

Global Economy

The spread of the Delta variant led to renewed concerns around Covid in July, with equity returns mixed, and volatility higher despite a strong beginning to 2nd quarter earnings results and positive economic data. US GDP data underwhelmed given high expectations, but growth was still robust and GDP has surpassed pre-pandemic levels. US inflation continues to run higher than expected but is still viewed by the Fed as transitory. Nonetheless the Fed's tone has shifted to be moderately more hawkish in recent meetings. Covid-19 cases are on the rise both in the US and worldwide as the highly contagious Delta variant becomes the dominant strain. Markets will remain susceptible to pullbacks as governments continue to deal with new variants and the possibility of new restrictions is a risk for global growth, but many regions are learning to navigate the coronavirus without the large-scale restrictions of the early-pandemic.

The Federal Open Market Committee met in July but did not change policy rates, a widely expected outcome. The timing of the tapering of asset purchases is increasingly a subject of debate, and the meeting statement acknowledged the economy "has made progress" toward the committee's goals but "the Committee will continue to assess progress in coming meetings." Analysts generally expect tapering to commence in late 2021 or early 2022, but for now the Fed continues to expand its balance sheet by at least \$120 billion a month.

The first estimate of 2Q-21 real GDP indicated the US GDP expanded at a rate of 6.5% annualized. This was somewhat lower than consensus estimates of 8.5% but was still enough to push GDP above its pre-Covid peak. The increase was largely due to increasing personal expenditures, which rose 11.8%. Nonresidential fixed investment, exports, and state and local government spending also contributed. The Atlanta Fed's quantitative GDP model currently forecasts continued robust growth of 6.0% in 3Q-21, in-line with analysts' consensus estimates which range from 5% - 9%.

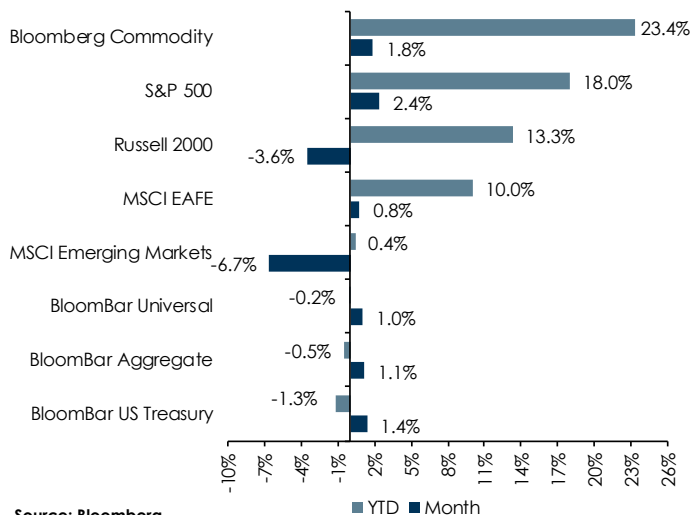
Weekly initial unemployment claims continue to hover around 400,000 as the highly contagious Delta variant threatens to slow the return of workers to the labor market. For the month, 943,000 jobs were added for the largest gain in 11 months. June payrolls were revised up significantly as well, and unemployment dropped 0.5 ppt to 5.4%. Core CPI rose again to +4.5% as base effects appear to be peaking and rising demand continues to collide with supply chain issues. Core PCE also rose to +3.5% year-over-year through June.

	Current	Dec-20
US GDP (%)	6.50	4.30
US Unemployment (%)	5.40	6.70
CPI (Core) (%)	4.50	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.22	0.92
S&P 500 Div Yld (%)	1.33	1.57
S&P 500 P/E (Trailing)	26.87	29.92
Gold/oz.	\$1,812.60	\$1,895.10
Oil (Crude)	\$73.95	\$48.52
Gasoline (Natl Avg)	\$3.23	\$2.33
USD/Euro	\$1.19	\$1.22
USD/GBP	\$1.39	\$1.37
Yen/USD	¥109.72	¥103.25

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for major equity indices were mixed in July. US large caps and Non-US Developed were up, and US small caps and Emerging Markets were down as concerns over the Delta variant and signs of peaking growth weighed on risk appetite. The S&P 500, which represents large US-based entities, returned +2.4% for the month. Health Care (+4.7%) Real Estate(+4.6%), and Utilities(+4.2%) were the strongest performers with most sectors positive. Energy (-8.4%) was a notable laggard as it was hit hardest by growth concerns. The Russell 2000, representing small cap stocks, returned -3.6% in July. Utilities (+2.6%) and Real Estate (+1.8%) outperformed, with the rest of the sectors negative on the month. Energy (-12.8%), Communication Services (-12.5%), and Health Care (-7.02%) all lagged. Style performance was mixed, with large cap value lagging growth and small cap performance consistent across styles in July.

In the broad international developed markets, the MSCI EAFE index returned +0.8% for the month. At the sector level, Materials (+3.7%), Information Technology (+3.2%), and Industrials (+2.0%) were the top performers while Energy (-3.3%), Communication Services (-3.3), and Consumer Staples (-0.3%) lagged. Among developed countries, Finland (+5.9%), Israel (+4.9), and Denmark (+4.9%) were the top performers while Hong Kong (-2.9%), Belgium (-2.0%), and Norway (-1.8%) lagged. Most countries posted modest gains, as an accelerating vaccine rollout in the developed world allayed some fears of renewed restrictions.

