Global Economy

Economic data is reflecting a nascent recovery from the pandemic lows, supporting continued risk-asset strength. Nonetheless global optimism may be fading. With virus cases still rising in many regions worldwide, including a significant growth in the US, volatility re-emerged in June. The bull case rests on the efficacy of fiscal and monetary policy support, the economic recovery maintaining momentum, the avoidance of further "second wave" infections, and the ability of the US to rein in its virus resurgence. Acknowledging some fundamental degree of ignorance and the unpredictability of future events, forecasts in this environment are of limited use. That said, contractions in both supply and demand suggest global GDP will decline between 4.5% and 5.0% for 2020. In the midst of one of the sharpest recessions in history, valuations provide limited cushion against a bumpy path forward.

The Federal Open Market Committee (FOMC) met in June but did not make any changes to policy rates, instead stating its intention to not raise rates through 2022 and maintain at least the current pace of asset purchases. Signaling an easing of the strained financial conditions brought on by the coronavirus, the Fed balance sheet shrank slightly in June to just over $7 trillion, led by a fall in repo market operations and currency swaps with foreign central banks. June's meeting statement reiterated the Fed's commitment to "using its full range of tools to support the U.S. economy."

The third estimate of 1Q-20 real GDP was unchanged at a contraction of -5.0% annualized, with downward adjustments to personal consumption, private inventories, and exports offsetting an upward revised nonresidential fixed investment. Analysts are bracing for a significantly worse drop for 2Q-20, with estimates ranging from -25% to -50% annualized. A recovery in the second half of the year is broadly expected, although the pace at which this occurs is uncertain.

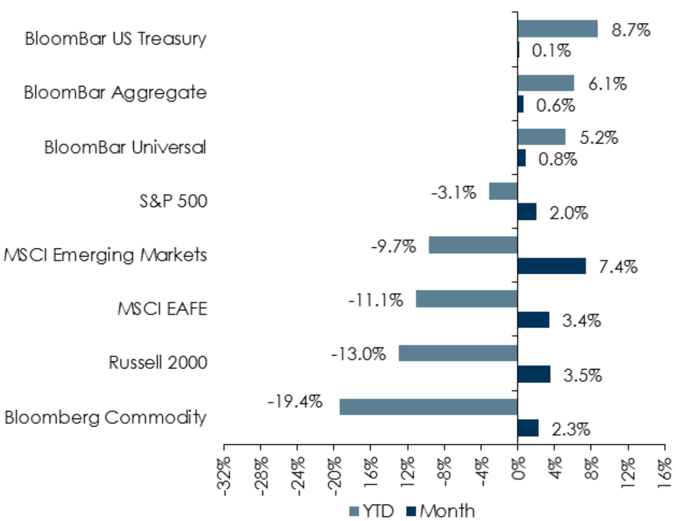
More than 48 million US workers have filed initial unemployment claims since mid-March. With that as a backdrop, June employment data surprised to the upside for the second month in a row, with 4.8 million jobs added and a decline in the official unemployment rate to 11.1%. Private sector gains led the way, including 1.5 million new jobs in the hard-hit leisure and hospitality industries. Continued gains in industries helped by easing restrictions will be key to creating an enduring upward employment trend, a situation made more precarious by the virus' resurgence. Core CPI is now only +1.2% year-over-year, while the FOMC's preferred measure, Core PCE, edged down to just +1.0% year-over-year through May.

	Current	Dec-19
US GDP (%)	-5.00	2.10
US Unemployment (%)	11.1	3.50
CPI (Core) (%)	1.2	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.66	1.92
S&P 500 Div Yld (%)	1.95	1.82
S&P 500 P/E (Trailing)	22.20	21.60
Gold/oz.	$1,800.50	$1,523.10
Oil (Crude)	$39.27	$61.06
Gasoline (Natl Avg)	$2.26	$2.66
USD/Euro	$1.12	$1.12
USD/GBP	$1.24	$1.33
Yen/USD	¥107.93	¥108.61

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for all major equity sectors and indices were positive in June amid optimism that the worst of the economic shock from COVID-19 had passed. The S&P 500, which represents large US-based entities, continued to recover from March's steep drop with a +1.99% return. Information Technology (+7.1%) and Consumer Discretionary (+4.9%) led the way with Industrials (+1.9%), Materials (+1.9%), and Real Estate (+1.0%) also posting positive returns. Utilities (-5.0%) and Healthcare (-2.5%) were the laggards. Small cap stocks, as represented by the Russell 2000, continued to perform strongly, with a +3.5% return in June. Among the sectors, Consumer Discretionary (+5.9%) was the strongest performer. Utilities (-6.3%) and Energy (-3.8%) were the only negative performers. Across the market capitalization spectrum, Growth continued its advantage over Value.

In the broad international developed markets, the MSCI EAFE index rose +3.4% as all sectors and countries participated in the rally. Led by Financials (+6.9%), IT (+5.6%), and Materials (+5.1%), there was broad support for the markets, with Health Care (+0.3%) being the largest laggard. New Zealand (+12.4) and Hong Kong (+11.0%) were the top performers during the month, with most other countries generally in the 2% to 7% range. Japan (0.0%) and Portugal (0.5%) were relative underperformers with no EAFE countries going negative for the month.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed their developed market counterparts at +7.4%. South Africa (+10.4%), Taiwan (+9.3%), and China (+9.0%) were the best performers. China turned positive year-to-date, and is the only country in the index which has a positive YTD return.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, had performance comparable with equities this month, returning +2.7%. The energy-related Alerian MLP gave back some of its strong quarterly returns at -7.9%. The near-month NYMEX oil continued its recovery in June (+10.7%) but remains off by -35.7% year-to-date. Gold extended its 2020 rally, adding +3.7% for the month. The diversified Bloomberg Commodity index had another positive month (+2.3%) as broad-based demand for most commodities continued to recover.

