight the ongoing volatility and uncertainty shaping market dynamics.

The dispersion of returns also pointed to the uneven nature of the current market environment. For example, the Consumer Discretionary sector, which experienced a modest decline in April, rebounded with a strong 9.4% gain in May. This kind of intra-sector variability reflects the complex interplay of macroeconomic conditions and policy developments influencing different corners of the market.

Below are the sector returns for April and May, capturing the extent of these short-term fluctuations:

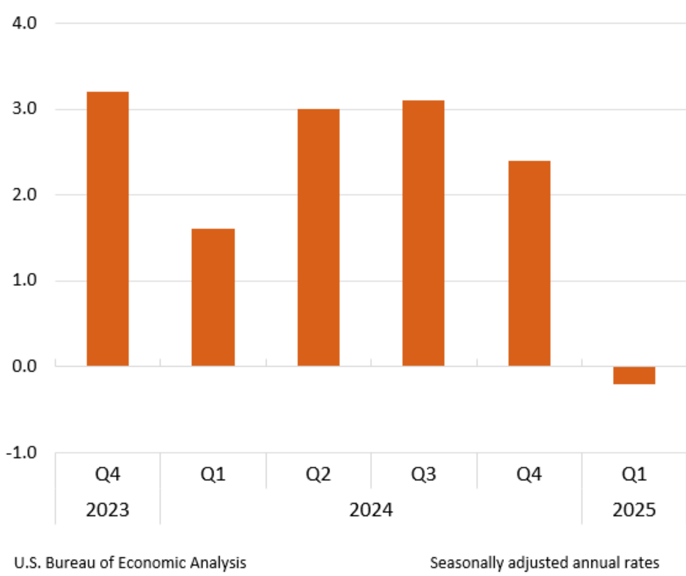
S&P 500 Sector	April 2025	May 2025
Information Technology	+1.61%	+12.24%
Energy	-12.81%	-2.01%
Health Care	-2.96%	-4.66%
Real Estate	-0.48%	+2.04%
Consumer Staples	+2.73%	+1.99%
Consumer Discretionary	-0.52%	+9.44%
Industrials	+0.79%	+10.08%
Financials	-0.99%	+5.31%
Materials	-1.19%	+4.16%
Communication Services	+0.84%	+9.34%
Utilities	+1.11%	+2.48%

Source: FMR

Second Estimate of GDP Improves

In the first quarter of 2025, the U.S. economy experienced a contraction, with real GDP decreasing at an annual rate of 0.2%, according to the Bureau of Economic Analysis. This downturn was primarily attributed to a significant surge in imports, which negatively impacted the GDP calculation, and a reduction in government spending. Although there were increases in investment, consumer spending, and exports, these were insufficient to offset the negative effects of the import surge and decreased government expenditure.

Real GDP, Percent Change from Preceding Quarter

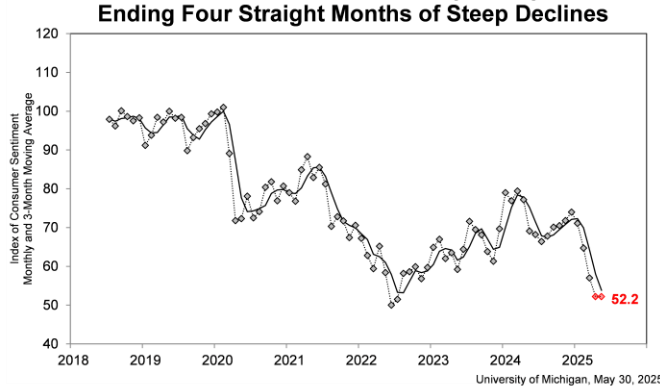


Corporate profits saw a substantial decline during the same period, decreasing by $118.1 billion, a stark contrast to the $204.7 billion increase in the previous quarter. This drop in profits is largely attributed to rising costs associated with new tariffs implemented under President Trump's trade policies. The uncertainty surrounding these tariffs has led to increased volatility in financial markets and has caused many companies, including those in the airline, retail, and automotive sectors, to withhold financial forecasts for the year.

Consumer spending growth also slowed, increasing at a modest 1.2% annual rate – the weakest in three years and a significant decrease from the 4.0% growth in the fourth quarter of 2024. This slowdown, coupled with the record trade deficit, which subtracted 4.9 percentage points from GDP, underscores the challenges facing the U.S. economy. While some tariffs have been blocked by a U.S. trade court, the overall uncertainty continues to pose risks to economic stability.

