

July 2021

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 7/31/2021

Global Overview

U.S. markets continued to outperform developed and emerging international markets in July. The U.S. economy showed further signs of growth with a strong Q2-2021 earnings report season combined with rising inflation, while the growth outlook in Europe and Asia was brought into question amid heightened concerns regarding the new COVID-19 variant accompanied by declining public sentiment across the globe. Led by strong earnings in the technology sector, July marked the continued resurgence of growth indices vs. value indices. Policy changes by the Chinese government caused a large pullback in Chinese equities and contributed to an overall decline in MSCI Emerging Markets index for the month.

U.S. Markets & Economy

The U.S. equity market reached new highs this month in the wake of strong growth in corporate profits and economic data showing signs of continued recovery. As of month-end, 72% of publically traded companies reported Q2 earnings, over 80% beating consensus earnings and revenue estimates. Labor and material shortages were noted in the month's PMI reports. The impact of these shortages are reflected in our Chart of the Month. You will note on page 2 that inflation has reached decade high levels. A closer look at Core CPI, which increased 4.5% year-over-year, indicates the used car and truck market along with transportation services proved significant contribution to inflation. An ongoing shortage of microchips used to make new vehicles meant there was an insufficient supply of vehicles available to meet consumer and business demand. Despite second quarter real GDP missing the 8.5% consensus estimate and a reported 6.5% seasonally adjusted annual rate, hope remains that inventory shortages will recede as the year goes on. As businesses regain the ability to restock in the coming months, stronger GDP growth may follow in the second half of 2021. As a result of continued growth prospects, the S&P 500 returned 2.4% during the month and 18% year-to-date. Growth continued its outperformance of value with the Russell 1000 Growth Index returning 3.3% during the month vs. 0.8% for the Russell 1000 Value Index. The Russell 2000 Index fell 3.6% in July, causing small cap stocks to trail large cap stocks year-to-date for the first time in 2021.

The release of the July FOMC meeting minutes, suggests the Fed believes the economy has made progress toward reaching their employment and inflation goals, but not substantially enough to start tapering their asset purchases until the end of December. As a result, the 10-Year Treasury rate fell by 25 bps during July to 1.2%. The market appears to be pricing in two rate hikes in 2023 and has also incorporated the likelihood that the Fed will start reducing the \$120 billion in securities they are purchasing each month by the end of 2021. These dynamics in the U.S. bond market led to positive performance—the Bloomberg Barclays U.S. Aggregate Index returned 1.1%, and the Bloomberg Barclays U.S. Government/Credit Long Index returned 2.8% during July.

International Markets & Economy

In Non-U.S. developed markets, the MSCI EAFE Index posted a 0.8% return for the month of July. Japan was the biggest detractor for the month where concerns about the spread of the COVID-19 Delta variant and negative public sentiment around the Olympics weighed on returns. For example, Toyota, Japan's largest company, pulled out of Japanese advertisement for the Olympic Games despite being one of the largest corporate sponsors of the games. Citizens have been unhappy about the cost of the games, and companies that were relying on revenues associated with the games sold off during the month. Concerns surrounding the Delta variants spread throughout Europe remained at the top of

