

Monthly Market Commentary

May 2020 Recap

Stocks notched a second-straight monthly advance, as investors shrugged off Wall Street's old adage "sell in May and go away." Optimism over reopening activity in all 50 states, and positive developments on COVID-19 vaccines bolstered investor sentiment. The Treasury yield curve steepened as economic updates continued to paint a bleak picture, but seemed to signal that the brunt of the fallout was in the past. Oil prices staged a torrid rebound despite a flare-up in geopolitical tensions between the U.S. and China. The S&P 500 rose 4.5%, closing above the 3,000 point level for the first time since March, while the Nasdaq Composite rallied 6.8% to reclaim positive territory for the year.

Hope for a swift economic recovery provided a tailwind to markets. Economies around the world began laying out phased reopening plans as the pace of new reported coronavirus cases slowed. Concerns over a second wave of COVID-19 infections were eased by promising vaccine developments. Biotech firm Moderna's (MRNA \$61.50) early stage human trial showed its participants developed antibodies, while Pfizer (PFE \$38.19) reportedly started conducting its first U.S. trial for its experimental vaccine. Top U.S. infectious disease expert, Anthony Fauci, further buoyed sentiment by saying there was a "good chance" a vaccine could be deployed by year-end.

Dismal economic updates did little to deter the perceived "risk-on" mood. The U.S. labor market showed signs of stabilizing, with initial jobless claims trending downward and the record drop in non-farm payrolls for April coming in better-than-feared. The unemployment rate more than tripled to 14.7%, albeit below the 16% anticipated figure. Updates on the manufacturing and services sectors from research firm Markit revealed both segments of the U.S. economy contracted in May, though the drop in activity was considerably less severe than the prior month. Investors remained cautious as retail sales tumbled an unprecedented 16.4% in April, nearly doubling from the prior month's 8.3% decline that held the previous record. Longer-dated Treasury yields rose, while shorter-dated rates traded in a narrow range as the Federal Reserve continued to reiterate their commitment to support the economy. Fed Chair Jerome Powell warned that the pandemic continued to pose unprecedented downside risks, and encouraged additional fiscal stimulus from Washington. He also reaffirmed that policymakers were open to utilizing all tools available, but were not considering a negative interest rate policy.

Meanwhile, tensions between the U.S. and China capped equity market gains. The White House increasingly placed blame on Beijing for the coronavirus outbreak and threatened to impose new tariffs on Chinese goods in retaliation. The Trump administration also targeted China's Huawei Technologies by requiring foreign companies using U.S. chipmaking equipment to acquire a license prior to supplying to the Telecom giant. Meanwhile, the Senate unanimously passed legislation aimed at increasing oversight of foreign companies listed on U.S. stock exchanges, which would block certain Chinese companies from listing on American exchanges. For its part, Beijing threatened countermeasures, saying it could investigate or impose restrictions on major U.S. companies, and stating it would take necessary action to safeguard its own sovereignty and interests. Further dampening relations, Chinese officials approved plans to impose new national security laws on Hong Kong despite the legislation drawing sharp criticism from Washington. President Trump vowed to sanction Chinese officials and indicated that the territory would lose its special exemptions, but stopped short of dissolving the trade deal. Despite the ongoing tensions, the S&P 500's robust May rally capped its strongest two-month performance since 2009.

Information Technology and Materials groups led the broad-based gains, with each group rising more than 6.5%. Energy stocks lagged on a relative basis, adding just 0.7%, despite West Texas Intermediate (WTI) crude experiencing its best month on record. Oil prices surged more than 80%, but remained 46% below January highs. Corporate profit tallies were also in focus, with 98% of the S&P 500 companies reporting first-quarter results through the end of May. Earnings growth for the index was on track to fall 7.7%, better than estimates of a 17% decline, according to Bloomberg. Meanwhile, a trend that garnered attention was the widening performance gap between growth and value stocks. The Russell 1000 Growth Index remained on pace to outperform the Russell 1000 Value Index on an annual basis by the widest margin since 1999, according to The Wall Street Journal.

