

Highland ReCAP

A Review of Capital Markets

May 2025

Summary

U.S. equities recovered nicely from the turmoil of April, and international and emerging stocks continued to shine in 2025. Bond returns were negative as Treasury rates crept higher in May. Credit spreads retraced much of April's widening to return near historical tightening. The Federal Reserve maintained the status quo on policy interest rates in the face of declining inflation in April, citing lingering tariff uncertainty as the primary reason for caution.

Equities

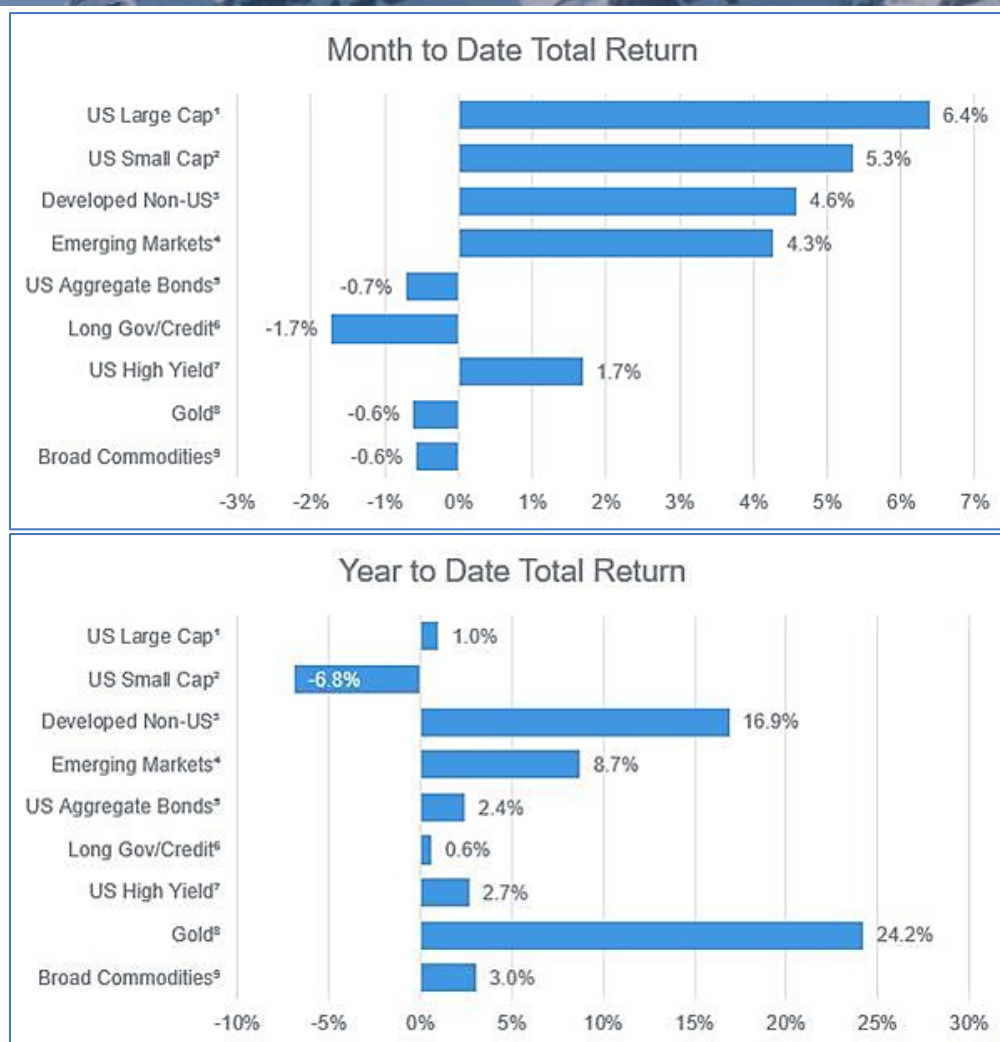
Domestic equity markets enjoyed a reprieve in May after being battered for much of the year. Large cap U.S. stocks gained 6.4% for the month, pushing 2025's year-to-date return back into positive territory at +1%. Small caps also bounced back 5.3%, while non-US markets were positive once again in May. Both developed and emerging equities posted returns north of 4%.

Fixed Income

Treasury yields shifted higher in May, with declining bond prices more than offsetting interest income and pushing total returns for investment grade bonds negative for the month. The longer end of the curve came under additional pressure as the consequences of additional deficit spending outlined in 2025's budget bill began to materialize late in the month. Credit benefited from a retracement of April's widening, moving back to pre-tariff levels, and high yield outperformed. The Federal Reserve held short rates steady even as CPI eased slightly in April, with uncertainty on the future of U.S. trade policy giving the Board pause.

Market Trends

As of May 31, 2025



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	6.4%	-0.4%	1.0%	13.7%	14.3%	15.7%	12.6%
US Small Cap ²	5.3%	-4.1%	-6.8%	1.2%	5.0%	9.6%	6.6%
Developed non-US ³	4.6%	8.9%	16.9%	13.3%	11.5%	11.4%	6.0%
Emerging Markets ⁴	4.3%	6.3%	8.7%	13.0%	5.1%	7.1%	3.9%
US Aggregate Bonds ⁵	-0.7%	-0.3%	2.4%	5.5%	1.5%	-0.9%	1.5%
Long Gov/Credit ⁶	-1.7%	-4.0%	0.6%	1.6%	-2.2%	-5.2%	1.1%
US High Yield ⁷	1.7%	0.6%	2.7%	9.3%	6.8%	5.8%	5.0%
Gold ⁸	-0.6%	15.5%	24.2%	39.8%	20.5%	12.3%	9.7%
Broad Commodities ⁹	-0.6%	-1.6%	3.0%	1.7%	-4.4%	12.6%	1.9%

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

Highland Consulting Associates, Inc. is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer of solicitation for the sale or purchase of specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.



Disclosure Statements

Bloomberg

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith.

FTSE Russell

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group [year]. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®" are trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. "TMX®" is a trade mark of TSX, Inc. and used by the LSE Group under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

MSCI

Copyright MSCI 2017. Unpublished. All Rights Reserved. This information may only be used for your Internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the users of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information, or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages. The MSCI information is the exclusive property of Morgan Stanley Capital International ("MSCI") and may not be reproduced or disseminated in any form or used to create any financial products or indices without MSCI's express prior written permission. The information is provided "as is" without any express or implied warranties. In no event shall MSCI or any of its affiliates or information providers have any liability of any kind to any persons or entity arising from or related to this information.