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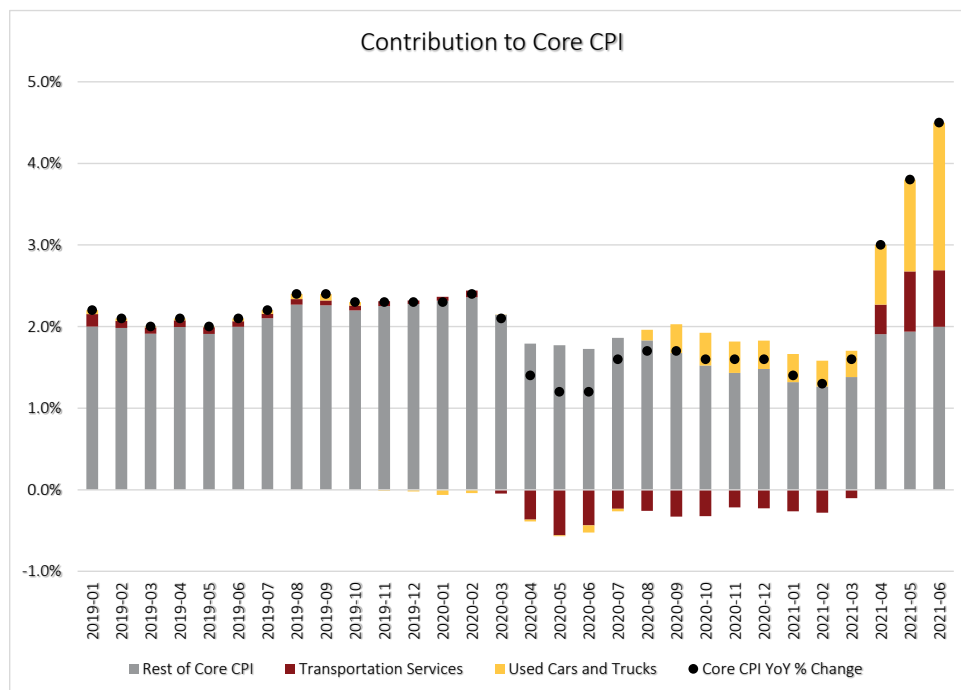
mind, but economic data reported over the month remained strong as the MSCI Europe Index returned 1.9%. The IHS Markit Manufacturing PMI was 62.8, which represented the twelfth straight month of expansion. The IHS Services PMI was 59.8 for July, the highest level in 15 years.

During the month of July, the MSCI EM Index declined 6.7%, with China being the largest detractor. The MSCI China Index dropped 13.8% in the month of July, highlighted below in this month's "In the News" section. Returns in other EM countries such as Korea, Taiwan and Thailand all proved negative for July. India continued to be a bright spot in EM, returning 0.9% in July, which has helped India outpace the broader EM benchmark by over 1300 basis points year-to-date.

In the News

It was a turbulent month for Chinese tech stocks as pressure from Beijing caused a wide sell-off across large tech names in July. The trouble ensued after the June 30th initial public offering (IPO) of Didi, the Chinese ride-hailing company often referred to as the Uber of China. Didi's IPO on the NYSE valued the company at \$68 billion, but just two days after the listing, China announced a data-security probe, blocking Didi from adding new users. The crackdown worsened on July 9, when China ordered Didi's app to be removed from mobile app stores. China asserted it would tighten rules for companies listed overseas or that seek to sell securities abroad, which caused a broad selloff across Chinese tech stocks. The MSCI China Index was down 13.8% in July due to fear about how regulation from Beijing could limit certain industries or companies going forward. In addition to the Chinese market selloff, Didi's story highlights another example of a "unicorn" (private company valued over \$1 billion) faltering after IPO. In the July (2021) issue of The Economist, the article "Unicornucopia" detailed the risks of overvaluation of private companies and how the expansion of SPAC-led deals has made it harder for investors to evaluate unicorns. Unicorns that have gone public in 2021 have posted a combined loss of \$25 billion in their latest financial year according to The Economist.

