

# Independence Asset Advisors

## MONTHLY MARKET REVIEW – May 2024

	May 2024	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	4.96%	11.30%	28.19%	9.57%	15.80%	12.69%
U.S. Small Cap Equities Russell 2000	5.02%	2.68%	20.12%	-1.65%	8.61%	7.66%
Energy Infrastructure Equities Alerian U.S. Midstream	3.26%	17.41%	40.96%	23.51%	14.44%	5.81%
Core Infrastructure FTSE Global Core Infrastructure	4.81%	4.49%	11.06%	2.51%	5.25%	6.48%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	4.85%	-3.21%	9.62%	-0.28%	2.51%	4.97%
Global Equities MSCI All Country World Index	4.06%	8.88%	23.56%	5.12%	11.68%	8.40%
International Developed Equities MSCI EAFE	3.87%	7.07%	18.53%	3.06%	8.05%	4.60%
Emerging Market Equities MSCI Emerging Markets	0.56%	3.41%	12.39%	-6.23%	3.55%	2.66%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	1.70%	-1.64%	1.31%	-3.10%	-0.17%	1.26%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-0.29%	-1.91%	2.67%	-1.29%	0.93%	2.25%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.10%	1.63%	11.24%	1.78%	4.19%	4.30%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.94%	4.04%	13.23%	6.15%	5.50%	4.62%

## MARKET UPDATE

- Global equity markets recovered in May following broad declines in April.
- U.S. large cap stocks gained 5.0%, with “value” underperforming “growth” by 3.6% (S&P 500).
- The S&P 500 Index ended May near its record high, closing out the month at 5,277.
- Small cap stocks performed well, supported by some signs of disinflation.
- Non-U.S. equities participated in the May rally following data showing signs of strength in services sectors.
- Fixed income categories were mostly positive, led by investment grade bonds that ended May yielding 5.3%.
- High yield bonds and leveraged loans gained in May, yielding 8.1% and 10.1%, respectively.
- The yield differential between 2- and 10-year Treasuries remained inverted by 0.37% (2-year at 4.9%).

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, npr.org, StatisticsCanada, Bloomberg, Financial Post, Deloitte Canada, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics

## IAA's WATCH LIST:

Category	Comments
<b>Growth</b>	<ul style="list-style-type: none"> <li>The U.S. economy grew 1.3% q/q in 1Q24 (revised down), lower than the consensus expectation for 2.5% growth.</li> <li>Recent economic momentum is expected to revert into lower growth in 2024.</li> </ul>
<b>Profits</b>	<ul style="list-style-type: none"> <li>First quarter earnings season is winding down with 98% of companies reporting.</li> <li>The current estimate for operating earnings per share is \$55.00.</li> <li>If realized, this would represent growth of 4.7% y/y and 2.0% q/q.</li> </ul>
<b>Jobs</b>	<ul style="list-style-type: none"> <li>Economists expect 190,000 jobs were added in May, compared to 175,000 jobs added in April, with the unemployment rate holding steady at 3.9%.</li> </ul>
<b>Inflation</b>	<ul style="list-style-type: none"> <li>Headline and Core PCE held steady at 2.7% in April and 2.8% y/y.</li> <li>Core goods disinflation, led by lower vehicle prices, more than offset higher apparel prices.</li> <li>The Fed will need to see further moderation before it amends current policy.</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>The Fed voted to keep interest rates at 5.25%-5.50% when it met in May.</li> <li>It announced a slower pace of quantitative tightening beginning in June.</li> <li>It cut the monthly cap on Treasuries running off its balance sheet from \$60 billion to \$25 billion.</li> </ul>

## CANADA:

- The U.S. dollar index (DXY) **decreased** 1.5% in May and **increased** 3.3% year-to-date (see chart below), while the U.S. dollar **strengthened** 3.0% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.36**.
- The Bank of Canada's policy rate remained unchanged at 5.00% in May.
- Canada's economy grew at a 1.7% annualized rate in the first quarter, which was weaker than the Bank of Canada's estimate of 2.8% growth, reflecting slower inventory accumulations.
- The Bank of Canada is expected to initiate its first rate cut when it convenes in early June.**



## COMMODITIES:

### OIL:

- **The price of crude oil was \$76.99 per barrel (WTI).**
- Oil prices decreased \$4.94 per barrel, or 6.0%, in May.
- Crude oil traded lower following OPEC+'s announcement that outlined plans to ease some of its voluntary production cuts. The group intends to phase out cuts of 2.2 million barrels per day beginning in October.
- **Oil is forecasted to trade between \$75 and \$80 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$78.79	\$87.01	\$70.38	8%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

### COPPER:

- **The price of copper was \$4.59 USD per pound.**
- Copper prices increased \$0.04 per pound, or 0.9%, in May.
- Copper prices surged to a record high of \$5.20 per pound on May 22<sup>nd</sup>, before plunging at month-end. The price increase was attributable to underwhelming demand, while the decrease stemmed from magnified oversupply concerns.
- **Copper is forecasted to trade between \$4.55 and \$4.92 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$4.15	\$5.10	\$3.68	18%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

### ALUMINUM:

- **The price of aluminum was \$2,652 USD per tonne.**
- Aluminum prices increased \$61 per tonne, or 2.4%, in May.
- Aluminum traded higher in May, reaching its highest price in two years by month-end. The price increase was attributable to gas shortages that affected Rio Tinto, the world's second largest producer, which led to concerns about supply.
- **Aluminum is forecasted to trade between \$2,625 USD/tonne and \$2,825 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,374	\$2,740	\$2,154	11%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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