Portfolio Manager Commentary
May 21, 2021

Trustmark Investment Advisors, Inc.

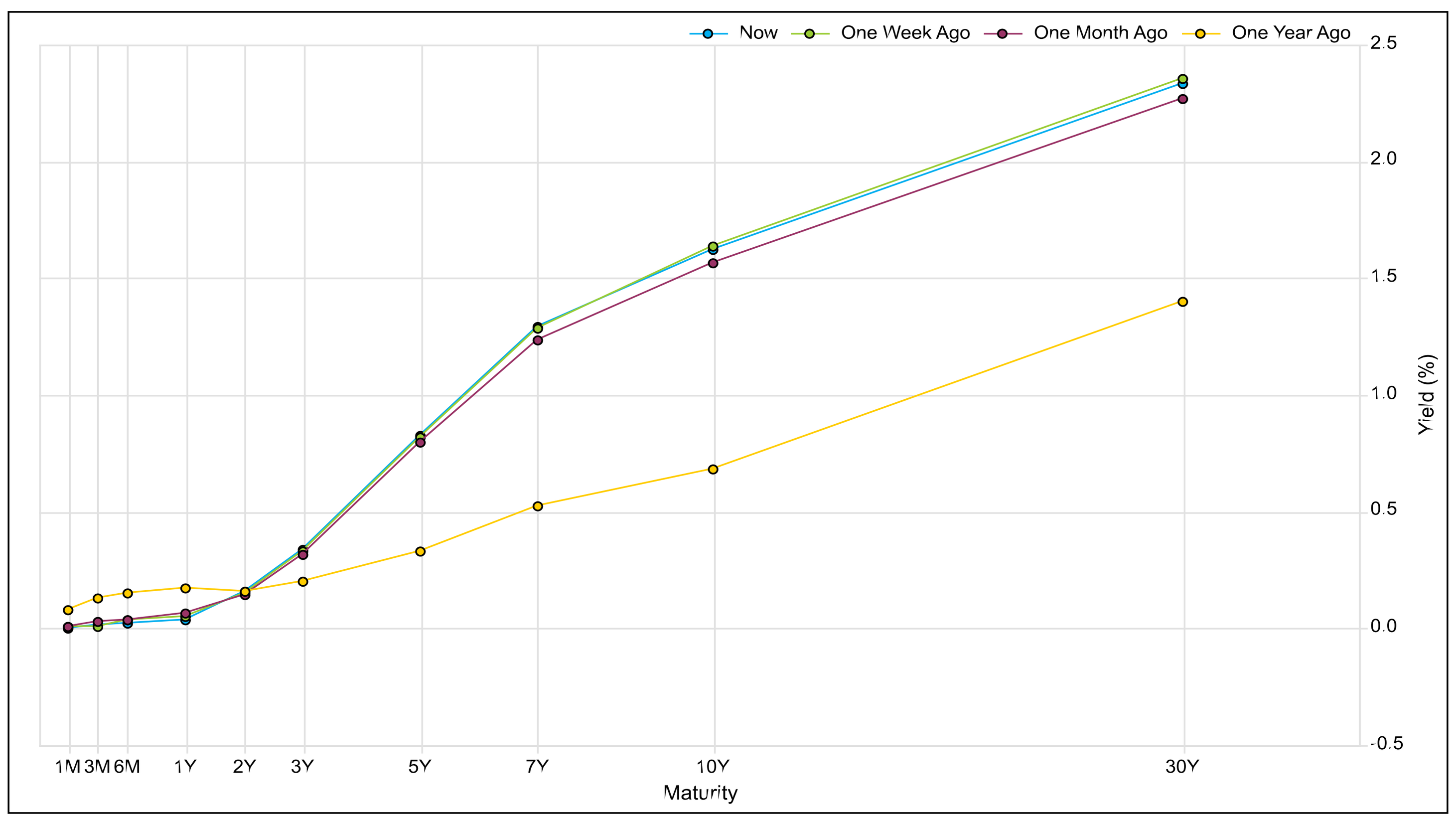
Economic Outlook

The U.S. Index of Leading Economic Indicators was up 1.6% for April 2021, up from +1.3% in March 2021. The National Association of Homebuilders Index was a continued strong level of 83 for May.