Chart of the Month



Source: BLS, DeMarche

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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	1.79	4.80	15.07	35.07	14.49	14.29	11.05
	BBgBarc US Agg Bond TR USD	1.12	2.16	(0.50)	(0.70)	5.73	3.13	3.35
	Russell 3000 TR USD	1.69	4.67	17.06	38.73	18.10	17.36	15.16
	DJ Industrial Average TR USD	1.34	3.60	15.31	34.79	13.72	16.30	13.88
	NASDAQ Composite PR USD	1.16	5.08	13.85	36.55	24.13	23.24	18.20
	MSCI EAFE NR USD	0.75	2.87	9.65	30.31	7.66	9.35	6.14
	FTSE Treasury Bill 3 Mon USD	0.00	0.01	0.03	0.07	1.25	1.14	0.60
	Bloomberg Commodity TR USD	1.84	6.55	23.37	40.28	5.29	3.86	(4.54)
Domestic Equities	S&P 500 TR USD	2.38	5.50	17.99	36.45	18.16	17.35	15.35
	S&P MidCap 400 TR	0.35	(0.49)	18.00	46.99	12.64	13.42	12.85
	S&P SmallCap 600 TR USD	(2.39)	(0.03)	20.61	56.95	10.16	14.13	13.59
	Russell 1000 TR USD	2.08	5.13	17.34	37.97	18.63	17.60	15.39
	Russell 1000 Growth TR USD	3.30	8.26	16.71	36.68	25.29	23.32	18.37
	Russell 1000 Value TR USD	0.80	1.97	17.98	39.32	11.27	11.41	12.08
	Russell Mid Cap TR USD	0.77	3.07	17.14	42.58	15.79	14.77	13.74
	Russell Mid Cap Growth TR USD	1.03	6.25	11.58	34.51	21.94	19.61	15.69
	Russell Mid Cap Value TR USD	0.62	1.41	20.19	47.07	11.09	11.00	12.21
	Russell 2000 TR USD	(3.61)	(1.54)	13.29	51.97	11.49	14.28	12.34
	Russell 2000 Growth TR USD	(3.64)	(2.00)	5.01	41.00	13.87	16.40	13.56
	Russell 2000 Value TR USD	(3.58)	(1.18)	22.16	63.70	8.30	11.61	10.82
International Equities	MSCI ACWI Ex USA NR USD	(1.65)	0.77	7.36	27.78	7.92	9.65	5.42
	MSCI EAFE NR USD	0.75	2.87	9.65	30.31	7.66	9.35	6.14
	MSCI EAFE Growth NR USD	1.72	4.85	8.65	27.50	12.32	11.79	8.02
	MSCI EAFE Value NR USD	(0.24)	0.83	10.41	32.92	2.72	6.66	4.10
	MSCI Japan NR USD	(1.27)	(0.02)	(0.00)	25.25	6.64	8.53	6.65
	MSCI AC Asia Ex Japan NR USD	(7.50)	(6.48)	(1.57)	19.06	9.04	11.67	6.08
	MSCI Europe NR USD	1.85	4.65	13.87	32.50	8.14	9.84	6.14
	MSCI United Kingdom NR USD	0.91	2.44	13.55	30.65	1.91	5.31	3.77
	MSCI EAFE Small Cap NR USD	1.70	2.02	10.90	38.72	8.78	11.08	8.67
	MSCI EM NR USD	(6.73)	(4.40)	0.22	20.64	7.93	10.37	3.61
MSCI China NR USD	(13.84)	(13.10)	(12.26)	0.28	5.90	12.39	6.20	
Fixed Income	BBgBarc US Govt/Credit TR USD	1.32	2.87	(0.67)	(1.06)	6.39	3.42	3.65
	BBgBarc US Govt/Credit Interm TR USD	0.77	1.25	(0.14)	0.21	4.95	2.73	2.70
	BBgBarc US Govt/Credit Long TR USD	2.78	7.30	(1.99)	(4.21)	10.84	5.50	7.13
	ICE BofA US High Yield TR USD	0.36	2.02	4.07	10.74	6.88	6.84	6.41
	Credit Suisse HY USD	0.22	1.65	4.12	10.96	6.46	6.70	6.25
	S&P/LSTA Leveraged Loan TR	(0.01)	0.94	3.27	9.49	4.13	4.69	4.37
	FTSE WGBI NonUS USD	1.84	0.93	(4.27)	(0.15)	3.58	1.53	0.73
	BBgBarc Gbl Agg Ex USD TR	1.51	0.81	(2.98)	1.66	3.76	1.77	0.90
REITs	FTSE Nareit All REITs TR	4.01	7.70	26.05	34.55	12.67	8.07	10.56
	Wilshire US REIT TR USD	5.10	9.78	29.05	38.48	11.68	6.51	9.73

