

August 2021

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 8/31/2021

Global Overview

As the summer doldrums wound down in August, the domestic market remained optimistic. The U.S. was buoyed by strong second quarter earnings results, the anticipation of future Fed action, followed by waning concerns regarding the Delta variant's effect on future economic growth. Three of the major U.S. indexes had strong returns for August with the S&P 500 Index achieving its seventh consecutive month of gains with a 3.0% return. The NASDAQ also had a strong month with a 4.0% return in August followed by the DJ Industrial Average Index return of 1.5%. International markets trailed the domestic market due to the release of mixed economic news and the higher degree of concern regarding the Delta variant's ability to slow their economies. The MSCI EAFE Index returned 1.8% for the month. Although China's onslaught of new antitrust regulations put a dampener on the emerging markets, Chile, Mexico, South Korea and Brazil reported strong economic growth, contributing to the 2.6% return posted by the MSCI EM Index.

U.S. Markets & Economy

The U.S. equity market continued to reach new highs in August in the wake of strong growth in corporate profits and economic data, showing signs of continued recovery. As of month-end, 99% of S&P 500 companies had reported Q2 earnings, with 88% beating consensus earnings and revenue estimates. Additional economic data contributing to equity returns included the U.S. labor market adding 943,000 new jobs in July compared to the 938,000 jobs added in June, as initial jobless claims continued their descent, and the unemployment rate declined to 5.2%. Despite the positive news, some risk concerns remain with July CPI increasing 5.4% year-over-year combined with ongoing supply chain disruptions. As a result of ongoing corporate growth in sales and profits, the S&P 500 Index reached a new high of 4,528 at the end of the month with a 3.0% return in August and 21.6% year-to-date. Growth continued its outperformance of value with the Russell 1000 Growth Index returning 3.7% during the month vs. 2.0% for the Russell 1000 Value Index. Although small cap growth continued to trail the large cap growth stocks, small cap value came back strong with a 2.7% return in August and a 25.4% return year-to-date.

As anticipated, Fed Chair Powell discussed the need for patience at the Fed's Jackson Hole meeting. He reiterated the Fed's view that current inflation pressures are transitory in nature since the majority of price increases have been directly tied to supply chain disruptions. The Fed believes "additional ground needs to be covered to reach maximum employment" prior to initiating a tapering of their asset purchase program or discussing potential rate hikes. As a result, the 10-Year Treasury rate increased by nine basis points during August to 1.3%. These dynamics in the U.S. bond market led to negative performance—the Bloomberg Barclays U.S. Aggregate Index returned -0.2%, and the Bloomberg Barclays U.S. Government/Credit Long Index returned -0.3% during August.

International Markets & Economy

In Non-U.S. developed markets, the MSCI EAFE Index posted a 1.8% return for the month of August. Japan's equity market rebounded and was a leading contributor for the month, while the UK market was the leading detractor. Economic data showed that Japan's GDP grew 1.3% annualized in the second quarter, coming off a -3.7% decline in the first quarter GDP, which was positive for markets. In Europe, the IHS Markit Composite PMI, which measures both the manufacturing and service sectors, fell for the 2nd month in a row to 59.5. While economic data still points to strong growth, expectations have been lowered slightly due to supply chain issues and inflation fears.

