

Global Economy

The rally in risk assets continued despite high inflation and a more hawkish Fed as other economic news was supportive of sentiment. The monthly jobs report continued to trend upward from April's disappointing report, and while consumer spending was flat it remains well above pre-pandemic levels and is expected to remain elevated given pent-up demand. Investors also cheered a bipartisan agreement on an infrastructure framework with \$579 billion in new spending. Daily virus cases in the US decreased further yet the pace of vaccinations has begun to slow while still short of goals. Worldwide, more than three billion vaccine doses have been administered, but a stark gap remains between vaccination programs in different countries. More contagious variants also continue to circulate, and regional outbreaks persist. The overall growth outlook remains positive with the anticipated summer boom on the horizon and a framework for more fiscal support in place.

The Federal Open Market Committee met in June but did not change policy rates, a widely expected outcome. Forward guidance on rates made a notable shift as the 'dot plot' now projects two rate hikes in 2023, up from none the prior meeting. While the topic of QE tapering was discussed, no clear guidance exists as of yet, and FOMC member comments show a visible disagreement around the timing of tapering and rate liftoff. For now, the Fed remains dedicated to its current rate of asset purchases, and the bank's balance sheet expanded to \$8.1 trillion.

The third estimate of 1Q-21 real GDP was unchanged from the first and second, with a rate of +6.4% annualized. Upward revisions to nonresidential fixed investment, private inventory investment, and exports were offset by an upward revision to imports. The Atlanta Fed's quantitative GDP model currently forecasts continued robust growth of 7.8% in 2Q-21, in-line with analysts' consensus estimates which range from 7% - 12%.

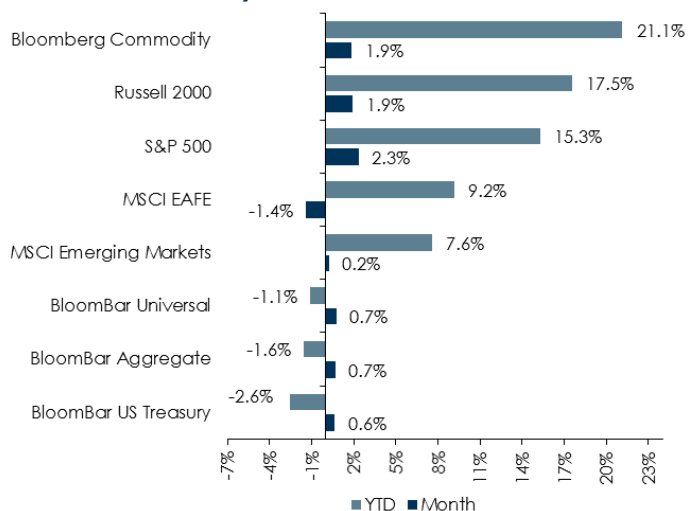
Weekly initial unemployment claims hovered around 400,000 during the month, with the last week of the month hitting a pandemic-era low of 364,000. For the month, 850,000 jobs were added for the largest gain in 10 months, with roughly 40% of those gains coming in the leisure & hospitality sector. Unemployment ticked up to 5.9% while the labor force participation rate was flat at 61.6%. Core CPI surged to +3.8% year-over-year, with a supply/demand imbalance and base effects off pandemic lows contributing to the increase. Core PCE also rose to +3.4% year-over-year through May.

	Current	Dec-20
US GDP (%)	6.40	4.30
US Unemployment (%)	5.90	6.70
CPI (Core) (%)	3.80	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.47	0.92
S&P 500 Div Yld (%)	1.35	1.57
S&P 500 P/E (Trailing)	30.31	29.92
Gold/oz.	\$1,771.60	\$1,895.10
Oil (Crude)	\$73.47	\$48.52
Gasoline (Natl Avg)	\$3.19	\$2.33
USD/Euro	\$1.19	\$1.22
USD/GBP	\$1.38	\$1.37
Yen/USD	¥111.11	¥103.25

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for major equity indices were mixed in June with US markets up and Non-US markets down to slightly positive as the growth outlook saw headwinds from recurrent virus outbreaks and global supply disruptions. The S&P 500, which represents large US-based entities, returned +2.3% for the month. A more hawkish fed stalled the reflation trade as Information Technology (+6.9%) was the top performing sector, followed by Energy (+4.5%), and Consumer Discretionary (+3.8%). Recent strong performers Materials (-5.5%), Financials (-3.1%), and Industrials (-2.3%) lagged. The Russell 2000, representing small cap stocks, returned +1.9% in June. Communication Services (+19.3%), Energy (+8.7%), and Health Care (+8.1%) outperformed with Materials (-5.0%), Financials (-3.4%), and Industrials (-1.0%) lagging. After outperforming for much of 2021, value stocks slipped after the Fed meeting and growth significantly outperformed value across the market cap spectrum in June.

In the broad international developed markets, the MSCI EAFE index returned -1.4% for the month. At the sector level, Health Care (+3.1%), Information Technology (+2.0%), and Energy (+0.6%) were the top performers while Financials (-4.7%), Utilities (-4.3), and Materials (-2.5%) lagged. Among developed countries, Switzerland (+2.0%), Denmark (+1.7), and Israel (+1.4%) were the top performers in a month with few positive country-level returns while Portugal (-7.2%), Spain (-5.4%), and Austria (-4.7%) lagged. Most others were generally in the +0.0% to -2.0% range.

