

Foresight Market Summary

May 31, 2020

Market Highlights:

In May, the stock market continued its recovery as investors looked past the current economic malaise and focused instead on what 2021 might hold. Through May, U.S. large cap stocks (S&P 500) were down 4.9%, leading all major markets. Developed international stocks (MSCI EAFE) were down 14% YTD and emerging markets stocks (MSCI EM) were down 16% YTD. Those losses matched that of small cap stocks (Russell 2000), which were also down 16%. The credit markets have also continued to heal. High Yield bonds and Bank Loans are now down ~5% YTD, an improvement of ~2% from April-end.

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year	Econ. Indicators	Percent	As of
S&P 500 Index	-4.87%	3.35%	-2.11%	12.84%	10.13%	9.76%	Fed Funds Target	0.25%	5/31/2020
MSCI All Country World Index	-8.87%	-0.06%	-5.74%	5.59%	5.43%	5.53%	Inflation Core CPI	0.20%	5/31/2020
Russell 2000 Small Cap Index	-15.84%	-4.72%	-13.50%	-3.38%	1.93%	3.74%	Unemployment	13.30%	5/31/2020
Dow Index	-10.01%	0.46%	-8.41%	4.79%	8.87%	9.61%	Real GDP Growth	0.30%	5/31/2020
MSCI EAFE Index	-14.11%	-4.18%	-11.55%	-2.83%	-0.38%	0.70%	Yield Curve Spread	0.49%	5/31/2020
MSCI Emerging Market Index	-15.91%	-6.89%	-9.43%	-4.64%	-0.86%	0.51%	Wage Growth	6.75%	5/31/2020

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.73%	8.47%	3.29%	7.87%	11.11%	5.36%	3.78%
US Aggregate Bond Index	2.51%	5.58%	1.86%	5.53%	9.37%	5.07%	3.92%
US Bank Loan Index	4.83%	-4.66%	-1.77%	-2.76%	-1.10%	1.49%	1.88%
US High Yield Bond Index	5.35%	-4.54%	-2.84%	-2.71%	2.22%	2.79%	3.38%

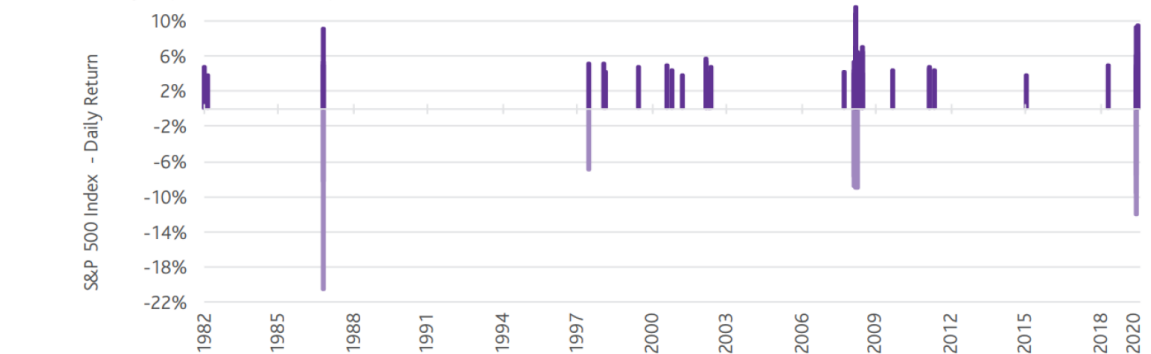
Economic Outlook:

Large swaths of the nation and economy are now slowly re-opening. The trajectory and speed of the economic recovery will be largely based on the combination of: **(1)** the degree to which consumers resume spending, and **(2)** businesses' desire and ability to rehire their employees. If those two things work in tandem, it will create a powerful, self-reinforcing feedback loop. If, however, millions of laid-off workers decide they aren't ready to return to the workforce given COVID fears or the fact that many of them are making more money while unemployed, it could be a slow recovery. We are keeping a watchful eye on whether Congress extends the additional \$600/week in Federal aid to unemployed workers that is currently set to end on July 31.

Insight of the Month:

This chart from Baron Funds illustrates the difficulty in trying to time the market, which is relevant given the recent surge in "day traders". The chart shows the 10 worst days and the 50 best days of the S&P 500

Top 10 Worst & Top 50 Best Days in the S&P 500 Index
 Past Four Market Cycles (8/12/1982 – 3/31/2020)



Index since 1982. Note that good days and bad days are commonly clustered together. During bouts of volatility, big selloffs often occur around big rallies, as we have seen over the last three months. That is problematic for market timers as well as investors who allow fear to shake them out following big down days or greed to lure them in following big up days. This highlights the importance of staying invested in an age- and risk-appropriate asset allocation and focusing on the long term.

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