

MONTHLY MARKET COMMENTARY, AS OF MAY 2025

| US Equity | May-25 | YTD | Last 12m |
|------------------------------|--------|-------|----------|
| S&P 500 | 6.3% | 1.1% | 13.5% |
| Russell 1000 | 6.4% | 1.0% | 13.7% |
| Russell 1000 Value | 3.5% | 2.5% | 8.9% |
| Russell 1000 Growth | 8.8% | -0.3% | 17.6% |
| Russell 2000 | 5.3% | -6.8% | 1.2% |
| Russell 2000 Value | 4.2% | -7.7% | -1.1% |
| Russell 2000 Growth | 6.4% | -6.0% | 3.5% |
| International Equity | | | |
| MSCI All-Country World ex-US | 4.6% | 14.0% | 13.8% |
| MSCI EAFE | 4.6% | 16.9% | 13.3% |
| MSCI Europe | 4.6% | 20.6% | 13.4% |
| MSCI Japan | 4.0% | 9.9% | 11.2% |
| MSCI Emerging Markets | 4.3% | 8.7% | 13.0% |
| Fixed Income | | | |
| U.S. Intermediate Treasuries | -0.6% | 3.0% | 6.2% |
| U.S. Long Treasuries | -2.9% | 0.6% | 0.7% |
| U.S. TIPS | -0.6% | 3.7% | 5.7% |
| Corporate IG Bond | 0.0% | 2.3% | 5.6% |
| High-Yield Bonds | 1.7% | 2.7% | 9.3% |
| Tax-Exempt Bonds | 0.1% | -0.9% | 3.0% |
| International Bonds | -0.4% | 5.3% | 7.0% |
| Emerging Market Bonds | 0.7% | 3.0% | 8.0% |
| Currencies | | | |
| Us Dollar | -0.1% | -8.4% | -5.1% |
| Euro | 0.2% | 9.6% | 4.6% |
| Yen | 0.7% | -8.4% | -8.4% |
| Emerging Markets | 1.9% | 5.5% | 5.8% |
| Real Assets | | | |
| Commodities | -0.6% | 3.0% | 1.7% |
| Energy | 0.5% | -6.6% | -8.9% |
| Industrial Metals | 1.2% | 2.3% | -8.0% |
| Gold | 2.5% | 40.1% | 32.4% |
| Master Limited Partnerships | 1.7% | 4.4% | 15.2% |
| Real Estate Investment Trust | 2.1% | 0.3% | 12.3% |

May was a strong month across risk assets, marked by renewed investor confidence, better-than-expected economic data, and fading recession concerns. While volatility persisted in rates and commodities, equity markets rallied, especially in the U.S., amid continued strength in corporate earnings and improving sentiment around artificial intelligence-driven growth. Inflation pressures remained sticky, keeping central banks cautious, but markets responded positively to signs of resilience in global demand and a temporal stabilization in geopolitical risks.

Equity: U.S. equities posted robust gains in May, with the S&P 500 rising more than 6%, marking one of its best monthly performances this year. The rally was driven largely by mega-cap technology and AI-related stocks, but breadth also improved across sectors. Communication services and consumer discretionary names benefited from both earnings strength and improving forward guidance. Investor sentiment was buoyed by a more constructive economic outlook, as fears of an imminent slowdown faded and capital spending plans accelerated. Small caps, which had lagged earlier in the year, bounced back, supported by expectations of regulatory relief and targeted fiscal incentives under discussion in Washington.

Developed international markets saw positive performance as well. European equities moved higher as the political situation stabilized in Germany and France, and the European Central Bank signaled openness to rate cuts later in the year if inflation trends lower. Economic data was mixed — with manufacturing still weak, but services activity and consumer sentiment showing improvement. In Japan, equities gained as the

services sector rebounded strongly, though industrial production remained under pressure. A weakening yen also lent support to large exporters, helping offset the impact of global trade frictions.



Emerging markets delivered a positive, yet more mixed picture. Chinese equities gained momentum mid-month after a solid Q1 GDP release (+5.4% YoY) and growing signals from the U.S. and China that both sides were open to renewing trade negotiations. Latin America remained a relative bright spot: Brazilian markets benefited from fiscal reform progress, while Mexico saw strong foreign investment flows tied to ongoing nearshoring trends. However, some frontier markets continued to struggle with tighter external financing conditions and currency volatility.

Fixed Income: Fixed income markets were mixed in May as investors recalibrated their expectations for rate cuts. In the U.S., Treasury yields moved higher across the curve, with the 10-year yield ending above 4.6% amid persistent inflation and a robust labor market, which led markets to delay pricing in any Fed easing. Credit spreads tightened modestly in both investment-grade and high-yield markets, supported by solid earnings and improved risk appetite. In Europe, bond markets steadied after the ECB hinted at possible rate cuts in the second half of the year, while UK gilts saw little movement amid sticky wage inflation. In Japan, the BOJ reaffirmed its cautious approach to tightening. Meanwhile, emerging market debt held up well, especially in local-currency bonds, where attractive real yields and currency stability in countries like Brazil and Mexico continued to draw inflows

Liquid Real Assets: Commodities experienced wide dispersion in May. Gold rallied to record highs above \$2,400/oz, driven by ongoing geopolitical concerns, steady central bank demand, and a softening U.S. dollar. Oil markets were volatile but ended the month relatively flat, as OPEC+ output discipline and supply risks were countered by soft demand data out of Asia, particularly China. Agricultural prices were mixed: grains like wheat and corn moved higher on tight inventories and adverse weather, while soft commodities fluctuated due to El Niño effects and supply chain bottlenecks. Industrial metals were supported by infrastructure and electrification trends, though enthusiasm was tempered by lukewarm Chinese growth figures.

Sources:

- i. Bloomberg data.
- ii. *Monthly Market Review (May 2025) – JPM*

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