DeMarche Dashboard

Data and Commentary for Periods Ended 8/31/2021

August 2021

Page 2 of 6

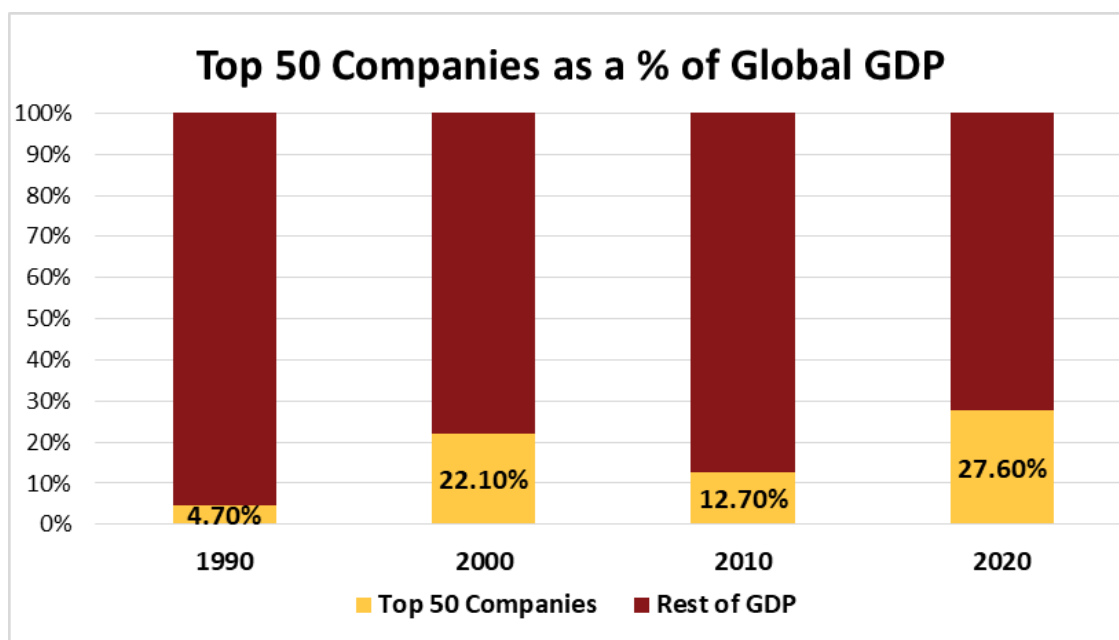
Eurozone inflation during the month was 3% according to preliminary estimates, which would be a 10-year high if confirmed by the ECB in the coming weeks.

During the month of August, the MSCI EM Index rose 2.6%, with China continuing to be the largest detractor. The MSCI China Index was flat with a 0% return for the month. Continued regulations on various industries were announced by the communist party throughout the month, which weighed on equity returns. Outside of China, economic growth remained strong as many countries including Chile, Mexico, South Korea and Brazil all raised interest rates.

In the News

The WSJ reported this month that Apple agreed to settle a class-action lawsuit from software developers against their App Store's alleged monopolistic practices. In Europe, regulators announced that they will be reviewing Facebook's proposed acquisition of a small tech firm, as new antitrust laws passed this March gave regulators more power. July's Dashboard talked about China and their tech crackdown, which continued to adversely affect large companies this month, so much so that both Alibaba and Tencent fell below Taiwan Semiconductor in market value during the month. The Chart of the Month below shows how the value of the 50 largest companies by market cap compares to the value of global GDP. Apple, the largest company in the world by market cap, is currently valued at close to \$2.5 trillion, which is around 3% of the world's GDP. For reference, John D. Rockefeller's Standard Oil Company was worth \$1 trillion, adjusted for today's U.S. dollars, before it was broken up into 34 separate entities by the Sherman Antitrust Act. The largest companies today are larger than they have ever been in terms of their size relative to the global economy. These companies have global footprints and often have significant operations in foreign countries. What this means for investors is that regulatory risks are growing in importance as these large companies are often easy targets for scrutiny. The risk that antitrust laws or lawsuits could adversely affect some of these companies continues to increase, which heightens the potential for shareholders to experience increased volatility.

