

May 2020 Market Watch

U.S. domestic markets extended their rebound into May, largely due to the gradual reopening of economies across the globe, a slow and steady decline in new infections, and some positive news on the progress of vaccine trials. At month end, the S&P 500 Index closed up +32.6%, on a total-return basis, from the March 23rd low. The index is now down roughly 9% from the February highs and off only 5% year-to-date. Going forward, the path of the market is likely to be highly dependent on the path of recovery from the current economic downturn. The major question on the minds of economists and investors alike is whether we will experience a quick bounce-back, a slow rebound, or an economy that never fully recovers to pre-crisis economic growth. Additional Federal Reserve responses, advancements in testing/vaccines, and the underlying strength of the consumer will all be major factors that determine the ultimate outcome.

The unemployment rate was released early in the month and showed a spike to 14.7%, the highest rate since the World War II era. U.S. GDP is expected to decline 40% annualized in Q2, marking the largest quarterly decline since the Great Depression. U.S. corporate earnings for Q1 showed that earnings contracted roughly 14% year-over-year. Analysts are expecting a 2nd quarter decline in earnings in excess of 40% year-over-year.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	5/31/20	5/24/20	% chg*	4/30/20	% chg*	5/31/19	% chg*	% chg*
DJIA	25,383.1	24,465.2	3.8%	24,345.7	4.3%	26,592.9	-4.5%	-11.1%
S&P 500	3,044.3	2,955.5	3.0%	2,912.4	4.5%	2,945.8	3.3%	-5.8%
NYSE Comp Index	11,802.9	11,332.0	4.2%	11,372.3	3.8%	13,060.6	-9.6%	-15.2%
NASDAQ Composite	9,489.9	9,324.6	1.8%	8,889.6	6.8%	8,095.4	17.2%	5.8%
Russell 2000	1,394.0	1,355.5	2.8%	1,310.7	6.4%	1,591.2	-12.4%	-16.4%
MSCI EM (Emerging Markets)	930.4	905.3	2.8%	924.9	0.6%	1,079.2	-13.8%	-16.5%
MSCI EAFE	1,725.1	1,641.6	5.1%	1,657.7	4.1%	1,921.5	-10.2%	-15.3%
Japan Nikkei 225	21,877.9	20,388.2	7.3%	20,193.7	8.3%	22,258.7	-1.7%	-7.5%
FTSE 100	6,076.6	5,993.3	1.4%	5,901.2	3.0%	7,418.2	-18.1%	-18.2%
SSE Comp Index	2,852.4	2,813.8	1.4%	2,860.1	-0.3%	3,078.3	-7.3%	-6.5%

US Equity Sector Performance

	May	YTD	1 Yr Ret.
Consumer Discretionary	5.0%	2.1%	6.8%
Consumer Staples	1.5%	-5.3%	5.2%
Energy	1.9%	-34.5%	-37.1%
Financials	2.7%	-23.4%	-14.4%
Health Care	3.3%	1.6%	18.3%
Industrials	5.5%	-16.3%	-11.3%
Information Tech	7.1%	7.3%	26.4%
Materials	7.0%	-8.9%	-0.7%
Communication Services	6.0%	0.2%	9.5%
Utilities	4.4%	-6.8%	5.3%
Real Estate	1.9%	-9.4%	-0.2%

US Equity Style Performance

	May	YTD	1 Yr Ret.
Dow Jones Utilities	3.7%	-8.2%	2.1%
DJ TRANS Avg.	7.5%	-17.1%	-6.3%
Russell 1000 Value	3.4%	-15.7%	-8.0%
Russell 1000 Growth	6.7%	5.2%	18.3%
Russell 2000 Value	2.9%	-25.6%	-21.7%
Russell 2000 Growth	9.4%	-6.6%	-0.6%

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From a sector standpoint, all eleven sectors in the S&P 500 had positive returns in the month. Information Technology (+7.1%) and Materials (+7.0%) were the top performing sectors, while the Consumer Staples (+1.5%), Real Estate (+1.9%) and Energy (+1.9%) sectors were the weakest performers.

Developed International Equities (+4.1%) and Emerging Market Equities (+0.6%) were both positive in the month. In Europe, the spread of the virus is roughly 90% lower than its April peak. In addition, a EUR 750B European Union (EU) wide recovery plan was announced, which involves both grants and loans to any EU country. This reduces debt burdens for countries like Italy, who will be able to receive funding without having to issue additional debt. In Emerging Markets, the number of reported cases in Asia continues to trend downward and increased levels of testing and contact tracing have been key to the reopening of economies. Large increases in cases in India and Brazil, however, have pressured these economies and continue to weigh on stock returns.

U.S. Benchmark rates remained largely unchanged across the curve, however, the 30-year maturity increased 14 basis points (bps) in the month. The U.S. Treasury yield curve is approaching its steepest level in three years, as government policy responses to the pandemic and hope on the economic front continue to increase the spread between intermediate and long-term interest rates.

The Bloomberg Commodity Index finished up +4.3% MTD. Crude oil rallied in the month (+88% MTD), but remains down -44% from a year-ago. Gold extended its rally, up +3.3% MTD and +36.2% from a year-ago.

Bond Markets (%)

	5/31/20	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.15	0.10	2.42
US Benchmark Bond – 6 Mth	0.18	0.10	2.39
US Benchmark Bond – 2 Yr	0.14	0.18	2.27
US Benchmark Bond – 5 Yr	0.30	0.34	2.28
US Benchmark Bond – 10 Yr	0.65	0.62	2.50
US Benchmark Bond – 30 Yr	1.42	1.28	2.93

US Bond Sector Performance

	May	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	0.18	5.66	7.80

Exchange Rates (per US dollar)

	5/31/20	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.382	1.389	1.345
Mexican Peso	22.130	23.810	19.023
Euro	0.899	0.913	0.892
British Pound	0.809	0.793	0.767
Swiss Franc	0.961	0.965	1.019
Chinese Yuan	7.146	7.052	6.737
Indian Rupee	75.616	75.095	69.554
Japanese Yen	107.735	106.935	111.375

Commodities (In US dollars)

	5/31/20	1 Mth Ago	1 Yr Ago
Gold	1,751.70	1,694.20	1,285.70
Crude Oil	35.49	18.84	63.91
US Dollar Index	98.34	99.03	97.20
Bloomberg Commodity Index	63.54	60.90	80.57

Interest Rates (%)

	5/31/20	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	5.50
Federal Funds Rate	0.05	0.05	2.41
Libor Rate 30 Day	0.18	0.33	2.48
Libor Rate 3 Months	0.34	0.56	2.58
30yr Fixed Mortgage	3.15	3.23	4.14

Economic Sentiment

	5/31/20	1 Yr Ago
Unemployment Rate	14.70%	3.60%
Average Single Family Home Capacity Utilization	322,600	306,100
	64.90%	77.76%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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