Consumer Sentiment Improves

According to the University of Michigan: “Consumer sentiment was unchanged from April, ending four consecutive months of plunging declines. Sentiment had ebbed at the preliminary reading for May but turned a corner in the latter half of the month following the temporary pause on some tariffs on China goods. Expected business conditions improved after mid-month, likely a consequence of the trade policy announcement. However, these positive changes were offset by declines in current personal finances stemming from stagnating incomes throughout May. Overall, consumers see the outlook for the economy as no worse than last month, but they remained quite worried about the future.



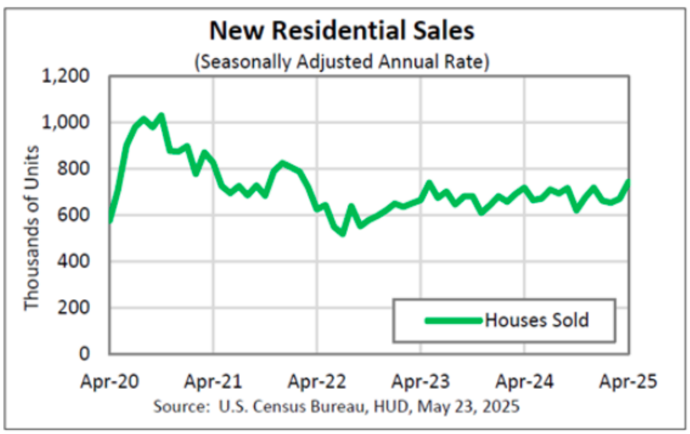
Year-ahead inflation expectations were little changed at 6.6%, inching up from 6.5% last month. This is the smallest increase since the election and marks the end of a four-month streak of extremely large jumps in short-run expectations. Notably, long-run inflation expectations fell back from 4.4% in April to 4.2% in May. This is the first decline seen since December 2024 and ends an unprecedented four-month sequence of increases. Given that consumers generally expect tariffs to pass through to consumer prices, it is no surprise that trade policy has influenced consumers’ views of the economy. In contrast, despite the many headlines about the tax and spending bill that is moving through Congress, the bill does not appear to be salient to consumers at this time.”

New Home Sales Jump

In April 2025, sales of new single-family homes reached a seasonally adjusted annual rate of 743,000, according to estimates jointly released by the U.S. Census Bureau and the Department of Housing and Urban Development. This figure represents a 10.9% increase over the revised March rate of 670,000, and a 3.3% rise compared to April 2024, when the rate stood at 719,000.

At the end of April 2025, the seasonally adjusted inventory of new homes for sale was estimated at 504,000 units. This is a slight 0.6% decrease from the March 2025 inventory of 507,000, but an 8.6% increase from April 2024's level of 464,000. At the current sales pace, this inventory represents a supply of 8.1 months, down 11.0% from 9.1 months in March 2025, but up 5.2% from 7.7 months in April 2024.

The median sales price of new homes sold in April 2025 was $407,200, a 0.8% increase from March 2025's median of $403,700, but a 2.0% decrease from the April 2024 median of $415,300. Meanwhile, the average sales price climbed to $518,400 – an increase of 3.7% from $499,700 in March 2025, and 3.6% higher than the average price of $500,600 recorded in April 2024.



Durable Goods Orders Decline Sharply Amid Uncertainty and Tariff Concerns

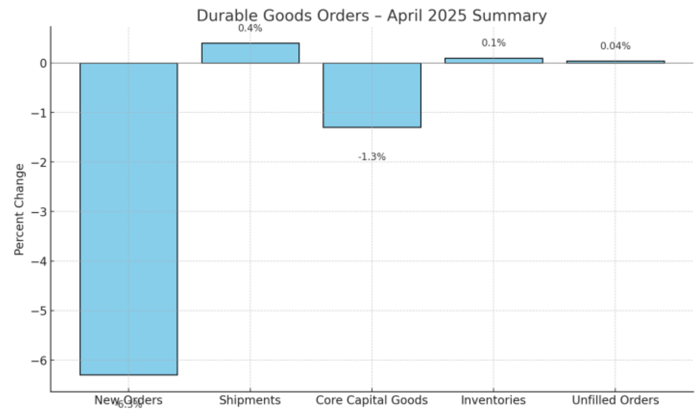
The U.S. Census Bureau's Advance Report for April 2025 reveals a notable pullback in manufacturing momentum, particularly in new orders for durable goods.