Chart of the Month



Source: Visual Capitalist

DeMarche Dashboard

Data and Commentary for Periods Ended 8/31/2021

August 2021

Page 3 of 6

Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	2.49	5.88	17.94	29.76	14.96	14.83	12.14
	BBgBarc US Agg Bond TR USD	(0.19)	1.63	(0.69)	(0.08)	5.43	3.11	3.18
	Russell 3000 TR USD	2.85	7.17	20.39	33.04	17.85	17.97	16.20
	DJ Industrial Average TR USD	1.50	2.88	17.04	26.77	13.33	16.58	14.51
	NASDAQ Composite PR USD	4.00	10.99	18.40	29.59	23.46	23.96	19.45
	MSCI EAFE NR USD	1.76	1.38	11.58	26.12	9.00	9.72	7.34
	FTSE Treasury Bill 3 Mon USD	0.00	0.01	0.03	0.06	1.20	1.13	0.60
	Bloomberg Commodity TR USD	(0.30)	3.42	23.01	31.00	5.82	4.17	(4.67)
Domestic Equities	S&P 500 TR USD	3.04	7.95	21.58	31.17	18.07	18.02	16.34
	S&P MidCap 400 TR	1.95	1.25	20.30	44.77	12.18	13.74	13.90
	S&P SmallCap 600 TR USD	2.02	(0.09)	23.04	53.97	9.16	14.28	14.73
	Russell 1000 TR USD	2.89	7.66	20.74	32.25	18.42	18.24	16.40
	Russell 1000 Growth TR USD	3.74	13.88	21.08	28.53	24.60	24.35	19.45
	Russell 1000 Value TR USD	1.98	1.62	20.32	36.44	11.45	11.68	13.03
	Russell Mid Cap TR USD	2.54	4.85	20.12	41.24	15.58	15.40	14.84
	Russell Mid Cap Growth TR USD	3.23	11.38	15.18	35.17	20.96	20.44	16.88
	Russell Mid Cap Value TR USD	2.14	1.58	22.77	44.50	11.37	11.52	13.26
	Russell 2000 TR USD	2.24	0.45	15.83	47.08	10.75	14.38	13.62
	Russell 2000 Growth TR USD	1.82	2.71	6.92	35.61	12.27	16.58	14.78
	Russell 2000 Value TR USD	2.68	(1.60)	25.43	59.49	8.41	11.66	12.14
International Equities	MSCI ACWI Ex USA NR USD	1.90	(0.43)	9.40	24.87	9.37	9.92	6.57
	MSCI EAFE NR USD	1.76	1.38	11.58	26.12	9.00	9.72	7.34
	MSCI EAFE Growth NR USD	2.36	4.16	11.21	24.95	13.31	12.63	9.23
	MSCI EAFE Value NR USD	1.13	(1.44)	11.66	26.99	4.39	6.56	5.27
	MSCI Japan NR USD	3.07	1.47	3.07	19.96	7.64	9.11	7.88
	MSCI AC Asia Ex Japan NR USD	2.29	(5.50)	0.68	17.61	10.24	11.44	7.44
	MSCI Europe NR USD	1.51	1.98	15.59	29.18	9.71	10.11	7.43
	MSCI United Kingdom NR USD	0.85	(0.68)	14.51	27.24	3.67	5.46	4.65
	MSCI EAFE Small Cap NR USD	2.88	2.90	14.09	32.81	10.11	11.84	9.92
	MSCI EM NR USD	2.62	(4.12)	2.84	21.12	9.87	10.40	4.85
MSCI China NR USD	0.00	(13.76)	(12.26)	(5.10)	7.28	10.81	7.25	
Fixed Income	BBgBarc US Govt/Credit TR USD	(0.20)	2.14	(0.87)	(0.11)	6.08	3.42	3.45
	BBgBarc US Govt/Credit Interm TR USD	(0.16)	0.68	(0.30)	0.17	4.69	2.75	2.57
	BBgBarc US Govt/Credit Long TR USD	(0.30)	6.11	(2.29)	(0.78)	10.42	5.44	6.63
	ICE BofA US High Yield TR USD	0.55	2.28	4.64	10.26	6.82	6.49	6.90
	Credit Suisse HY USD	0.53	1.92	4.66	10.25	6.41	6.31	6.71
	S&P/LSTA Leveraged Loan TR	0.47	0.83	3.76	8.39	4.16	4.63	4.89
	FTSE WGBI NonUS USD	(0.83)	(1.13)	(5.06)	(0.90)	3.54	1.57	0.46
	BBgBarc Gbl Agg Ex USD TR	(0.61)	(1.15)	(3.57)	0.75	3.66	1.81	0.72
REITs	FTSE Nareit All REITs TR	2.14	9.15	28.75	36.98	12.48	9.26	11.37
	Wilshire US REIT TR USD	1.91	10.39	31.51	40.58	11.30	7.63	10.58