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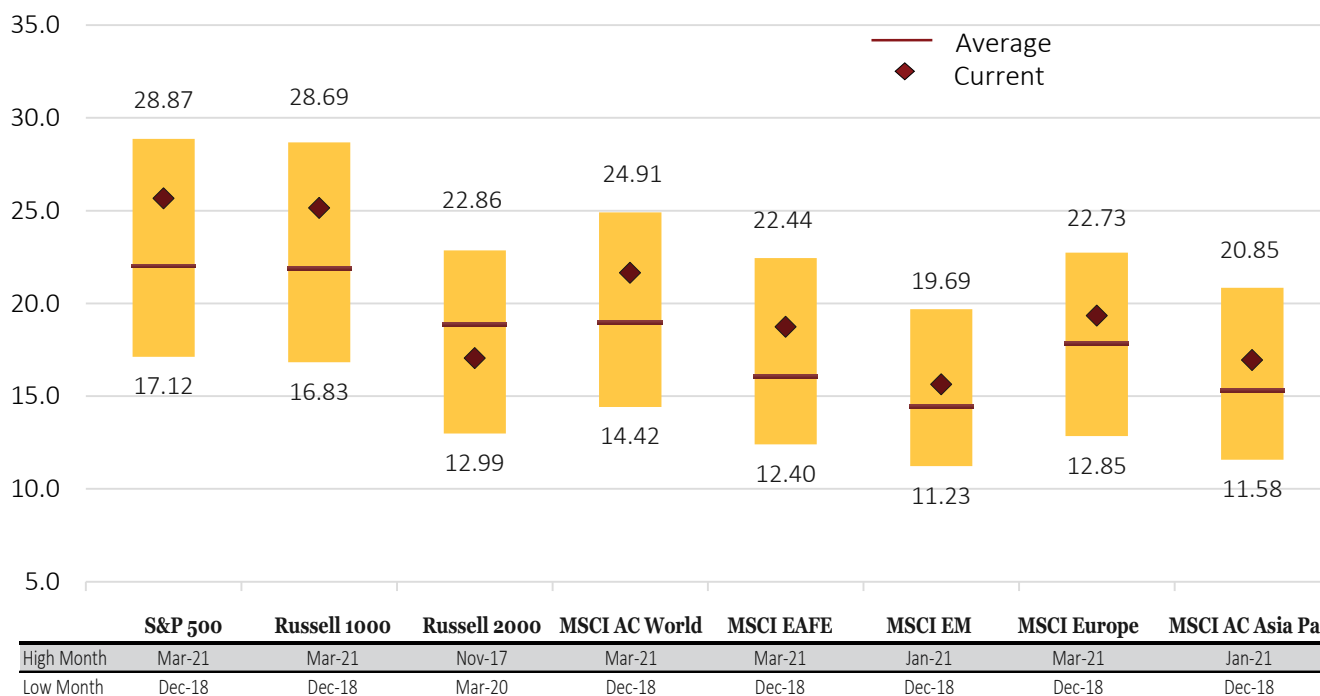
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Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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	6.50	6.90	3.60	5.90	1.23	-	-	4.50
China	1.30	8.50	5.80	5.00	2.84	6.46	7.01	0.90
Japan	-1.00	2.60	2.00	2.90	0.02	109.70	105.05	0.20
United Kingdom	-1.60	7.20	5.50	4.80	0.57	0.72	0.77	2.30
Euro Area	2.00	4.30	4.40	7.70	0.30	0.84	0.85	0.70
Germany	1.50	3.30	4.40	3.70	-0.46	0.84	0.85	1.70
France	0.90	5.80	4.00	8.10	-0.10	0.84	0.85	0.90
Italy	2.70	4.50	4.40	9.70	0.63	0.84	0.85	0.30
Canada	1.40	6.10	3.80	7.80	1.20	1.25	1.34	2.70
India	2.10	9.90	8.20	7.00	6.20	74.54	74.93	6.26
Mexico	1.50	5.00	3.20	4.00	6.88	19.85	22.18	4.58
Brazil	1.20	3.70	2.50	14.60	9.12	5.14	5.18	4.69

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)

