

MONTHLY RECAP

MAY 2024

MONTHLY OBSERVATIONS

Markets Rebound Sharply Heading into Summer

Markets rebuffed the adage of "sell in May and go away", delivering strong gains across asset classes. Growth stocks led the way, benefiting the tech heavy Nasdaq and S&P 500 which were up 7.0% and 5.0% respectively. While still positive, value stocks trailed their growth counterpart on expectations for lower rates. The lower rate tailwind also benefitted small cap stocks, as the Russell 2000 Index gained 5.0%. Non-US markets had a weaker dollar tailwind, though weakness in Japan, largely driven by a cheap yen weighing on consumer sentiment, was a drag for developed markets. A pullback in Mexico and Brazil weighed on emerging markets in the second half of the month, limiting their participation in the broad rally. Bonds delivered strong returns as weaker data gave investors confidence that cuts are still on the table for 2024, sending the yield on the 10-year US Treasury down to 4.5%.

Fed Holds Rates Steady

Markets expected the first 2024 rate cut to come in May, but several months of resetting expectations drove that probability to just 1% in the days leading up to the Fed's May meeting. The Fed held rates steady and Fed acknowledged a "lack of further progress" in bringing inflation closer to their 2% long-term goal, though weaker data throughout the month encouraged investors that cuts in 2024 are still possible.

It's NVIDIA's World...

S&P 500 companies put up strong earnings in the first quarter of 2024, beating initial expectations for 3.4% YoY growth with a blended earnings growth rate of 5.9%. It would appear, though, that the other 499 companies were simply opening acts for NVIDIA, which blew through sky high earnings expectations on continued demand for its chips used to power AI in data centers. The strong performance from NVIDIA, which surpassed Apple's market cap in early June, has been a tailwind for the S&P 500 Index, with NVIDIA accounting for roughly 1/3 of the index's return year-to-date.

COMMENTARY FROM ASSET MANAGERS

Private Credit Manager

A quality pipeline of lending opportunities persists as lower middle market/middle market borrowers continue to lack access to traditional financing sources. To be sure, given the higher-for-longer rate environment, the manager is hyper aware and focused on the natural interest burden this will create for companies.

Emerging Market Equity Manager

A clear picture of the evolution of reshoring has yet to emerge; it's hard to gauge the pace and scale of the actual change in the world because manufacturing shifts go in cycles and data is hard to gather. That said, data that is available suggest both Mexico and India are already benefitting from the movement.

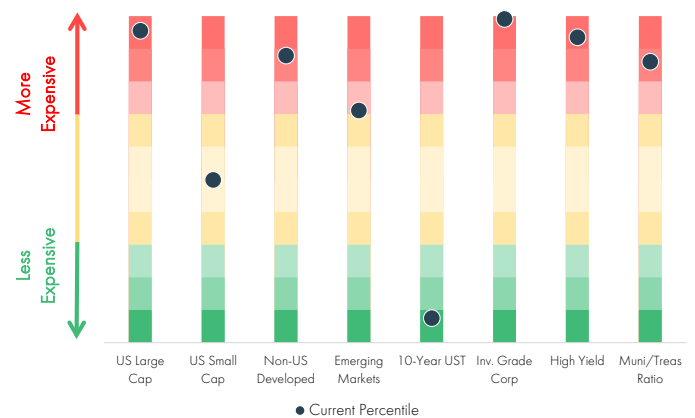
High Yield Manager

Technicals (demand/supply) are positive and they expect for this to persist in the foreseeable future. There are signs of weakness in certain areas/specific credits, but the fundamentals remain broadly intact. There is no expectation for a spike in default rates or credit losses. Elevated yields set the stage for solid total return this year.

MARKET RETURNS - 05.31.2024

	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	5.0%	0.7%	11.3%	26.3%	-18.1%	28.7%
Nasdaq Composite	7.0%	2.3%	11.8%	44.6%	-32.5%	22.2%
Russell 1000 Growth	6.0%	1.5%	13.1%	42.7%	-29.1%	27.6%
Russell 1000 Value	3.2%	-1.2%	7.6%	11.5%	-7.5%	25.2%
Russell 2000	5.0%	-2.4%	2.7%	16.9%	-20.4%	14.8%
MSCI EAFE	3.9%	1.2%	7.1%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	0.6%	1.0%	3.4%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	1.5%	-0.9%	-1.9%	4.1%	-12.5%	-2.3%
Municipal	-0.3%	-1.5%	-1.9%	6.4%	-8.5%	1.5%
Aggregate	1.7%	-0.9%	-1.6%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	1.9%	-0.7%	-1.1%	8.5%	-15.8%	-1.0%
High Yield Corporate	1.1%	0.1%	1.6%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	-1.5%	0.1%	3.3%	-2.1%	7.9%	6.7%
Real						
Real Estate	5.2%	-3.0%	-4.3%	11.5%	-25.1%	39.9%
Infrastructure	6.1%	5.5%	6.7%	5.8%	-1.0%	11.0%
Oil	-7.7%	-7.3%	5.3%	-10.3%	10.5%	50.2%
Gold	1.4%	4.8%	12.5%	12.8%	-0.7%	-4.3%

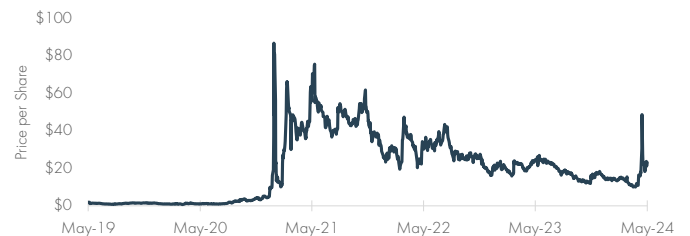
ASSET CLASS VALUATIONS - 05.31.2024



Asset class valuations are a percentile ranking based on monthly data going back to a common inception of 9/1/2006.

HERE WE GO AGAIN?

GameStop Corporation (GME)



A series of posts on Twitter/X from Keith Gill's account, the trader at the center of the "meme-stock" mania in 2021, sparked a 347% surge in GameStop shares, which ended the month up 140%. Despite a different market environment with less short interest, a Reddit post from Gill's account and subsequent rally in early June suggests continued retail appetite for the stock.

Source: Morningstar Direct, Bloomberg; See important information in the disclosures.

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SOURCES

Morningstar Direct as of 05.31.2024

Bloomberg as of 05.31.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group.

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

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 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BoFA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BoFA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BoFA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.