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

Source: Morningstar

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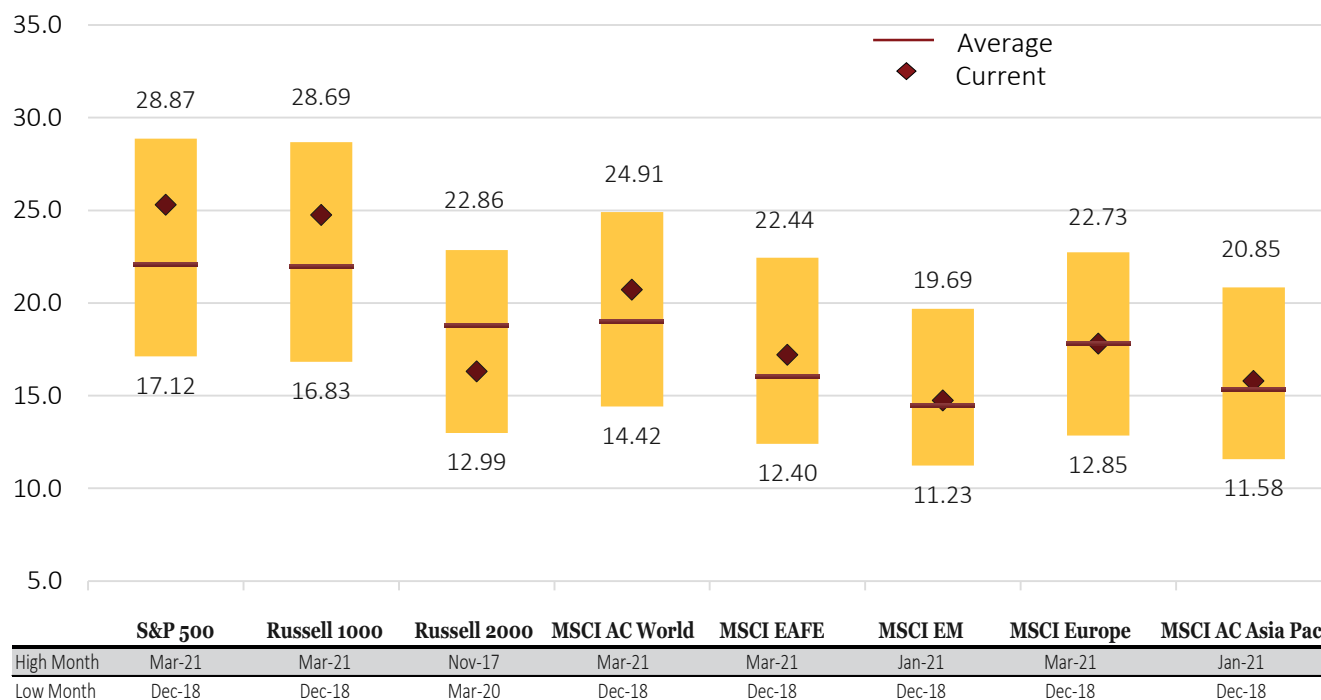
DeMarche Dashboard

Data and Commentary for Periods Ended 8/31/2021

August 2021

Page 4 of 6

Current Trailing P/E vs. Trailing 5-Year High, Low, Average



Source: Morningstar

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2021 ¹	2022 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	6.60	6.90	3.60	5.20	1.31	-	-	4.30
China	1.30	8.50	5.80	5.10	2.86	6.47	6.89	1.30
Japan	0.30	2.60	2.00	2.80	0.02	109.84	106.42	-0.20
United Kingdom	4.80	7.20	5.50	4.70	0.62	1.38	1.31	1.80
Euro Area	2.20	4.30	4.40	7.60	0.16	1.18	1.18	1.60
Germany	1.60	3.30	4.40	3.60	-0.38	1.18	1.18	2.70
France	1.10	5.80	4.00	8.00	-0.03	1.18	1.18	0.40
Italy	2.70	4.50	4.40	9.30	0.71	1.18	1.18	0.60
Canada	-0.30	6.10	3.80	7.50	1.22	1.26	1.31	3.30
India	2.10	9.90	8.20	7.00	6.22	74.54	74.93	5.59
Mexico	1.50	5.00	3.20	4.40	6.98	20.20	22.12	4.66
Brazil	-0.10	3.70	2.50	14.10	10.55	5.20	5.60	5.42

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2021 & 2022 is forecasted data from OECD

