Portfolio Manager Commentary
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Trustmark Investment Advisors, Inc.

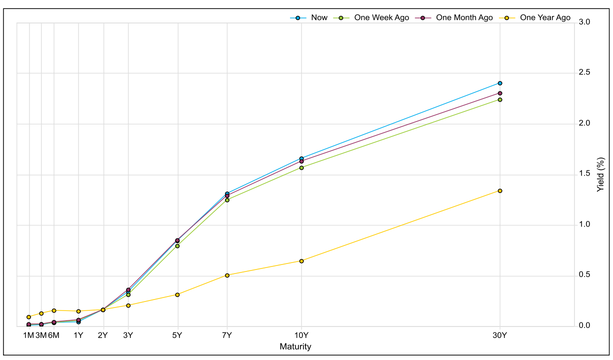
Economic Outlook

U.S. Consumer Prices were up 0.8% for April versus 0.6% for March. Producer Prices were up 0.6% for April versus 0.6% for Ma rch. U.S. Retail Sales were flat for April after having been up 10.7% for March. Industrial Production was up 0.7% in April after having been up 2.4% in March. Finally, Capacity Utilization was 74. 9% for the month of April.

Fixed Income

The Federal Reserve tweaked its plan for buying U.S. Treasuries, keeping the monthly pace at around $80 billion but focusing more attention on securities maturing in seven years or longer. The new schedule, which was announced last Thursday, runs from now until June 11 and increases the amount of buying on the longer-end of the curve to $20.25 billion per month from $17.75 billion previously. Lorie Logan, the senior New York Fed official who manages the purchases, said in an April 8 speech to dealers that the central bank would soon "make minor technical adjustments to our purchase sectors and increase the frequency at which we update purchase allocations to remain roughly proportional" to supply. In economic news, the prevailing scenario for the U.S. recovery has focused on a boom fueled by consumers roaring back to life in a vaccine-induced reopening. The reality emerging from the latest data is a bumpy rebound vulnerable to surprises. Whatever your take is on whether unemployment benefits is discouraging Americans from returning to work or how worrisome recent price hikes are the economy is flashing messy signals. On Friday, weak retail sales and rising inflation expectations capped a volatile week after major misses in the Consumer Price Index Report and employment creation. At the heart of the grind is the labor market. The U.S. is trying to get about 10 million people back to work after about a third of the workforce has changed or lost their jobs during the Covid-19 pandemic, leaving some employers scrambling to fill open positions amid brisk demand. "This will be a chaotic recovery," said Wendy Edelburg, former chief economist at the Congressional Budget Office who now directs the Hamilton Project at the Brookings Institute. There is no doubt the U.S. economy is recovering, but the K-shaped bounce predicted by many is turning into a multi-headed monster. Small business, which employed almost half the private workforce before the pandemic, have been rebounding more slowly than their larger counterparts. By many accounts, business is on fire for some restaurants, hotels and hair salons, especially in the South, which reopened earlier than most of the country. But an April survey by the National Federation of Independent Businesses also found a deterioration in the outlook for business conditions, partly because companies are struggling to find workers. At the end of trading last week, yields across the curve were mostly unchanged to slightly higher even with the amount of mixed economic data that was released.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.00%	3 mo	-0.07%	3 mo	0.13%	3 mo	0.12%
6 mo	0.03%	6 mo	-0.06%	6 mo	0.15%	6 mo	0.13%
1 yr	0.04%	1 yr	-0.03%	1 yr	0.19%	1 yr	0.17%
2 yr	0.15%	2 yr	0.16%	2 yr	0.24%	2 yr	0.20%
5 yr	0.81%	5 yr	0.70%	5 yr	1.06%	5 yr	0.59%
10 yr	1.63%	10 yr	1.72%	10 yr	2.14%	10 yr	1.15%
30 yr	2.34%	30 yr		30 yr	3.12%	30 yr	1.79%

Equity

U.S. equity finished the week lower as the S&P 500 finished down -1.31% following a strong rally from prior weeks. The notable headline for the drop in equity included inflation concerns picking up amongst talk of near-term oversold conditions. Factset Research Systems notes, "The inflation buzz has exacerbated the scrutiny surrounding stretched valuation and sentiment indicators and concerns about a central bank policy mistake. Latter dynamic works in multiple directions with worries about both a premature tapering and a central bank policy mistake if the Fed keeps a firm grasp on its transitory view." At the same time, there are also thoughts that the recent drawdown should not put to much harm in the longstanding bullish narrative surrounding liquidity, fiscal stimulus, reopening, profits, and inflows.

Consumer Staples (+0.38%), Financials (+0.26%), and Materials (+0.05%) were the only positive sectors this week as Consumer Discretionary (-3.87%) and Technology (-2.19%) fell the most. Energy continues to outperform all others year-to-date (+42.51%).

Index Returns	Last Week	YTD
Dow Jones Industrials	-1.04%	13.08%
S&P 500 (LCap)	-1.31%	11.76%
S&P 400 (MCap)	-1.75%	18.00%
Russell 2000 (SCap)	-2.07%	12.65%
NASDAQ Composite	-2.34%	4.20%
MSCI EAFE (Int'l)	-1.06%	9.05%
iShares Real Estate	-1.28%	14.16%

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 deve loped 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 altern ative 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.
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