

Foresight Market Summary

May 31, 2021

Market Highlights:

The broad equity market finished higher in May, despite experiencing week-to-week volatility. U.S. large cap stocks (S&P 500) are now +12% YTD. Small cap stocks (Russell 2000) continue to lead all broad segments and are +15% YTD. International developed stocks (EAFE) produced a strong return of +4% in May and are now +10% YTD. The bond market was roughly flat in May, as U.S. Treasury yields have remained stagnant since March.

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
S&P 500 Index	12.57%	13.73%	29.65%	45.44%	17.91%	17.13%
MSCI All Country World Index	10.76%	11.26%	30.22%	46.96%	13.50%	14.13%
Russell 2000 Small Cap Index	15.23%	9.74%	48.27%	68.61%	14.41%	16.17%
Dow Index	13.67%	15.95%	31.78%	43.27%	14.50%	16.51%
MSCI EAFE Index	10.41%	11.63%	33.52%	44.45%	7.31%	9.43%
MSCI Emerging Market Index	5.75%	2.64%	23.87%	50.14%	7.31%	11.85%

Econ. Indicators	Percent	As of
Fed Funds Target	0.25%	5/31/2021
Inflation Core CPI	4.20%	5/31/2021
Unemployment	6.10%	5/31/2021
Real GDP Growth	6.40%	5/31/2021
Yield Curve Spread	1.44%	5/31/2021
Wage Growth	1.15%	5/31/2021

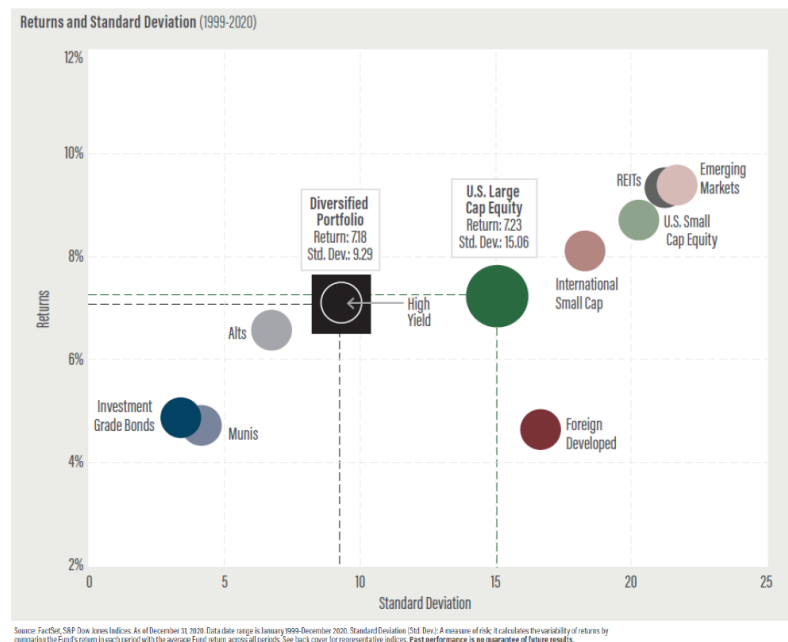
Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	1.05%	-3.40%	-2.44%	-3.31%	-4.31%	4.49%	2.28%
US Aggregate Bond Index	2.00%	-2.34%	-1.64%	-1.25%	0.00%	5.12%	3.14%
US Bank Loan Index	3.20%	1.45%	0.70%	4.87%	10.33%	2.97%	3.45%
US High Yield Bond Index	4.56%	1.76%	1.55%	7.15%	16.61%	5.85%	6.11%

Economic Outlook:

Through May, the majority (51%) of adults in America are fully vaccinated. Astonishingly, we have now effectively attained herd immunity via the combination of antibodies and vaccines. Concurrent with our rebounding economy, businesses are scrambling to hire workers to keep up with surging consumption and restocking efforts. The Job Openings and Labor Turnover Survey (JOLTS), which is indicative of how many jobs are available, is currently hitting record high levels. That seems to be at odds with an unemployment rate of 6.1%, but a look under the hood reveals that the labor participation rate is at multi-decade lows. This large mismatch between labor supply, which remains low, and labor demand, which is very high, is the driving factor for the many “Help Wanted” signs displayed throughout the nation. We believe much of this mismatch will correct itself in the coming months, in part due to the COVID unemployment benefits expiring in September.

Insight of the Month:

Over the last several years, the S&P 500 has outperformed all other segments of the equity market. This performance dominance has resulted in some questioning the necessity of diversification. The chart on the right from AMG Funds shows the historical (1999-2020) returns and corresponding volatility of various asset classes. Over the last two decades, a diversified portfolio (black square) has delivered a comparable return to the S&P 500 (green circle) while generating a significantly lower standard deviation. We believe diversification is increasingly important in today’s market environment.



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