2. In terms of CPI All Items

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

DeMarche Dashboard

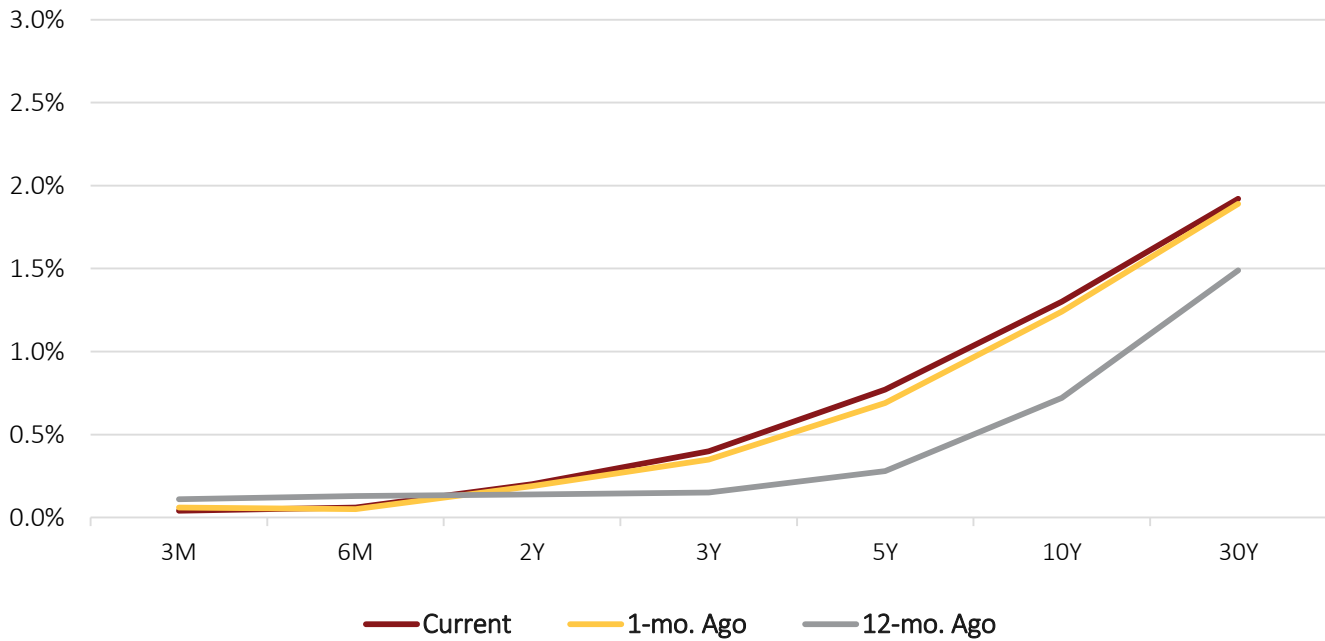
Data and Commentary for Periods Ended 8/31/2021

