








Data Driven

Key Takeaways

- **Markets remain resilient and fragile:** Asset prices advanced despite rising rates, higher inflation expectations, and ongoing geopolitical risks, pointing to a conditionally balanced market environment.
- **Consumers support growth:** Spending remains positive, supported by employment and residual balance-sheet strength, but declining real wage growth suggests inflation is increasingly constraining demand.

Indicator	Impact	Insights
Economic Growth		Growth remains positive, supported by resilient consumption and employment.
Inflation		Inflation expectations remain elevated and sticky with additional upside risk from energy prices and tariffs.
Fed Policy		Fed remains on hold amid conflicting signals, balancing resilient growth with persistent inflation.
Stock Market		Equity markets continue to demonstrate resilience in sentiment and earnings.

 = Positive  = Neutral  = Negative

Milestones

May's market environment presented a notable paradox: asset prices remained resilient even as underlying pressures continued to build. Equities advanced (SPY 5.26% | IDEV 2.34% | EEM 7.20%) despite upward pressure on yields (GOVT 0.11% | TLT 0.53%), firmer inflation expectations (Federal Reserve Bank of Cleveland 1-Year Expected Inflation +3.53%), and unresolved geopolitical risks (Ukraine war, Strait of Hormuz). Taken together, these cross-currents point to a market that is neither fully stable nor overtly unstable, but instead operating in a conditionally balanced state.

The sector-level performance in May reinforces the idea of a conditionally balanced market, where leadership persists but breadth and durability are uneven. While Global Technology (IXN 19.58%) delivered strong month-to-date total returns, more cyclical and rate-sensitive sectors such as Financials (IXG 0.12%) and Consumer Discretionary (RXI 1.90%) realized modest results. At first glance, this resilience may appear to confirm underlying economic strength; however, the balance of evidence remains mixed.

Consumption remains supportive despite downward pressure in real income dynamics. Retail sales excluding autos and food services remained positive in May (0.7% m/m, seasonally adjusted); however, real income dynamics showed signs of weakness, as inflation-adjusted average hourly earnings declined (-0.2% y/y), leaving us to believe that demand is supported by current employment levels and residual balance-sheet strength for consumers.

Sources: Members Trust Company Research, 1 U.S. Bureau of Economic Analysis, 2 U.S. Bureau Labor of Statistics, ETF tickers SPY, IJH, IJR, IDEV, EEM, and AGG used as index proxies. Non-deposit investment products available through Members Trust Company are not deposits of or guaranteed by the trust company, a credit union or credit union affiliate, are not insured or guaranteed by the NCUA, FDIC or any other governmental agency and are subject to investment risks including possible loss of the principal amount invested. Members Trust Company, owned and managed by credit unions nationwide, is a special purpose federal thrift regulated by the Office of the Comptroller of the Currency. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Net return includes stock price and net dividend income performance, which includes the impact of taxes on dividends. Past performance is not indicative of future results. Any opinions expressed are those of the presenter and do not necessarily reflect the position of Members Trust Company. The information above is obtained or compiled from sources we believe to be reliable. We do not guarantee that such information will be free from errors or omissions, whether human or mechanical, nor do we guarantee its timeliness, accuracy or completeness. This material is intended for general informational purposes only and does not constitute legal or tax advice. Please consult a qualified professional for legal or tax guidance.