New Orders: Orders fell by 6.3% to $296.3 billion, a sharp reversal from March's 7.6% rise. This decline was largely driven by a steep 17.1% drop in transportation equipment orders, which tumbled by $20.3 billion to $98.8 billion.

Shipments: Despite weaker new orders, shipments increased for the fifth consecutive month – up 0.4% to $300.6 billion. Transportation equipment shipments were the main driver, rising 1.4% to $97.8 billion.

Core Capital Goods: Orders for non-defense capital goods excluding aircraft – an important measure of business investment – declined by 1.3%, the largest drop in six months. This suggests businesses are growing more cautious amid economic uncertainties.

Inventories & Backlogs: Inventories of durable goods edged up 0.1% to $586.7 billion, continuing a seven-month rise. Meanwhile, unfilled orders were essentially flat, inching up by just $0.6 billion to $1,408.5 billion.



Q12025 E-Commerce Sales Were Flat

The U.S. Census Bureau reported that seasonally adjusted U.S. retail e-commerce sales for Q1 2025 totaled $300.2 billion, nearly unchanged from the previous quarter's $300.4 billion. In contrast, total retail sales rose slightly by 0.4% to reach $1.86 trillion.

Compared to Q1 2024, e-commerce sales grew by 6.1%, outpacing the 4.5% year-over-year growth in total retail sales. E-commerce accounted for 16.2% of total adjusted retail sales, maintaining the same proportion as in the prior quarter.

On an unadjusted basis, which reflects actual dollar flows without accounting for seasonal patterns, e-commerce sales declined significantly – down 20.3% from Q4 2024. This seasonal dip is consistent with post-holiday trends. Despite this quarterly drop, unadjusted e-commerce sales increased 5.6% from the same quarter in 2024, while total retail sales rose 3.2%. Unadjusted e-commerce made up 15.9% of total sales.

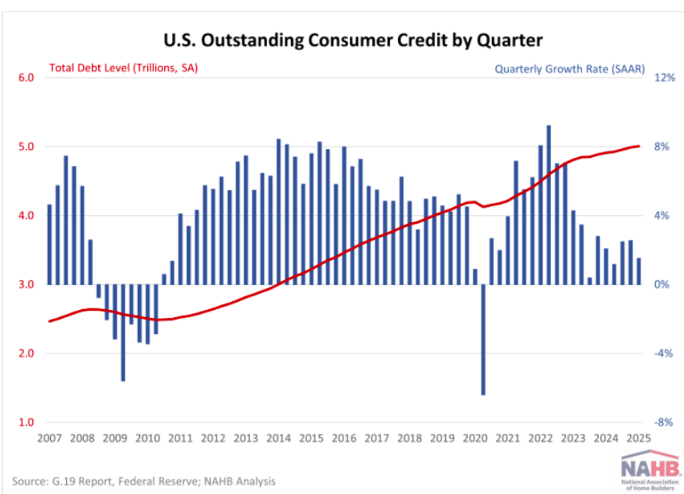
U.S. Consumer Credit Hits $5T

Consumer credit levels continued to rise in the early months of 2025, although the pace of growth has decelerated. Student loan balances experienced a year-over-year increase as repayments resumed following the expiration of pandemic-era relief measures. Despite the growth, it remained modest, indicating a more cautious borrowing environment. Similarly, credit card and auto loan debt expanded, although both categories recorded their slowest annual growth rates in recent years.

High interest rates remain a challenge; however, there are early signs of slight easing in credit card and auto loan rates, offering some relief to consumers burdened by elevated borrowing costs.

According to the Federal Reserve's G.19 Consumer Credit Report, total outstanding U.S. consumer credit reached a milestone of $5.01 trillion in Q1 2025. This reflects a 1.53% increase at a seasonally adjusted annual rate from the previous quarter and a 1.93% increase compared to the same period last year. Both growth rates have moderated compared to prior quarters, suggesting a cooling in consumer credit expansion.

The data underscores a cautious but steady increase in consumer borrowing, with moderate adjustments in interest rates potentially signaling a shift towards more sustainable growth.



International Trade Deficit Up in March

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis reported that the U.S. goods and services deficit rose to $140.5 billion in March, up $17.3 billion from February. This increase was driven by a $16.5 billion rise in the goods deficit and a slight drop in the services surplus.

Year-to-date, the deficit has surged 92.6% compared to the same period in 2024, fueled by a 23.3% jump in imports and a 5.2% rise in exports.

Sources: *census.gov; bea.gov; realtor.com; federalreserve.gov; msci.com; fidelity.com; nasdaq.com; wsj.com; morningstar.com; census.gov; bea.gov*