Emerging market stocks, as represented by the MSCI Emerging Markets index, underperformed US markets at +0.2%. Regional virus outbreaks continue to raise concerns in largely unvaccinated emerging markets, but higher commodity prices have provided a tailwind for some exporting countries. At the country level, Colombia (+5.6%), Brazil (+5.3%), and Russia (+4.3%) outperformed while Peru (-11.9%), Pakistan (-9.3%), and South Africa (-7.8%) lagged.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, performed in-line with equities with a +0.83% return. The energy-related Alerian MLP outperformed other equities at +5.2% while the near-month NYMEX oil returned 10.8%, approaching prices last seen in 2018. Gold was down -6.9% for its worst month in four years after the hawkish Fed shift. The diversified Bloomberg Commodity index was up 1.9%.

Global Markets (continued)

The US Treasury yield curve flattened in June as short rates rose and longer-term rates fell. The movement happened as the Fed signaled tapering and rate liftoff could happen sooner than previously anticipated. The overall UST complex had a positive return for the month at +0.6%, lifting trailing one-year returns to -3.2%. Sovereign yields outside of the US were generally lower, and the global stock of negative yielding debt rose to \$13.4 trillion from \$13.1 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on an absolute basis and roughly equaled on a duration-matched basis with a return of +0.7% in June. The 12-month performance remains negative with a -0.3% return. Demand remained high in June and spreads mostly tightened across market segments, with Agency MBS the exception as investors worried about the Fed tapering purchases of these securities. The net result of the yield curve movement and mixed spreads was the benchmark's yield-to-worst was unchanged at 1.50%.

The BloomBar 1-15-Year Municipal index returned +0.1% in June. Demand remains supportive, as the anticipation of higher taxes along with an improved state/local government credit outlook have contributed to investor sentiment. Fiscal support and impressive tax revenues continue to lead the recovery in municipal credit, with aggregate state tax collections from April/May 2021 16.8% higher than the same period in 2019. Additional fiscal support continues to look likely, with a bipartisan framework for an infrastructure bill making headlines in the month.

The BloomBar US Corporate High Yield index returned +1.3% for the month. High-yield spreads tightened 28bps to 268bps, the lowest level since 2007, while the benchmark yield fell to a new all-time low of 3.75%. Default activity continued to be modest with two defaults reported for the month, totaling \$3.2 billion. The TTM default is expected to have fallen to 2.0% by the end of June, and the forecast for year-end 2021 has been lowered to 1%. Emerging Market debt underperformed US High Yield in the month, as a stronger US dollar and negative sentiment stemming from regional Covid outbreaks weighed on returns.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-20
Japan	0.05	0.02
Germany	-0.21	-0.57
France	0.13	-0.34
United Kingdom	0.72	0.19
Spain	0.41	0.04
United States	1.47	0.92
Italy	0.82	0.54
Mexico	6.97	5.53
Brazil	9.09	6.91

Source: Bloomberg

Indices Report (Periods Ending June 30, 2021)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	2.33	15.25	40.79	18.67	17.65	14.84	10.73
Russell 1000	2.51	14.95	43.07	19.16	17.99	14.90	10.89
Russell 1000 Growth	6.27	12.99	42.50	25.14	23.66	17.87	13.53
Russell 1000 Value	-1.15	17.05	43.68	12.42	11.87	11.61	8.01
Russell 2500	1.18	16.97	57.79	15.24	16.35	12.86	10.25
Russell 2000	1.94	17.54	62.03	13.52	16.47	12.34	9.51
Russell 2000 Growth	4.69	8.98	51.36	15.94	18.76	13.52	10.89
Russell 2000 Value	-0.61	26.69	73.28	10.27	13.62	10.85	7.90
Wilshire 5000 Cap Wtd	2.51	15.45	44.24	18.89	17.96	14.76	10.85
MSCI ACWI	1.35	12.56	39.87	15.14	15.20	10.48	8.17
MSCI ACWI ex US	-0.62	9.45	36.29	9.88	11.59	5.93	5.33
MSCI EAFE	-1.10	9.17	32.92	8.77	10.79	6.38	4.89
MSCI EAFE Local Currency	1.40	13.11	27.63	8.02	10.52	8.59	5.16
MSCI EAFE Growth	0.06	7.07	31.39	12.85	12.89	8.15	6.37
MSCI EAFE Value	-2.27	11.10	34.22	4.37	8.43	4.45	3.27
MSCI Emerging Markets	0.21	7.58	41.36	11.67	13.43	4.65	6.97
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	-0.15	-0.08	0.07	2.69	1.60	1.20	2.17
BloomBar US Aggregate	0.70	-1.60	-0.33	5.34	3.03	3.39	4.43
BloomBar Gov't Bond	0.62	-2.51	-3.10	4.66	2.19	2.78	3.87
BloomBar US Credit	1.50	-1.28	2.99	7.42	4.63	4.92	5.61
BloomBar 10 Yr Municipal	0.19	0.57	3.66	5.33	3.26	4.39	4.86
BloomBar US Corp High Yield	1.34	3.62	15.37	7.45	7.48	6.66	7.53
FTSE World Gov't Bond	-1.06	-4.75	0.76	3.59	1.66	1.42	3.36
BloomBar Global Aggregate	-0.88	-3.21	2.63	4.23	2.34	2.05	3.71
BloomBar Multiverse	-0.82	-2.95	3.19	4.34	2.57	2.23	3.85
Real Assets							
NCREIF Property	0.00	1.72	3.65	4.27	5.39	8.41	6.73
NFI ODCE Net	0.00	1.89	3.29	3.35	4.86	8.21	5.08
FTSE NAREIT US Real Estate	2.61	21.96	38.02	10.10	6.31	9.41	7.07
Bloomberg Commodity	1.85	21.15	45.61	3.90	2.40	-4.44	-3.00
Cash and Equivalents							
US T-Bills 90 Day	0.00	0.02	0.09	1.34	1.17	0.63	1.09

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

This index is the U.S. Treasury 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 comprised 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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