

May 2025 Recap

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PRELUDE

My family and I welcomed a second dog into our home this May. Her name is Daisy, she is 19 months old, and she is a mix of a golden retriever, a labrador retriever, and a Newfoundland. As you might imagine, the Nitting household has become incrementally more chaotic with the addition of another dog, particularly one that still has the energy of a puppy despite being fully grown. However, we have thoroughly enjoyed having Daisy in our home since she has joined us and look forward to many more years with her. Global financial markets continued their own hectic 2025 journey in May but provided investors with a far more enjoyable experience compared to those in prior months. U.S. equities rallied sharply and finished May in broadly positive territory, while international equities continued to move higher as well. Outside of the global stock market, bonds generated mostly negative returns during the month amid rising interest rates.

GLOBAL EQUITY

U.S. equities reversed course in May and generated broadly positive returns, as several major indexes rose between +3.5% and +8.9%, cumulatively. Tariff implementations and negotiations remained atop investors' minds during the month, but several developments helped improve investor sentiment and drove markets higher. The biggest of these developments was an agreement between the U.S. and China to substantially de-escalate trade tensions following talks in Switzerland. The agreement suspended previously implemented



tariffs for 90 days to allow for further negotiations. For context, U.S. tariffs on most Chinese goods came down from 145% to 30%, while China's levies on U.S. imports dropped from 125% to 10% for the 90-day period. Investors responded positively to such news, as the S&P 500 returned +5.3% in that week alone. At month's end, large cap growth stocks were among the best performers within the U.S. stock market, returning +8.9% as the Magnificent Seven companies came roaring back. Six of the seven companies generated positive returns ranging from +8.2% to +24.1% amid optimism surrounding the tariff agreement between the U.S. and China. Small cap stocks also generated positive returns during the month as the Russell 2000 rose +5.3%. However, it is important to note that small cap stocks did not rally as strongly as their large cap peers in May. This is partly due to the Russell 2000 Index having less Technology sector exposure than the S&P 500, causing the Russell 2000 to lag the S&P 500 in a rally that favored more growth-oriented sectors like Technology.

International markets generated positive returns once again in May, while the U.S. Dollar generated mixed performance relative to other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned +4.6% for the month. Developed international markets rallied at the start of May following another positive development related to tariffs. The U.S. and the U.K. announced a new trade deal, which investors received as a positive development. The Bank of England also cut interest rates during May, pushing U.K. stocks higher and leading them to

TABLE 1: GLOBAL EQUITY	MAY	QTD	YTD	1 YR
Dow Jones Industrial Average	4.16	0.95	0.08	11.16
S&P 500 Index	6.29	5.57	1.06	13.52
Russell 2000	5.34	2.91	-6.85	1.19
Russell 1000 Growth	8.85	10.78	-0.27	17.62
Russell 1000 Value	3.51	0.36	2.50	8.91
MSCI ACWI USD	5.75	6.73	5.32	13.65
MSCI EAFE USD	4.58	9.37	16.87	13.33
MSCI EM USD	4.27	5.64	8.73	13.04
MSCI ACWI ex US USD	4.58	8.36	14.03	13.75

Source: Bloomberg, as of 5/31/2025. Past performance does not guarantee future returns.

be among the better performers within developed international markets for the month. Emerging markets lagged their developed market counterparts in May but still moved higher, as the MSCI EM Index returned +4.3%. Taiwanese, Chinese, and South Korean stocks were among the better emerging market performers, as Technology-oriented companies in each country responded positively to the temporary trade agreement between the U.S. and China. For reference, the four largest companies in the MSCI EM Index are from each of these three countries and have significant technological capabilities: Taiwan Semiconductor Manufacturing Co (Taiwan), Tencent Holdings (China), Alibaba Group (China), and Samsung Electronics Co (South Korea).

FIXED INCOME

The U.S. Treasury yield curve shifted higher during May, resulting in mostly negative fixed income returns as the Bloomberg U.S. Aggregate fell -0.7%. Treasury yields rose across most of the curve amid the release of several better-than-expected economic

TABLE 2: FIXED INCOME	MAY	QTD	YTD	1 YR
Bloomberg US Aggregate	-0.72	-0.33	2.45	5.46
Bloomberg 1-3 Yr Gov/Credit	-0.13	0.63	2.26	5.85
Bloomberg Treasury 5-7 Yr	-0.88	0.48	3.89	6.70
Bloomberg Investment Grade Corp	-0.07	-0.01	2.35	5.61
Bloomberg High Yield Corp	1.68	1.66	2.68	9.32
JPMorgan EMBI Global Diversified	1.12	0.89	3.15	8.04

Source: Bloomberg, as of 5/31/2025. Past performance does not guarantee future returns.

datapoints related to the labor market, business sentiment, and inflation. Positive developments pertaining to tariffs also helped push yields higher during the month. Separately, the Federal Reserve kept interest rates unchanged and reiterated its "wait-and-see" approach to adjusting interest rates amid ongoing uncertainty surrounding the impact of tariffs. Despite such commentary, investors still expect the Federal Reserve to reduce interest rates three to four times before the end of 2025. Outside of the Treasury market, investment grade corporate bonds moved slightly lower amid rising interest rates, while high yield corporate bonds moved higher during May.

POSTLUDE

I have provided some quotes below from prior iterations of *On The Margin* that I have written this year.

- "In periods of such uncertainty, we believe making wholesale changes to our clients' portfolios is imprudent and could expose them more to unforeseen risks." – February 2025
- "We do not know how the balance of 2025 will unfold but regardless, we are coaching our clients to stick to their long-term game plans for now." – March 2025

I understand (and agree) if you find such messaging repetitive, but this past May is an example of why we regularly try to reinforce the importance of sticking to a long-term plan even when it is uncomfortable. Despite the chaos 2025 has provided through five months, the S&P 500 is now positive on a year-to-date basis, while international equities and bonds are up even more. We do not expect global financial markets to calm down much, if at all, through the balance of 2025, but we will continue coaching our clients to not shoot themselves in the foot by making wholesale changes to their long-term plans without sound reasoning. I occasionally indulge in a glass of scotch on the weekend and as the slogan of the famed scotch brand Johnnie Walker goes, we will advise our clients to "keep walking." We will also do our best to make sure the direction of such walking is forward, regardless of the obstacles the market environment presents.



Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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