Disclaimers

Pricing as of market close on May 29, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Index Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

U.S. Markets			Price Return (%)		Total Return (%)	
Index	Close	May	May	April	YTD*	
S&P 500	3044.31	4.53	4.76	12.82	-4.98	
Dow Jones Industrial Average	25383.11	4.26	4.66	11.22	430.00	
Nasdaq Composite	9489.87	6.75	6.90	15.49	6.28	
S&P 400 Mid Cap	1763.95	7.14	7.32	14.18	-13.86	
S&P 600 Small Cap	803.11	4.15	4.31	12.70	-20.82	

U.S. Sector Performance			Price Return (%)		Total Return (%)	
Index	Close	May	May	April	YTD*	
Communications Services	180.89	5.99	6.01	13.82	0.21	
Consumer Discretionary	1002.29	4.86	4.97	20.55	2.13	
Consumer Staples	605.78	1.38	1.51	6.86	-5.35	
Energy	291.59	0.67	1.88	29.78	-34.49	
Financials	387.52	2.43	2.72	9.58	-23.40	
Health Care	1198.14	3.11	3.29	12.65	1.61	
Industrials	570.15	5.13	5.50	8.73	-16.32	
Information Technology	1718.49	6.83	7.05	13.80	7.29	
Materials	348.38	6.69	6.97	15.31	-8.89	
Real Estate	214.27	1.74	1.92	9.47	-9.86	
Utilities	302.05	3.90	4.40	3.22	-6.79	

International Markets			Price Return (%)		Total Return (%)	
Index	Close	May	May	April	YTD*	
U.K. FTSE 100	6076.60	2.97	3.36	4.28	-18.14	
Germany DAX	11586.85	6.68	6.68	9.32	-12.55	
France CAC 40	4695.44	2.70	3.38	4.07	-20.55	
Spain IBEX 35	7096.50	2.52	2.59	2.47	-24.95	
Italy FTSE MIB	18197.56	2.87	3.73	3.82	-21.57	
Greece ATHEX	652.58	3.87	3.95	12.53	-28.36	
MSCI Emerging Market	930.35	0.58	0.79	9.18	-15.89	
Shanghai Composite	2852.35	-0.27	-0.07	4.00	-6.28	
Japan Nikkei 225	21877.89	8.34	8.35	6.75	-6.59	
Hong Kong Hang Seng	22961.47	-6.83	-6.31	4.43	-17.92	
Brazil Bovespa	87402.60	8.57	8.57	10.25	-24.42	
Russia Micex	2734.83	3.18	3.87	5.65	-9.33	
India Sensex	32424.10	-3.84	-3.74	14.42	-21.08	

Treasuries			Historical Yields		
Maturity	May Ask Yield	April	March	February	January
2-Year	0.16	0.20	0.25	0.91	1.31
5-Year	0.30	0.36	0.38	0.94	1.31
10-Year	0.65	0.64	0.67	1.15	1.51
30-Year	1.41	1.28	1.32	1.68	2.00

Municipal Bonds			Price Return (%)		
Maturity	Close	May	April	March	YTD*
S&P Municipal Bond Index	265.21	2.99	-1.18	-3.34	1.19
S&P Muni Bond Long Intermediate	278.03	3.27	-1.02	-3.25	1.79
S&P Muni Bond Intermediate	264.50	3.10	-0.80	-3.00	1.80
S&P Muni Bond Short	178.53	1.38	0.27	-0.93	1.49
S&P Muni Bond Investment Grade	262.80	2.96	-1.10	-2.94	1.58
S&P Muni Bond High Yield	303.38	3.44	-2.31	-9.11	-4.56
S&P Muni Bond General Obligation	258.51	3.21	-0.74	-2.48	2.66

Commodities			Price Return (%)		
Front Month Futures	Close	May	April	March	YTD*
CRB Index	132.24	12.84	-3.77	-23.62	-28.82
Oil/bbl	35.49	88.38	-8.01	-54.24	-41.88
Natural Gas	1.85	-5.13	18.84	-2.61	-15.53
Gold	1736.90	2.52	7.00	1.07	14.04
Silver	18.50	24.17	5.24	-13.61	3.23
Copper	242.55	3.04	5.66	-12.49	-13.28
Nickel	12270.75	1.09	6.07	-6.21	-12.15

Foreign Exchange			Price Return (%)		
Currency	Close	May	April	March	YTD*
Dollar Index	98.34	-0.68	-0.03	0.93	2.03
Euro/USD	1.11	1.33	-0.69	0.05	-1.00
USD/Yen	107.83	0.61	-0.33	-0.32	-0.72
GBPpound/USD	1.23	-1.99	1.40	-3.14	-6.89
USD/CAD	1.38	-1.18	-0.83	4.89	6.08
USD/Krona	9.43	-3.34	-1.49	3.13	0.72
USD/Swiss Franc	0.96	-0.38	0.44	-0.39	-0.52

Source: Bloomberg

*All prices as of the close May 29, 2020

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