THE CAPITAL MARKETS

Issue 7 | August 2021

NEW COVENANT TRUST

A Subsidiary of the Presbyterian Foundation

The Dow Jones Industrial Average (DJIA) finished July at 34,935 up +1.25%% for the month, and +14.14% year-to-date. The S&P 500 closed July at 4,395, up +2.27% for the month, and +17.02% so far for the year. The NASDAQ Composite gained +1.16% in July, up +13.85% for the year. Small-company stocks as measured by the Russell 2000, ended July down -3.65% for the month, up +12.73% year-to-date. Real Estate (+4.47%) was the best performing sector in July.

"Adventure. Excitement. The stock market doesn't seem to crave these things lately. Investors should hope it stays that way... At some point, the boredom will end, and the market will get more volatile."

(Barron's, *The Trader*, Ben Levisohn, August 14, 2021)

MARKETS CALMLY CLIMB TO NEW HIGHS - SHRUGGING OFF INFLATION AND DELTA

Markets have quietly and calmly climbed to new record highs through the summer, mostly ignoring the tragic and deadly surge in the pandemic due to the Delta variant of COVID-19, and shrugging off increasing signals that supply chain issues and rising inflation could become a more persistent problem than originally thought. Markets, for their part, have mostly been paying attention to corporate earnings, and the success that many U.S. companies have had with both their top and bottom lines. Traders have also referenced optimism around the effectiveness of existing vaccines against severe illness, hospitalization, and death, as vaccination rates pick up across the country. Finally, with the 10-year U.S. Treasury bond yielding 1.27% at the time of this writing, many believe that a lack of viable alternatives to stocks is also supporting buying pressure and equity prices at these levels.

With the S&P 500 hovering around 4,400, 97% above its March 2020 low and over 30% above it's February 2020 record high, we're encouraging investors to consider rebalancing if the stock portion of your portfolio has drifted higher, and also to evaluate cash levels and to raise cash for expected capital needs in the medium-term. With the S&P 500 having earned over +18% a year for the last 3 years, and over +15% a year for the last 10 years, many investors have been satisfied and optimistic with their investment portfolios in this environment. Importantly, these return levels are well ahead of long-term return averages and there is expected to be some period of below average returns in the future. Recently, the housing market has shown some signs of cooling after supply shortages and surging prices led many buyers to experience sticker shock at proposed prices. Similarly, investors and analysts are continuously evaluating price levels in the equity markets and are well aware that stocks are already highly valued by historical measures. Any perceived roadblock to continued robust growth in corporate revenues and profits, and stocks are likely to correct from these levels. None of this should be alarming to our readers or to long-term investors. Please reach out to your Relationship Officer if you ever have any questions or concerns.

"Stocks have ground higher in thin summer trading, buoyed by a bumper set of quarterly earnings reports from American companies. However, investors remain wary of the damping effect of the Delta variant of Covid-19 on business activity, and potential pitfalls including geopolitical uncertainty and a possible end to the Federal Reserve's asset-purchase program by mid-2022... Stocks are still the best place for investors to park money, according to Andrea Carzana, a fund manager at Columbia Threadneedle Investments. He noted that a majority of companies beat analysts' estimates for profits and revenues this earnings season." (The Wall Street Journal, *Stocks Recover as Dow Hits New Record*, Joe Wallace, August 16, 2021)

GDP GROWS 6.5% IN SECOND QUARTER - SUPPORTED BY STRONG CONSUMER, HELD BACK BY SUPPLY CHAIN ISSUES

The U.S. economy grew at an annualized rate of 6.5% in the second quarter, short of economist's expectations for 8.5% growth. Markets mostly shrugged off the GDP miss, as much of the drag came from companies' difficulty in replenishing inventories. Supply chain issues have been well documented and are expected to be mostly temporary in many cases. Spending by the U.S. consumer, always a core driver of U.S. GDP, was especially robust in the quarter, as consumers got out of their houses through the spring and spent down some of the historic savings levels we've seen through the pandemic. The report was not free of concerns, as many expect we are at the peak levels of growth we'll see before the economy returns to more normal levels, a peak below the levels some expected. COVID-19 is also always a persistent concern, and an inability to flatten this most recent surge could alter many areas of our lives, including the economy.

INDEX OR METRIC	CLOSE AS OF 06/30/2021	CLOSE AS OF 07/31/2021	CHANGE PREVIOUS MONTH END	2021 YTD % CHANGE
Dow Jones Industrial Average	34,502.51	34,935.47	+432.96	+14.14%
S&P 500	4,297.50	4,395.26	+97.76	+17.02%
NASDAQ Composite	14,503.95	14,672.68	+168.72	+13.85%
RUSSELL 2000	2,310.55	2,226.25	-84.30	+12.73%
Fed Funds Rate	0.00%-0.25%	0.00%-0.25%	UNCHANGED	
2-Year Treasury	0.25%	0.19%	-0.06%	
10-Year Treasury	1.45%	1.24%	-0.21%	
Crude Oil $ per Barrel	$73.47	$73.95	+$0.48	+52.41%
Gold $ per Troy oz.	$1,771.60	$1,817.20	+$45.60	-4.11%
UK Point in U.S. $	$1.3815US = 1£	$1.3904US = 1£	$ WEAKER	+1.71%
Euro in U.S. $	$1.1859US = 1€	$1.1858US = 1€	$ STRONGER	-3.09%
Canada $ per U.S. $	$1.2383C = $1.00US	$1.24835C = $1.00US	$ STRONGER	-2.01%
Japan Yen per U.S. $	110.99¥ = $1.00US	109.75¥ = $1.00US	$ WEAKER	+6.30%

NEW COVENANT TRUST
A Subsidiary of the Presbyterian Foundation
200 E 12th Street, Jeffersonville, IN 47130 | 800-858-6127 ext 6 | newcovenanttrust.com