August 2021

Page 5 of 6

U.S. Treasury Yield Curves

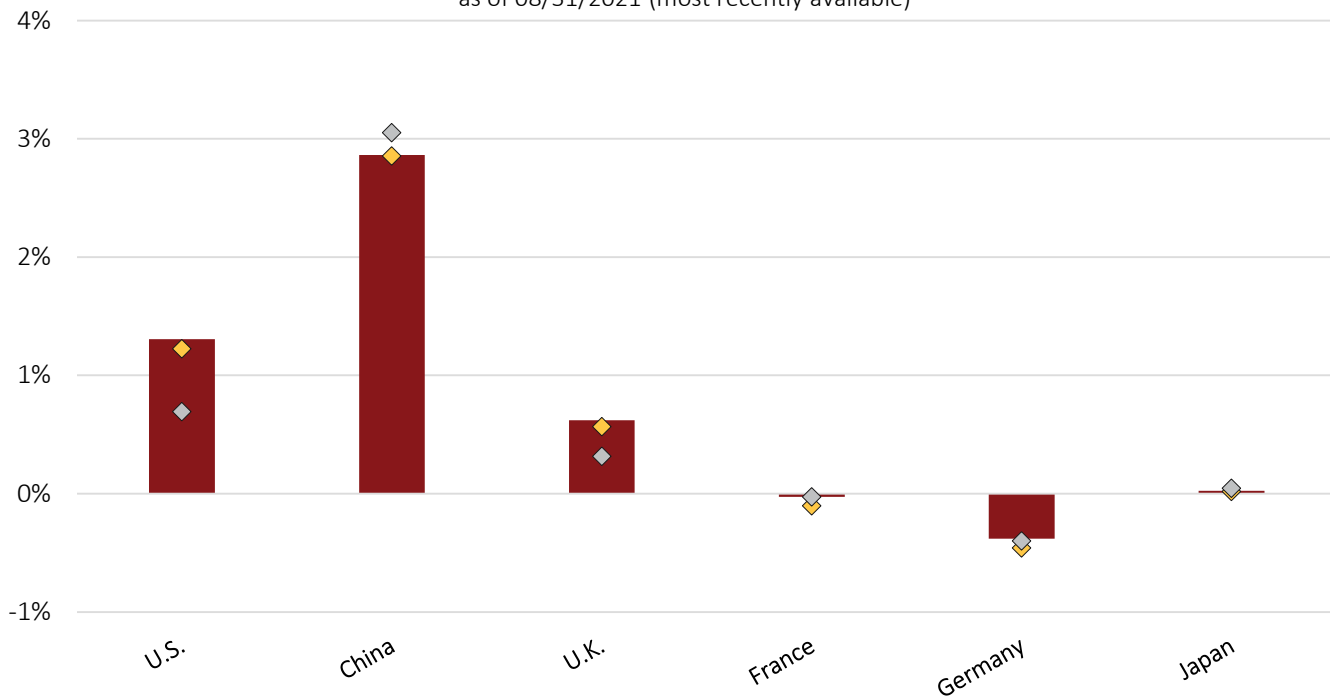
as of 08/31/2021



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics

10-Year Sovereign Yields

as of 08/31/2021 (most recently available)



Source: Trading Economics

DeMarche Dashboard

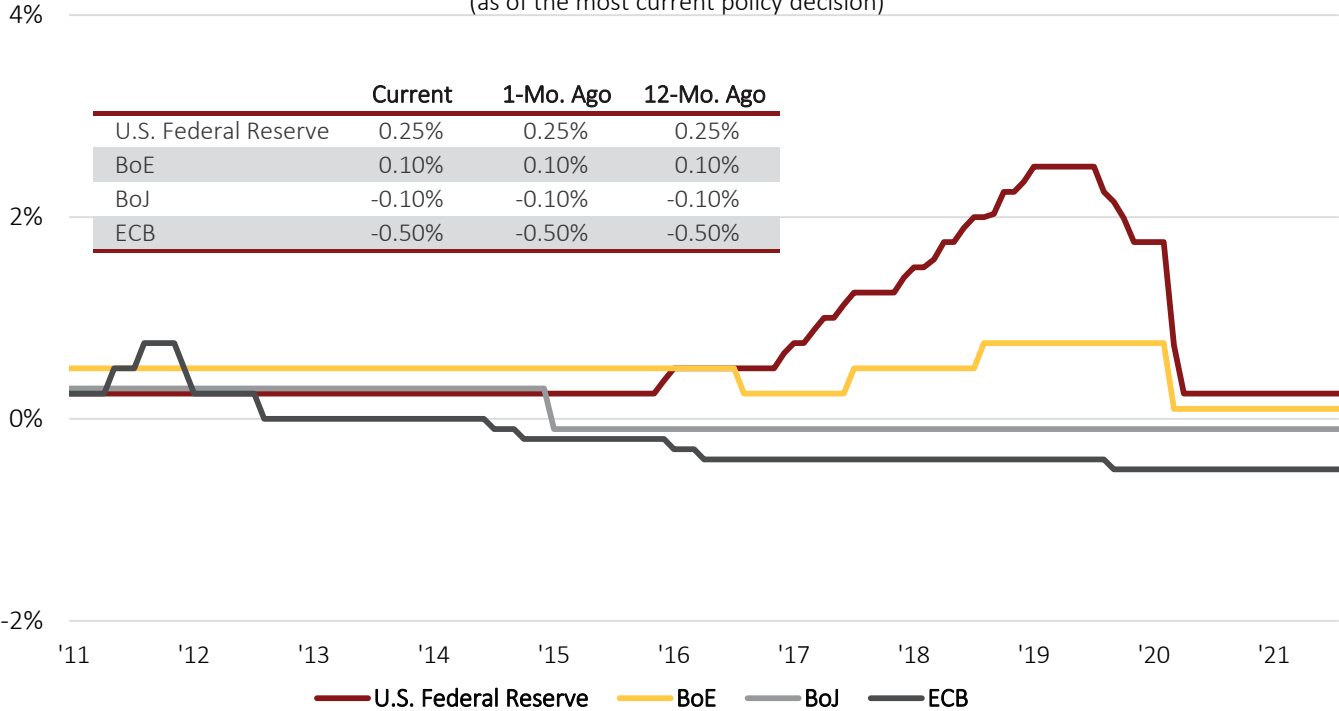
Data and Commentary for Periods Ended 8/31/2021

