

THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished June at 34,503 down -0.08% for the month, up +12.73% year-to-date. The S&P 500 closed June at 4,297, up +2.22% for the month, and +14.41% so far for the year. The NASDAQ Composite gained +5.49% in June, up +12.54% for the year. Small-company stocks as measured by the Russell 2000, ended June up +1.83% for the month, +17.00% year-to-date. Energy (+48.87%) was the best performing sector in the first half of 2021.

"The S&P 500 hasn't just gained for five quarters in a row. It has gained more than 5% for five quarters in a row, only the second time since 1945 that the index has been able to pull off that feat."

(Barron's, The Trader, Ben Levisohn, July 5, 2021)

2021 MID-YEAR REVIEW - MARKETS AT RECORD HIGHS AMID CAUTIOUS OPTIMISM

So far in 2021, markets have continued their strong rally off the March 2020 lows. The S&P 500 ended the first half of 2021 up for the fifth quarter in a row, and its +14.4% gain year-to-date marks the second best first-half performance since 1998. This strong run has been mostly attributed to expectations for robust near-term growth in a re-opened U.S. economy, with accommodative monetary policy from the Federal Reserve, pent up consumer demand following historic savings rates, and ongoing fiscal stimulus through COVID relief spending. Many U.S. companies have seen their outlook for sales and earnings increase rapidly as vaccinations continue and as states gradually open up. While there have been some signs of irrational exuberance, in markets such as crypto-currencies like Bitcoin and in certain small-cap stocks like GameStop and AMC Theaters, most markets overall have avoided the most obvious excesses seen in prior bubbles such as pre-2008 real estate or the dot-com bubble of the late 1990's.

Some of the concerns which are moderating market sentiment include ongoing fears around inflation, supply chain bottlenecks remaining from the pandemic shutdowns, and an at times slower than expected labor recovery. Most recently evidence that the Delta variant of COVID-19 may impact the economies ability to reopen, especially globally, has also worried markets. While these concerns have contributed to a market that most experts expect is not currently in a euphoric bubble, valuations are stretched by historical standards, and recent market gains have been steep and sharp. From here, at these price levels, many strategists expect returns are likely to be more muted and choppy. We're encouraging investors and committees to not count on the most recent 1, 3, and 5 year returns as sustainable or likely to persist. Assumptions that help guide decisions on capital projects or spending policy should be forward looking and based on a long-term perspective. Having seen above average returns recently, many expect the most likely outcome is for some period of below average returns eventually in the future. We are always happy to assist you in determining realistic and appropriate spending policies or assumptions. Please just reach out to a member of your Relationship Team, and we'd be happy to help.

"Recent data signaling a slowdown or fresh hurdles to the economic recovery is weighing on investors' appetite for risky investments, said Hani Redha, a portfolio manager at PineBridge Investments. Rising Covid-19 cases in many parts of the world are also prompting concerns about extended lockdowns... 'It is a cocktail of a lot of cross currents,' said Mr. Redha. 'One camp out there is arguing we're going back into slow growth all over again and it starts now and we're not getting a vigorous reopening bounce or if we've had it, the party's over.'"

(The Wall Street Journal, Stocks Climb, Poised for Records, Caitlin Ostroff, July 9, 2021)

LABOR RECOVERY CONTINUES IN JUNE, PARTICIPATION RATE STILL A CONCERN

The economy added 850,000 jobs in June, the highest number in 10 months. The unemployment rate, which is measured using a separate survey, ticked up slightly to 5.9% from 5.8%. The labor force participation rate remained unchanged at 61.6%, still 1.7% below pre-pandemic levels. Markets responded favorably to the report, with many viewing the strong jobs growth as evidence that the economic recovery in the U.S. remains robust, and the report eased some of the concerns around potential labor shortages that were raised following a weak jobs report in May. Observers are still closely watching the labor force participation rate for signs that workers who left the labor force during the pandemic are coming back. While it remained unchanged in June, other measures such as discouraged workers and those working part-time for economic reasons improved for the month. These will all continue to be monitored for signs the labor recovery remains healthy.

Market Metrics

| INDEX OR METRIC | CLOSE AS OF 05/31/2021 | CLOSE AS OF 06/30/2021 | CHANGE PREVIOUS MONTH END | 2021 YTD % CHANGE |
|------------------------------|---------------------------|---------------------------|---------------------------------|----------------------|
| Dow Jones Industrial Average | 34,529.45 | 34,502.51 | -26.94 | +12.73% |
| S&P 500 | 4,204.11 | 4,297.50 | +93.39 | +14.41% |
| NASDAQ Composite | 13,748.74 | 14,503.95 | +755.21 | +12.54% |
| RUSSELL 2000 | 2,268.97 | 2,310.55 | +41.58 | +17.00% |
| Fed Funds Rate | 0.00%-0.25% | 0.00%-0.25% | UNCHANGED | |
| 2-Year Treasury | 0.14% | 0.25% | +0.11% | |
| 10-Year Treasury | 1.58% | 1.45% | -0.13% | |
| Crude Oil \$ per Barrel | \$66.32 | \$73.47 | +\$7.15 | +51.42% |
| Gold \$ per Troy oz. | \$1,905.30 | \$1,771.60 | +\$133.70 | -6.52% |
| UK Point in U.S. \$ | \$1.4215US = 1€ | \$1.3815US = 1€ | \$ STRONGER | +1.06% |
| Euro in U.S. \$ | \$1.2227US = 1€ | \$1.1859US = 1€ | \$ STRONGER | -3.08% |
| Canada \$ per U.S. \$ | \$1.2081C = \$1.00US | \$1.2383C = \$1.00US | \$ STRONGER | -2.80% |
| Japan Yen per U.S. \$ | 109.395¥ = \$1.00US | 110.99¥ = \$1.00US | \$ STRONGER | +7.50% |