

May 2021 Market Watch

U.S. markets closed higher in May for the fourth consecutive month, driven by the familiar reopening, stimulus and consumption themes in the last few months. The CDC updated masks policies and by the end of the month, many cities have fully reopened. Inflation was the big theme of the month as pandemic supply chain challenges drove consumer prices and producer costs to higher levels. The U.S. Federal Reserve suggested this theme is temporary and anticipate that inflation will return to the long-term 2% projection through 2022 and 2023.

U.S. economic data remained mixed. Purchasing Managers' Index (PMI) results reflected healthy consumer demand although input costs rose. On the jobs side, April nonfarm payrolls reported far below the consensus of 975K at +266K jobs. However May initial jobless claims ticked down to the lowest level since March 2020. This led to questions about employers' hiring challenges and to an increasing number of states opting out of federal unemployment benefits.

First quarter earnings season ended with S&P 500 companies' blended YoY earnings growth rate of ~52% versus an expected 23.8%.

Inflation concerns remained the focus, along with whether the Fed will step in to calm an overheating economy.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	5/31/21	5/24/21	% chg*	4/30/21	% chg*	% chg*	5/31/20	% chg*
DJIA	34,529.5	34,394.0	0.4%	33,874.9	1.9%	12.8%	25,383.1	36.0%
S&P 500	4,204.1	4,197.1	0.2%	4,181.2	0.5%	11.9%	3,044.3	38.1%
NYSE Comp Index	16,555.7	16,464.7	0.6%	16,219.3	2.1%	14.0%	11,802.9	40.3%
NASDAQ Composite	13,748.7	13,661.2	0.6%	13,962.7	-1.5%	6.7%	9,489.9	44.9%
Russell 2000	2,269.0	2,227.3	1.9%	2,266.4	0.1%	14.9%	1,394.0	62.8%
MSCI EM (Emerging Markets)	1,360.8	1,326.7	2.6%	1,347.6	1.0%	5.4%	930.4	46.3%
MSCI EAFE	2,341.4	2,324.2	0.7%	2,268.5	3.2%	9.0%	1,725.1	35.7%
Japan Nikkei 225	28,860.1	28,364.6	1.7%	28,812.6	0.2%	5.2%	21,877.9	31.9%
FTSE 100	7,022.6	7,051.6	-0.4%	6,969.8	0.8%	10.5%	6,076.6	15.6%
SSE Comp Index	3,615.5	3,497.3	3.4%	3,446.9	4.9%	4.1%	2,852.4	26.8%

US Equity Sector Performance

	May	YTD	1 Yr Ret.
Consumer Discretionary	-3.8%	6.2%	38.6%
Consumer Staples	1.8%	5.2%	23.1%
Energy	5.8%	39.2%	40.9%
Financials	4.8%	29.5%	66.2%
Health Care	1.9%	9.3%	22.0%
Industrials	3.1%	19.0%	58.0%
Information Tech	-0.9%	6.4%	42.6%
Materials	5.2%	20.9%	60.2%
Communication Services	-0.1%	16.5%	43.7%
Utilities	-2.4%	4.6%	12.8%
Real Estate	1.2%	18.9%	28.2%

US Equity Style Performance

	May	YTD	1 Yr Ret.
Dow Jones Utilities	-2.4%	3.8%	11.2%
DJ TRANS Avg.	2.8%	26.6%	77.8%
Russell 1000 Value	2.3%	18.4%	44.4%
Russell 1000 Growth	-1.4%	6.3%	39.9%
Russell 2000 Value	3.1%	27.5%	79.4%
Russell 2000 Growth	-2.9%	4.1%	50.1%

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Bond Markets (%)

U.S. equity sectors closed mixed. Energy +5.8% and Materials +5.2% gained on the back of higher commodity and oil prices while Consumer Discretionary -3.8% and Utilities -2.4% led losers.

Both Developed International Equities (MSCI EAFE) +3.2% and Emerging Market (MSCI EM) +1.0% closed higher in May. In Asia, the Covid crisis in India continued to be a big concern globally as the rest of the world kept infection rates lower. The Biden administration had their first official meeting with China, taking a necessary step to a more stable relationship between the two countries.

U.S. government yields tightened and fell from April levels with the 10-Yr at 1.58%, the 30-Yr at 2.26%, and the 2-Yr note at 0.14%.

Commodity prices continued to rise this month. The Bloomberg Commodity Index gained +2.7%. WTI crude oil closed +7.4% higher at \$68.27 after a ransomware cyberattack forced the shutdown of America's largest refined oil products system, Colonial Pipeline, at the beginning of May. Also early in the month, the Middle East came into the spotlight as Hamas fired long-range rockets toward Jerusalem in support of Palestinian protests against Israel's policing of the Al-Aqsa Mosque compound. Oil felt a light impact, but an improved global oil demand offset that quickly. Gold closed up +8.0%.

	5/31/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.01	0.02	0.15
US Benchmark Bond – 6 Mth	0.03	0.03	0.18
US Benchmark Bond – 2 Yr	0.14	0.16	0.14
US Benchmark Bond – 5 Yr	0.79	0.85	0.30
US Benchmark Bond – 10 Yr	1.58	1.63	0.65
US Benchmark Bond – 30 Yr	2.26	2.30	1.42

US Bond Sector Performance

	May	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	0.32%	-1.04%	-0.98%

Exchange Rates (per US dollar)

	5/31/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.208	1.230	1.382
Mexican Peso	19.908	20.175	22.130
Euro	0.818	0.831	0.899
British Pound	0.703	0.722	0.809
Swiss Franc	0.899	0.912	0.961
Chinese Yuan	6.361	6.472	7.146
Indian Rupee	72.623	74.073	75.616
Japanese Yen	109.395	109.305	107.735

Commodities (In US dollars)

	5/31/21	1 Mth Ago	1 Yr Ago
Gold	1,910.90	1,767.70	1,751.70
Crude Oil	68.27	63.58	35.49
US Dollar Index	89.81	91.27	98.34
Bloomberg Commodity Index	92.83	90.36	63.54

Interest Rates (%)

	5/31/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.06	0.07	0.05
Libor Rate 30 Day	0.09	0.11	0.18
Libor Rate 3 Months	0.13	0.18	0.34
30yr Fixed Mortgage	2.95	2.98	3.15

Economic Sentiment

	5/31/21	1 Yr Ago
Unemployment Rate	6.10%	13.30%
Average Single Family Home	368,400	320,000
Capacity Utilization	74.62%	64.66%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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