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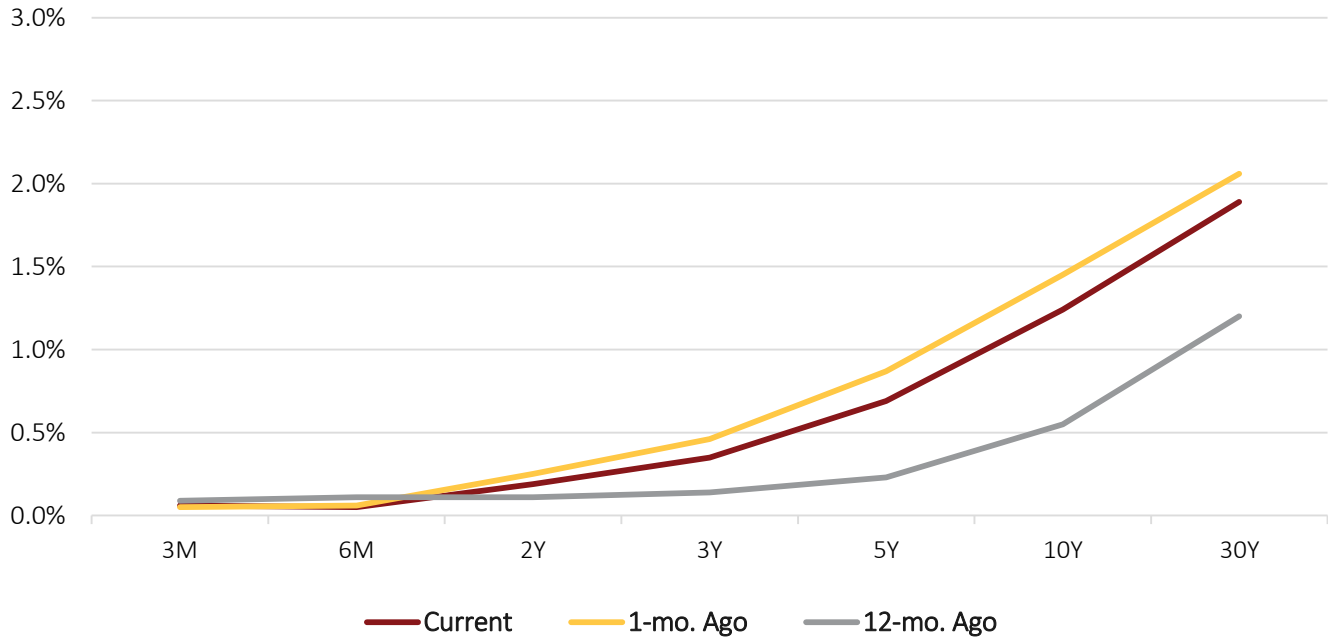
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U.S. Treasury Yield Curves