Fixed Income

The expectation for volatility in the Treasury market, by at least one measure, is as low as it has been in months, driving home that the jury is still out on the next move for yields in the world's largest bond market. U.S. government debt is staging a modest rebound this quarter, after a rout in the first three months of the year delivered the worst losses since 1980. Yields are now stuck in a trading range, with traders still flummoxed by some of the key questions looming over the economy, most notably whether the rebound from the pandemic will prove sustainable, and whether building inflationary pressure will be temporary, as the Federal Reserve continues to insist it will. Many market watchers say the next chapter in solving this puzzle may not come until early June when the next jobs report is released. The data contained in that report will be especially important given the Fed's focus on the labor market and after the previous report was much weaker than expected. The result of this is that traders are left in limbo as far as making confident bets on which direction rates are likely to move. The ICE Bank of America MOVE Index, which tracks implied price swings in Treasuries over the next month, is around its lowest since February. The ten-year yield's trading range this past week, of just under nine basis points, was the narrowest since January. During the month of May, the ten-year yield reached a low of 1.46% after the release of the unexpectedly weak jobs report for April and peaked at 1.70% after a surge in consumer price data released earlier this month. The head of U.S. rates strategy at SocGen commented last week that "This type of range trading will last until we have some level of confidence for the trajectory of the economy. As far as inflation, most clients already expect persistence of high inflation prints for the remainder of the year." But the labor data will be key going forward because the central bank has signaled that it is focused on testing the outer limits on full employment, calling it a broad and inclusive goal, while permitting inflation to overshoot its 2% target. So, gauging the progress in recouping jobs lost to the pandemic will be paramount for traders assessing when the central bank will start backing away from their ultra-loose stance on interest rates. Traders are betting the economy will be strong enough for the Fed to start raising interest rates at the beginning of 2023. Meanwhile, the policymakers at the Fed are saying rates will be pegged near zero until the end of that year. This week does bring some economic data of note. The personal consumption expenditure price index, a favorite of the Fed's, is forecast to show a jump to 3.5% in April, which would be its highest in more than a decade.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.00%	3 mo	-0.08%	3 mo	0.13%	3 mo	0.12%
6 mo	0.01%	6 mo	-0.07%	6 mo	0.14%	6 mo	0.13%
1 yr	0.04%	1 yr	-0.03%	1 yr	0.18%	1 yr	0.16%
2 yr	0.15%	2 yr	0.18%	2 yr	0.24%	2 yr	0.20%
5 yr	0.82%	5 yr	0.70%	5 yr	1.06%	5 yr	0.59%
10 yr	1.62%	10 yr	1.71%	10 yr	2.14%	10 yr	1.17%
30 yr	2.32%	30 yr		30 yr	3.12%	30 yr	1.74%

Equity

U.S. equity finishes the week slightly lower as the S&P 500 notches a -0.39%% loss. Inflation continues to be the main headline as concerns of overheating are still seen as an overhang on risk sentiment. In other news, May flash manufacturing PMI surprised to the upside, with services seeing a record expansion, and earnings continue to easily beat expectations, which brings warnings of margin headwinds.

Growth (-0.16%) slightly outperformed Value (-0.68%) for the week as Health Care (+0.74%) led all sectors. Energy (-2.49%) and Industrials (-1.61%) were the biggest laggards.

The S&P 500 continues to trade above its shorter term 50-day moving average as the index hangs around highs of ~4238. Short-term resistance currently stands at the 50-day moving average (~4092), with more significant support being around the ~4000 area.

Index Returns	Last Week	YTD
Dow Jones Industrials	-0.44%	12.58%
S&P 500 (LCap)	-0.39%	11.32%
S&P 400 (MCap)	-1.18%	16.61%
Russell 2000 (SCap)	-0.42%	12.17%
NASDAQ Composite	0.31%	4.52%
MSCI EAFE (Int'l)	0.59%	9.69%
iShares Real Estate	1.01%	15.30%

Source: FactSet Research Systems

Asset Allocation

Current Sentiment

Cash	Favorable
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Neutral
High Yield FI	Unfavorable
International FI	Unfavorable
Equity Income	Neutral
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Unfavorable
International Equity	Unfavorable
Emerging Markets Equity	Unfavorable
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.

Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.

Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.

Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.

High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.

International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.

Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.

Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should continue to be overweighed versus Value.

Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.

Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of recovery ensues.

International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight is recommended.

Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.

Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong alternative to other asset classes.

Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.

Sources of statistical information are Bloomberg and Ned Davis Research.