Emerging market stocks, as represented by the MSCI Emerging Markets index, lagged with a return of -6.7%. The segment was dragged down by low vaccination rates amid the rise in Covid cases, as well as announcements of tighter regulations in China which triggered sharp declines. At the country level, Egypt (+7.0%), Turkey (+6.6%), and Argentina (+6.4%) outperformed while China (-13.8%) was a notable laggard at 35% of the index.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, outperformed equities with a +3.9% return. The energy-related Alerian MLP performed in-line with Energy sector equity at -6.3%, while the near-month NYMEX oil returned 0.7%. Gold was up 2.3% but is still off -4.4% YTD, while the diversified Bloomberg Commodity index was up 1.8% to push YTD returns to 23.4%.

Global Markets (continued)

US Treasury yields continued to fall in July with a flatter curve. The 10-yr yield dropped 25 bps to 1.22% and the 10's minus 2's curve flattened 18 bps. The overall UST complex returned +1.6% for the month, lifting trailing one-year returns to -3.0%. Globally, developed market yields were generally lower with flatter curves, as long term-yields fell due to Covid-driven growth concerns. The global stock of negative yielding debt rose substantially to \$16.3 trillion from \$13.4 trillion.

The BloomBar US Aggregate Bond index underperformed risk-free US Treasuries on an absolute and duration-matched basis with a return of +1.1% in July. Underperformance relative to treasuries was broad based for the index, as spreads widened modestly across investment grade sectors due to uncertainty caused by the spread of the delta variant. However, sector returns were generally positive in July, and the benchmark's yield-to-worst fell 14 bps to 1.36%.

The BloomBar 1-15-Year Municipal index returned +0.7% in July. Demand remains supportive, with YTD inflows to municipal funds that would already qualify as the third highest full year amount. Demand combined with relatively light supply to produce a favorable technical tailwind in the month. A bipartisan agreement was reached on the long-discussed infrastructure bill in late July that is expected to advance a vote in August. This plan would provide \$548B of new spending over five years on infrastructure needs but also lacks some provisions favored by muni participants like the inclusion of direct-pay bonds (like the Build America Bonds of 2009) or the reinstatement of advance refunding.

The BloomBar US Corporate High Yield index returned +0.4% for the month. High-yield spreads widened 26 bps to 294 bps, which still leaves the sector 66 bps tighter YTD. The benchmark yield rose 13 bps off the all-time low it hit last month to end at 3.88%. The TTM default rate is expected to have fallen to 1.4% by the end of July, the lowest level since March 2014. Emerging Market debt underperformed other fixed income sectors amid the month's modest decline in risk appetite, as concerns over the impact of the Delta variant led to EM spread widening.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-20
Japan	0.02	0.02
Germany	-0.46	-0.57
France	-0.11	-0.34
United Kingdom	0.56	0.19
Spain	0.27	0.04
United States	1.22	0.92
Italy	0.62	0.54
Mexico	6.88	5.53
Brazil	9.54	6.91

Source: Bloomberg

Indices Report (Periods Ending July 31, 2021)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	2.38	17.99	36.45	18.16	17.35	15.35	10.86
Russell 1000	2.08	17.34	37.97	18.63	17.60	15.39	11.03
Russell 1000 Growth	3.30	16.71	36.68	25.29	23.32	18.37	13.92
Russell 1000 Value	0.80	17.98	39.32	11.27	11.41	12.08	7.90
Russell 2500	-1.75	14.92	49.09	13.83	14.76	13.10	10.35
Russell 2000	-3.61	13.29	51.97	11.49	14.28	12.34	9.49
Russell 2000 Growth	-3.64	5.01	41.00	13.87	16.40	13.56	11.01
Russell 2000 Value	-3.58	22.16	63.70	8.30	11.61	10.82	7.74
Wilshire 5000 Cap Wtd	1.79	17.52	38.96	18.24	17.47	15.21	10.99
MSCI ACWI	0.72	13.37	33.75	14.27	14.39	10.74	8.17
MSCI ACWI ex US	-1.62	7.67	28.30	8.41	10.15	5.90	5.14
MSCI EAFE	0.76	10.01	30.86	8.16	9.87	6.63	4.87
MSCI EAFE Local Currency	0.40	13.56	30.46	7.23	9.59	9.02	5.14
MSCI EAFE Growth	1.72	8.92	27.90	12.72	12.20	8.41	6.45
MSCI EAFE Value	-0.23	10.85	33.62	3.31	7.27	4.69	3.15
MSCI Emerging Markets	-6.67	0.41	21.00	8.31	10.77	3.97	6.37
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.16	0.08	0.13	2.74	1.64	1.19	2.13
BloomBar US Aggregate	1.12	-0.50	-0.70	5.73	3.13	3.35	4.41
BloomBar Gov't Bond	1.34	-1.20	-2.89	5.26	2.38	2.75	3.88
BloomBar US Credit	1.30	0.01	1.21	7.63	4.63	4.80	5.60
BloomBar 10 Yr Municipal	0.95	1.52	2.81	5.53	3.44	4.38	4.83
BloomBar US Corp High Yield	0.38	4.01	10.62	7.19	6.99	6.58	7.49
FTSE World Gov't Bond	1.63	-3.20	-1.19	4.30	1.88	1.36	3.42
BloomBar Global Aggregate	1.33	-1.92	0.78	4.74	2.46	1.98	3.73
BloomBar Multiverse	1.25	-1.74	1.19	4.79	2.65	2.15	3.87
Real Assets							
NCREIF Property	0.00	5.37	7.37	5.50	6.13	8.79	6.98
NFI ODCE Net	0.00	5.68	7.13	4.61	5.63	8.60	5.34
FTSE NAREIT US Real Estate	4.81	27.82	39.03	11.54	6.44	9.76	7.17
Bloomberg Commodity	1.84	23.37	40.28	5.29	3.86	-4.54	-3.08
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.03	0.08	1.29	1.17	0.63	1.06

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 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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