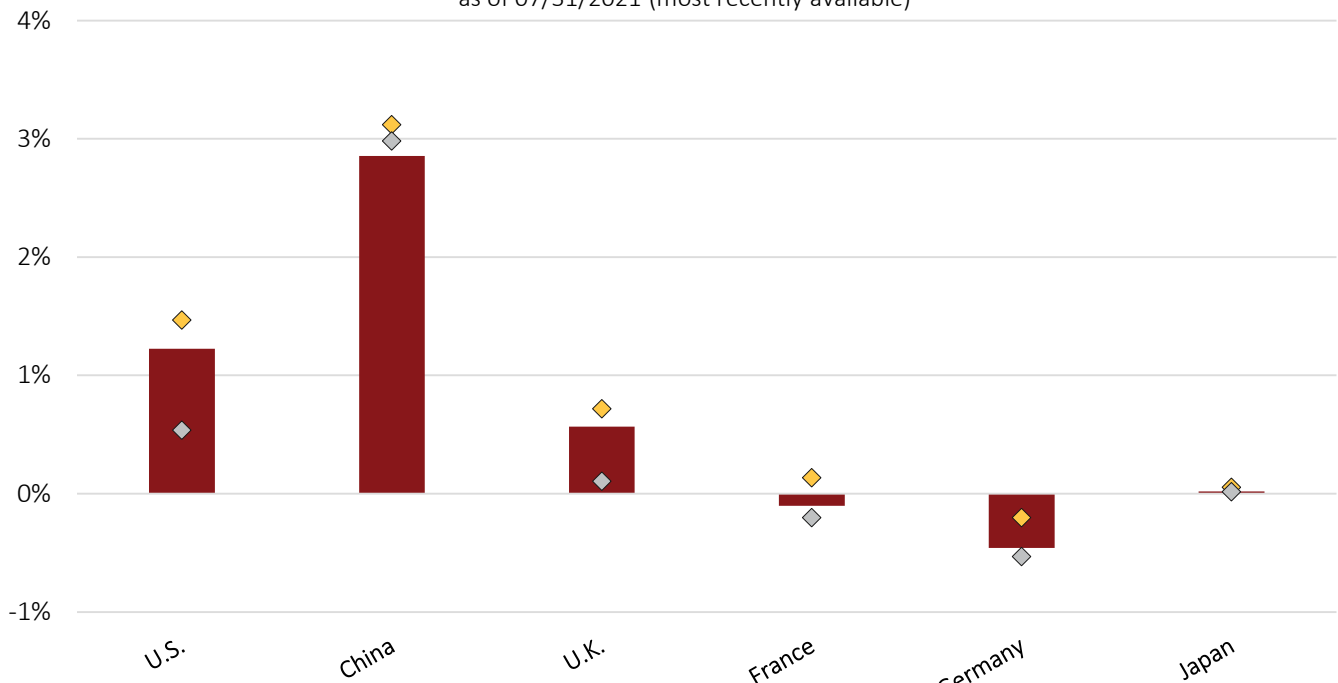
as of 07/31/2021



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

10-Year Sovereign Yields

as of 07/31/2021 (most recently available)



