

Monthly Market Commentary

After a short four-month span of smooth sailing in global markets, volatility picked up in May. One of the key reasons for this is a continued slowdown in reported economic data so far this quarter. ISM Manufacturing index is trending lower and was reported down for the second consecutive month at 52.1 vs 52.8 prior. Retail sales and Industrial production, which are major constituents of GDP, also continued to slow and were reported at 3.1% YoY & 0.89% YoY, respectively. Further, the escalating trade tensions have markets worried about a faster pace of an economic slowdown and deflationary pressures, which are being reflected in the bond markets. In a short period, markets have priced in multiple rate cuts by the end of the year. This reflects a 360 degree turn from what was priced in just a few months ago. Optimism on a trade deal between the US and China has quickly reversed, which we believe, creates an environment of renewed uncertainty and heightened risk globally. As we have reiterated in our previous conversations, the risk of a protracted earnings slowdown remains elevated and the current environment further cements our conviction on that front. All these factors warrant a cautious approach as we navigate through the chop associated with reported data and news flow associated with trade. Consequently, we continue to maintain higher levels of cash and lower exposure until we see a sustained improvement in fundamentals.

Not FDIC Insured	No Bank Guarantee	May Lose Value
------------------	-------------------	----------------