

### **Monthly Market Commentary**

We hope that you were able to enjoy your Memorial Day Weekend with family and friends! As we head into the summer season, the country will continue to reopen. In fact, much of the country is doing business as normal. Hopefully, you can take advantage of the nice weather, maybe catch a concert or sporting event, and spend time with those that matter most to you!

Markets continue their grind higher, albeit at a slower pace than what we experienced in the last year, as optimism built over this period needs to be validated by hard economic data going forward for the rally to continue. So far this year, the economy is moving in the right direction with strong data both in consumption and the industrial economy on a year-over year basis. Further strength may be warranted given the faster pace of vaccinations, re-opening trends, and better weather. Considering the strong balance sheets and elevated savings rates of consumers, it is reasonable to expect a strong pent-up demand in the near term in the services economy, which has lagged the recovery so far. Employment numbers are improving as well, reflected in the steady decline in the number of new unemployment benefits claimed over the last few weeks. Some states have decided to end additional supplemental unemployment benefits starting in summer, which should further aid in strong employment gains for at least the next quarter or so.

On the flip side, we want to be cognizant of the fact that this strong momentum in the economy is likely to peak somewhere in the summer months and will have different implications for various assets as we progress into the second half of the year. Inflation and employment will be key factors in determining the future path of FED policy. If inflation stays elevated alongside strong job gains, it may force the FED to taper bond purchases and contemplate rate increases quicker than what the market currently expects. Considering this backdrop, we continue to maintain a risk on posture but expect to adjust our positioning to reduce some risk if/when we get signs of a peak in economic growth and/or a change in the path of FED policy.

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