Source: Trading Economics

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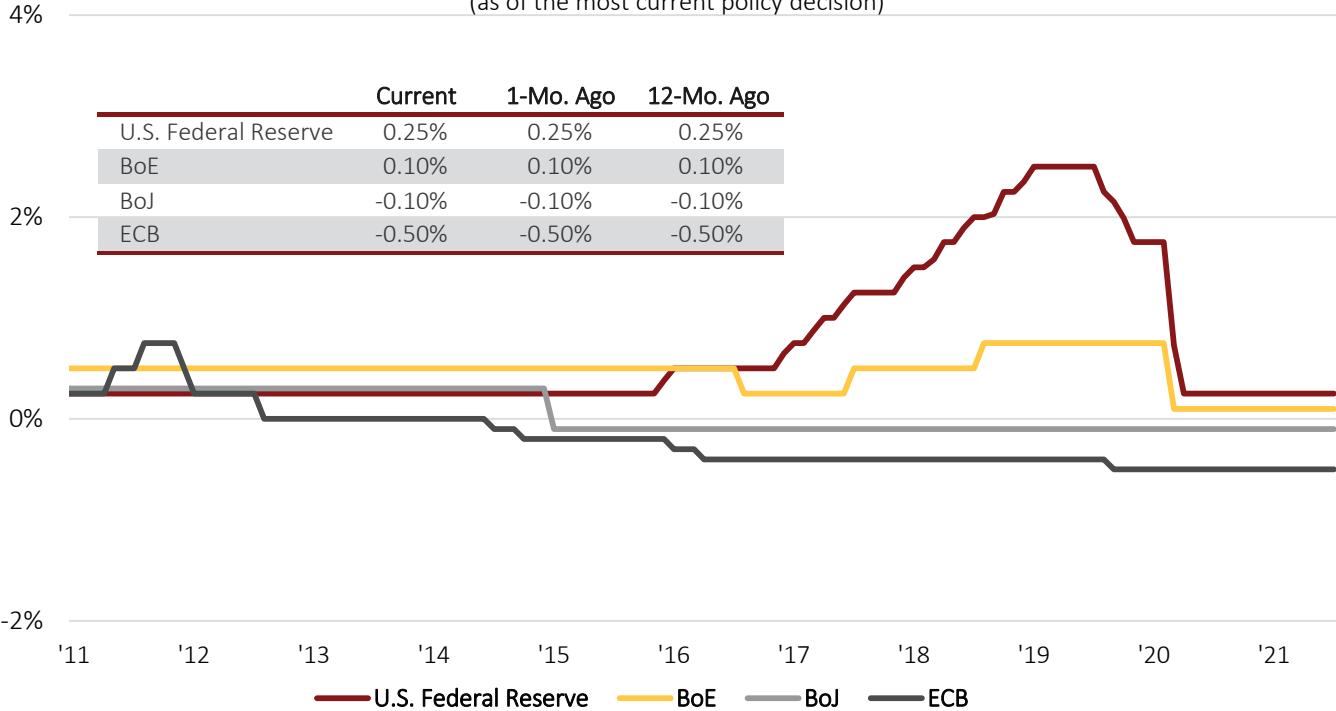
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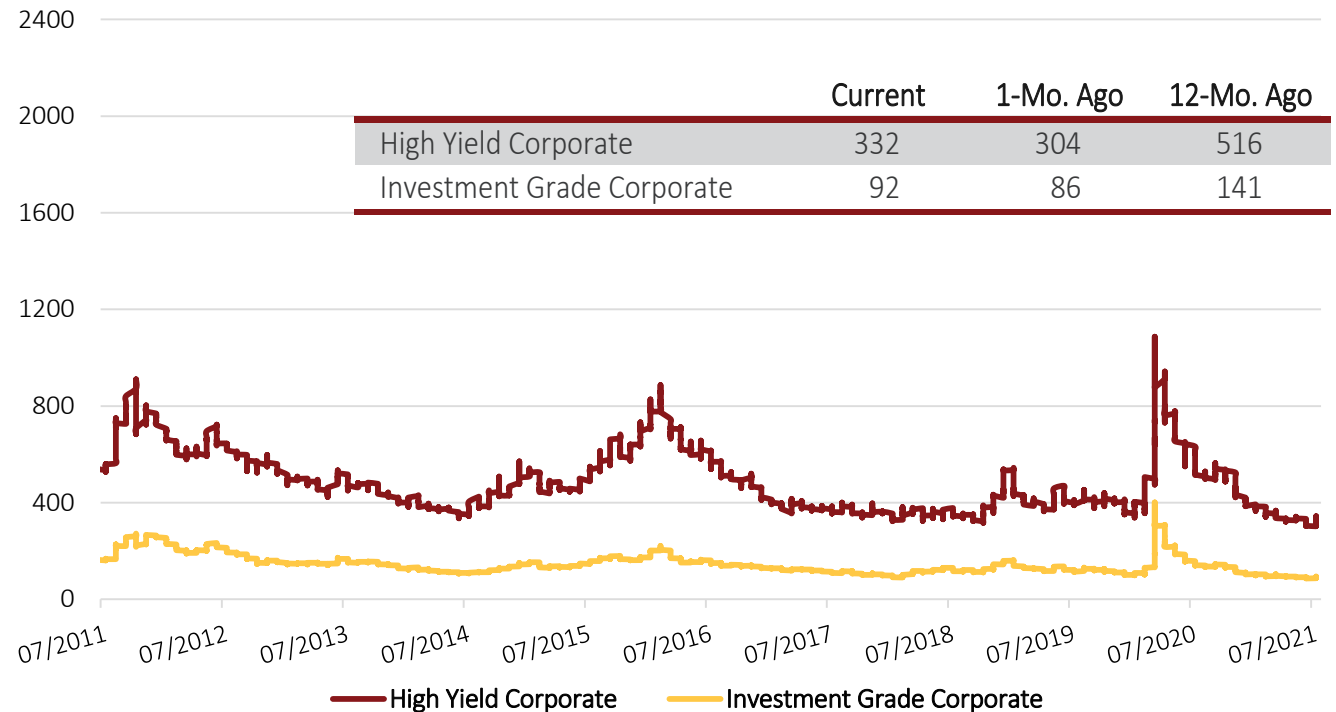
Central Bank Policy Rates

(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