

## Delta Variant & Earnings Drive Headlines

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### Monthly Market Summary

- The S&P 500 Index of large cap stocks returned 2.4% during July, while the Russell 2000 Index of small cap stocks returned -3.6%.
- Defensive sectors, such as Health Care, Real Estate, and Utilities, outperformed cyclical sectors, such as Energy, Financials, and Industrials, as the delta variant weighed on the economic outlook.
- Treasury yields fell as investors rotated into bonds. Investment grade bonds produced a 1.4% total return compared to high yield bonds' 0.1% total return.
- Oil prices initially traded lower as the delta variant weighed on oil demand and OPEC prepared to raise oil production before finishing the month higher.

### Delta Variant Pressures Economic Outlook

Investors questioned the economic outlook during July as the delta variant spread and Covid-19 case counts spiked. The rise in cases marked a dramatic shift from earlier in 2021 when rising vaccinations helped push case counts lower. The key question is when will delta variant cases peak. The outlook is uncertain, but there is encouraging news as U.K. cases trend lower from their recent peak.

The emerging delta variant and rising Covid-19 cases impacted stock market performance. While officials have not resorted to wide-scale lockdowns thus far, investors are concerned it will delay the economic recovery. The uncertain outlook increased market volatility during July, and riskier asset classes underperformed early in the month as investors trimmed bets on a rapid recovery. On a positive note, returns improved in the second half of July as fears diminished slightly.

### Second Quarter 2021 Earnings Season Kicks Off

According to FactSet's *Earnings Insight*, 59% of S&P 500 companies have reported Q2 2021 earnings as of July 30<sup>th</sup>. Of the companies reporting results, 88% have reported earnings above Wall Street estimates (vs the 5-year average of 75%), with an aggregate positive earnings surprise of 17.2% (vs the 5-year average surprise of 7.8%). The blended year-over-year earnings growth rate (i.e., actual results for companies that reported plus estimates for companies that have not reported) for the S&P 500 is 85.1%, which would be the S&P 500's highest earnings growth rate since Q4 2009. The data indicates corporate earnings are recovering nicely as the economy reopens.

A look across earnings call transcripts highlights multiple themes. Most importantly, management teams are generally positive on the economic recovery. Consumer demand is returning as restrictions are relaxed and the economy reopens. However, companies have highlighted multiple friction points, such as staffing shortages and shipping delays, created by the accelerated reopening. The issues are increasing costs, which is being passed through to consumers via higher prices. The friction points may slow the recovery near-term but the long-term outlook remains positive.

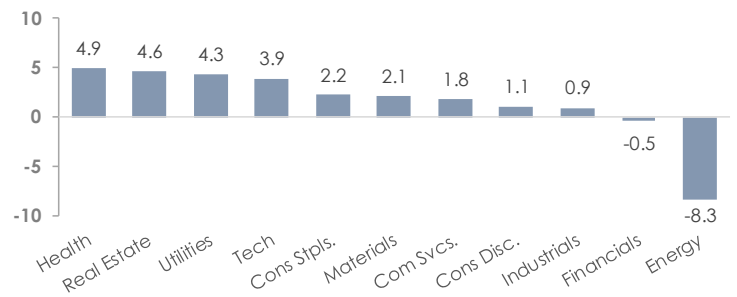
## THIS MONTH IN NUMBERS

**FIGURE 1**  
**U.S. Style Returns (July in %)**

	Value	Blend	Growth
Large	0.9	2.4	3.4
Mid	0.6	0.8	1.0
Small	-3.5	-3.6	-3.7

Data Reflects Most Recently Available As of 7/31/2021

**FIGURE 2**  
**U.S. Sector Returns (July in %)**



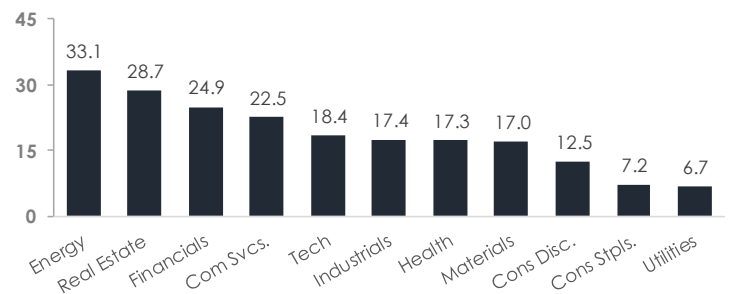
Data Reflects Most Recently Available As of 7/31/2021

**FIGURE 3**  
**U.S. Style Returns (YTD in %)**

	Value	Blend	Growth
Large	17.9	18.0	16.7
Mid	20.0	17.0	11.4
Small	22.0	13.1	4.8

Data Reflects Most Recently Available As of 7/31/2021

**FIGURE 4**  
**U.S. Sector Returns (YTD in %)**



Data Reflects Most Recently Available As of 7/31/2021

**FIGURE 5**  
**Market Data Center**

Stocks	Level	1 month	3 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B	
S&P 500	4,395	2.4%	5.4%	18.0%	36.0%	61.8%	1.27%	21.1x	4.3x	
Dow Jones	34,935	1.4%	3.5%	15.2%	34.3%	44.2%	1.59%	18.9x	4.8x	
Russell 2000	5,533	-3.6%	-1.6%	13.1%	51.3%	36.8%	0.86%	26.8x	2.5x	
Russell 1000 Growth	1,865	3.4%	8.2%	16.7%	36.4%	93.5%	0.52%	30.5x	12.3x	
Russell 1000 Value	972	0.9%	1.9%	17.9%	38.7%	34.8%	1.57%	16.5x	2.5x	
M SCI EAFE	1,310	0.8%	3.2%	10.5%	31.0%	23.3%	2.26%	15.9x	1.8x	
M SCI EM	71,753	-6.4%	-4.0%	0.3%	21.0%	21.3%	1.47%	12.9x	1.9x	
NASDAQ	14,673	2.9%	8.0%	16.5%	37.8%	109.4%	0.48%	28.0x	8.3x	
Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years	Commodities	Level	1 month	YTD
U.S. Aggregate	1.87%	1.1%	2.2%	-0.6%	-0.8%	17.4%	Oil (WTI)	73.81	0.5%	52.1%
U.S. Corporates	2.41%	1.4%	4.3%	-0.4%	0.7%	27.5%	Gasoline	2.24	3.0%	63.8%
Municipals (10 yr)	1.93%	0.5%	1.2%	1.2%	2.5%	15.0%	Natural Gas	3.91	7.2%	54.9%
High Yield	4.43%	0.1%	1.5%	2.7%	7.4%	16.8%	Propane	1.09	12.7%	69.5%
							Ethanol	2.13	-3.4%	70.0%
Key Rates	7/31/2021	6/30/2021	4/30/2021	1/31/2021	7/31/2020	7/31/2018	Gold	1,817	2.6%	-4.1%
3 yr Treasury	0.35%	0.45%	0.34%	0.19%	0.11%	2.76%	Silver	25.55	-2.5%	-3.3%
10 yr Treasury	1.23%	1.45%	1.63%	1.09%	0.54%	2.97%	Copper	4.48	4.3%	27.5%
30 yr Treasury	1.89%	2.06%	2.30%	1.85%	1.20%	3.08%	Steel	1,878	2.1%	95.0%
30 yr Fixed Mortgage	3.02%	3.13%	3.11%	2.88%	3.09%	4.43%	Corn	5.45	-7.5%	12.5%
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	5.00%	Soybeans	14.74	0.6%	12.5%

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