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Highland ReCAP

A Review of Capital Markets

May 2024

Summary

Investors who chose to follow the old market adage of “Sell in May and go away,” ended up disappointed, as stocks and bonds rebounded with strong performance following April’s selloff. With inflation and economic data cooling, interest rates moderated and equities rallied during the month.

Equities

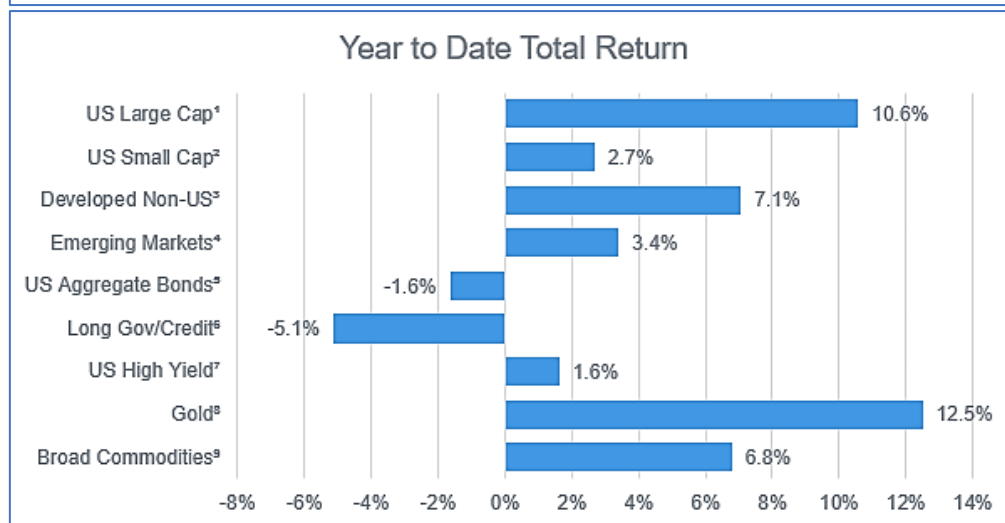
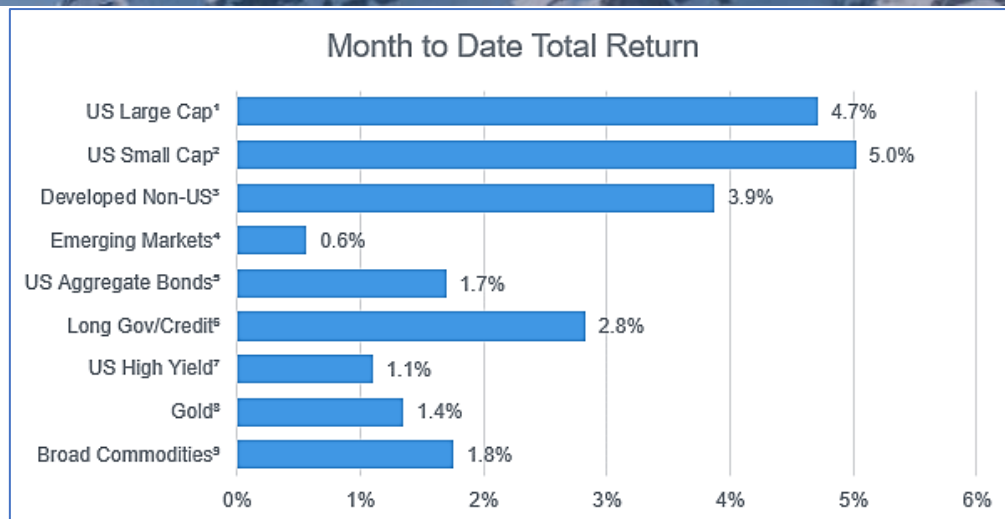
Stocks bounced back in May as global equities rallied on increased hope for interest rate cuts this summer following another Fed pause on May 1. Slowdowns in the housing and jobs market in April were met with a rally in U.S. equities led by the more rate-sensitive small cap index, as investors increased their bets on easing during the second half of the year. Markets shrugged off the continuing conflict in the Middle East and oil prices fell. Non-U.S. markets generated positive returns for the month but lagged their domestic counterparts, with emerging markets the poorest performer, increasing 0.6% in May.

Fixed Income

Bonds were buoyed by an encouraging inflation report for April, as CPI came in at 0.3% for the month, below market expectations. The U.S. 10-year Treasury fell 30 basis points peak-to-trough before rising into month-end as bonds pared gains to finish up 1.7% for May. Credit underperformed as spreads widened and short rates underperformed the long end of the yield curve.

Market Trends

As of May 31, 2024



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	4.7%	3.5%	10.6%	28.0%	8.5%	15.4%	12.4%
US Small Cap ²	5.0%	1.1%	2.7%	20.1%	-1.7%	8.6%	7.7%
Developed Non-US ³	3.9%	4.5%	7.1%	18.5%	3.1%	8.0%	4.6%
Emerging Markets ⁴	0.6%	3.5%	3.4%	12.4%	-6.2%	3.5%	2.7%
US Aggregate Bonds ⁵	1.7%	0.0%	-1.6%	1.3%	-3.1%	-0.2%	1.3%
Long Gov/Credit ⁶	2.8%	-1.2%	-5.1%	-1.9%	-7.8%	-1.9%	1.5%
US High Yield ⁷	1.1%	1.3%	1.6%	11.2%	1.8%	4.2%	4.3%
Gold ⁸	1.4%	13.5%	12.5%	17.8%	6.4%	11.1%	5.6%
Broad Commodities ⁹	1.8%	8.0%	6.8%	10.9%	6.9%	8.2%	-1.1%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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