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Global Markets (continued)

US Treasury (UST) yields held relatively steady across the board in June, generally failing to confirm the optimism that boosted risk assets. The treasury curve remained largely unchanged month-over-month, steepening only slightly. The 2-year UST yield ended the month lower at 0.15%, while the 30-year UST yield finished unchanged at 1.41%. Given this backdrop, the overall UST complex was flat to slightly positive for the month, but year-to-date returns remain impressive at +8.7%. As sovereign yields outside of the US were lower, the global stock of negative yielding debt expanded to $13.4 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads continued to recover. With a gain of 0.6% in June, the benchmark's trailing 12-month performance of +8.74% remains impressive given prevailing yield levels. IG corporate issuance remained elevated, but has been well supported by the Fed's announced intent to embark on both primary and secondary market purchases. Corporate spreads improved by another 24 bps for the month, with BBB-rated issues again recovering most dramatically. With tighter spreads across categories and stable UST yields, the benchmark's yield-to-worst fell 9 bps to just 1.25%.

The BloomBar 1-15-Year Municipal index returned +0.6% in June. Illinois became the first, and so far only, state to tap the Fed's new Municipal Liquidity Facility, borrowing $1.2 billion. Fiscal policy support remains uncertain, with investors hoping for more clarity on the issue by month-end. Tax-exempt yields moved higher amid strong market demand and supply.

The BloomBar US Corporate High Yield index returned +1.0% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 11 bps tighter on average despite heavy supply, with most of the tightening coming from the lowest quality credits. All-in yields have fallen back to 6.9%, even as default rates pushed ahead of the long-term average. Bank loans continued to recover, and emerging market bonds of all varieties produced positive returns as investors sought enhanced income.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	0.02	-0.02
Germany	-0.46	-0.19
France	-0.11	0.12
United Kingdom	0.17	0.82
Spain	0.46	0.46
United States	0.66	1.92
Italy	1.26	1.41
Mexico	5.82	6.89
Brazil	6.95	6.79

Source: Bloomberg

Indices Report (Periods Ending June 30, 2020)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	1.99	-3.08	7.51	10.73	10.73	13.99	8.83
Russell 1000	2.21	-2.81	7.48	10.64	10.47	13.97	8.91
Russell 1000 Growth	4.35	9.81	23.28	18.99	15.89	17.23	11.32
Russell 1000 Value	-0.66	-16.26	-8.84	1.82	4.64	10.41	6.24
Russell 2500	2.89	-11.05	-4.70	4.08	5.41	11.46	7.85
Russell 2000	3.53	-12.98	-6.63	2.01	4.29	10.50	7.01
Russell 2000 Growth	3.84	-3.06	3.48	7.86	6.86	12.92	8.85
Russell 2000 Value	2.90	-23.50	-17.48	-4.35	1.26	7.82	4.97
Wilshire 5000 Cap Wtd	2.34	-3.30	6.78	10.13	10.27	13.74	8.86
MSCI ACWI	3.24	-5.99	2.64	6.70	7.03	9.74	6.99
MSCI ACWI ex US	4.56	-10.76	-4.39	1.61	2.74	5.45	4.91
MSCI EAFE	3.44	-11.07	-4.73	1.30	2.54	6.22	4.57
MSCI EAFE Local Currency	2.68	-10.25	-3.83	1.74	3.12	7.36	4.97
MSCI EAFE Growth	3.26	-3.29	4.49	6.31	5.92	8.17	6.09
MSCI EAFE Value	3.63	-18.96	-14.02	-3.87	-1.02	4.12	2.93
MSCI Emerging Markets	7.40	-9.67	-3.05	2.27	3.24	3.63	6.69
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.04	2.94	4.08	2.69	1.84	1.33	2.29
BloomBar US Aggregate	0.63	6.14	8.74	5.32	4.30	3.82	4.39
BloomBar Gov't Bond	0.10	8.61	10.34	5.54	4.05	3.34	4.01
BloomBar US Credit	1.83	4.82	9.07	6.14	5.54	5.24	5.26
BloomBar 10 Yr Municipal	0.64	2.47	4.74	4.37	4.16	4.47	4.62
BloomBar US Corp High Yield	0.98	-3.80	0.03	3.33	4.79	6.68	6.84
FTSE World Govt Bond	0.64	4.08	4.60	3.98	3.70	2.37	3.28
BloomBar Global Aggregate	0.89	2.98	4.22	3.79	3.56	2.81	3.55
BloomBar Multiverse	0.95	2.53	3.84	3.72	3.63	2.96	3.67
Real Assets							
NCREIF Property	0.00	0.71	3.71	5.80	6.98	9.81	7.76
NFI ODCE Net	0.00	0.75	3.13	5.34	6.72	9.98	6.14
FTSE NAREIT US Real Estate	3.06	-18.71	-13.04	0.03	4.06	9.05	6.02
Bloomberg Commodity	2.28	-19.40	-17.38	-6.14	-7.69	-5.82	-4.34
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.60	1.64	1.77	1.19	0.64	1.35

Definitions

Bloomberg Barclays Capital Aggregate
The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index
The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr
The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index
This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index
The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index
The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II
The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index
The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is compromised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index
The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index
The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index
The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)
The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index
The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index
The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index
The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index
The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index
Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth Index
The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index
The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index
The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index
The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index
The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index
The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500
Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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