August 2021

Page 6 of 6

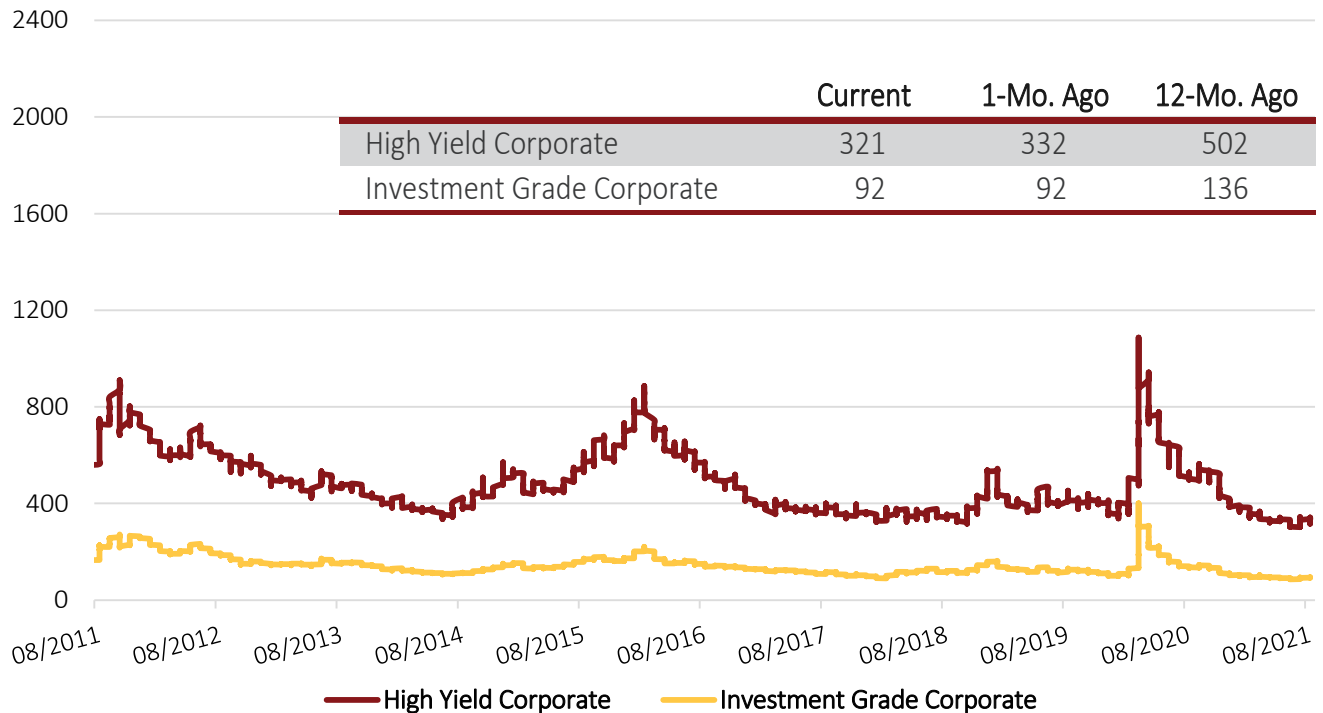
Central Bank Policy Rates

(as of the most current policy decision)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics

Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank, Bank of America