

October 2021

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 10/31/2021

Global Overview

Driven by positive economic news and better than expected third quarter earnings, the U.S. equity market reached new highs in October as the S&P 500 Index returned 7.0% for the month. Other major markets saw more mixed economic and earnings reports, but still generated positive results with the MSCI EAFE Index posting 2.5% return for the month. Highlighting the divergence in economic data, the U.S. economy continued to see signs of growth within the service and manufacturing PMI indices as compared to declining PMI results for Europe and China whose markets were more negatively impacted by continued supply chain issues and lower consumer sentiment. On a more global basis, concerns about inflation are on the rise as ongoing supply chain issues and the early stages of a global energy shortage are starting to be felt by both consumers and central banks around the world.

U.S. Markets & Economy

Despite the prospect of rising inflation weighing on the fixed income markets, positive economic data and strong earnings rallied the equity market. With over 70% of companies having reported their third quarter earnings, more than 65% significantly beat consensus earnings estimates and 75% beat their revenue estimates. In particular, the consumer discretionary sector contributed to the strong earnings trend in spite of rising labor costs, supply chain disruptions and a slowdown in consumer spending during the third quarter. Although third quarter GDP growth slowed to 2.0% year-over-year as compared to the 2.6% consensus estimate, other economic data continued to show signs of robust economic expansion. The IHS Markit Services PMI rose to 58.2 in October from 54.9 in September and Manufacturing PMI held at 59.2 from 60.7 in the prior month, both of which continue to show signs of economic expansion (PMI's in excess of 50 indicate expansion). The S&P 500 reported a 7.0% return during the month, a 42.9% return for the last 12 months. Growth continued its ascent over value as the Russell 1000 Growth Index returned 8.7% in October vs. the 5.1% return for the Russell 1000 Value Index.

The fixed income markets continued to weigh fears of oncoming inflation with the 5-year and 10-year breakeven inflation levels reaching 2.9% and 2.7% at month-end, respectively. The yield curve flattened as the 2-year treasury rose 22 bps during October to yield 0.5%, while the 10-year treasury rose 5 bps closing the month with a yield of 1.6%. It appears the market is anticipating that the Fed will begin tapering its asset purchase program after their November 4th meeting, which will likely be followed by two rate hikes in 2022. The Bloomberg U.S. Aggregate Index returned -0.03% during the month with a -0.5% return for the last 12 months, which contrasts with the more robust returns of the ICE BofA High Yield Index return of -0.2% for the month and 10.7% for the last 12 months.

International Markets & Economy

Non-U.S. developed markets rebounded in October as the MSCI EAFE Index posted a 2.5% return for the month. Japan, one of the few markets to post a positive return in September, had the worst return in the month with a -3.4% return. European markets rallied during the month, despite the growing energy supply issues across the continent. In Europe, the IHS Markit Composite PMI, which measures both the manufacturing and service sectors, fell for the fourth month in a row to 54.2. Manufacturers noted continued supply chain issues, which lowered sentiment, while the services sector conveyed worries that consumer demand will decline in the wake of higher energy costs and less discretionary income.

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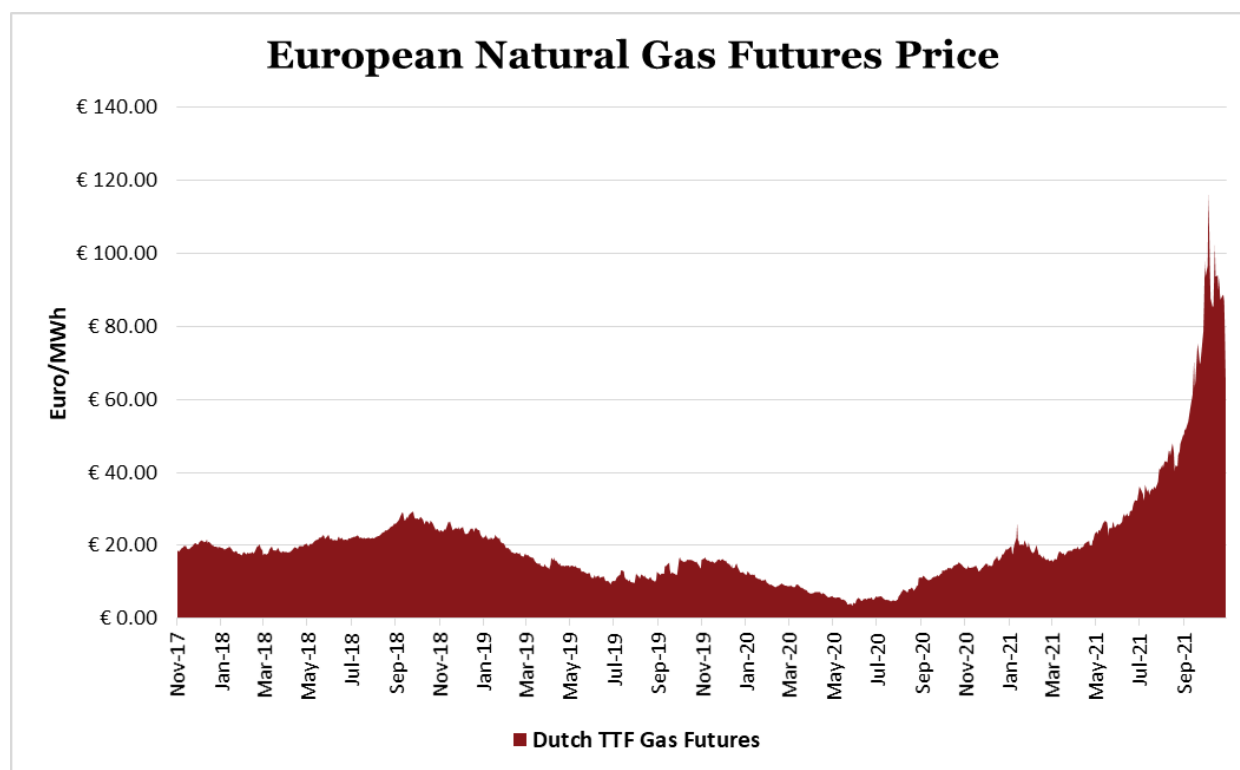
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The MSCI EM Index rose 1% during the month as investors' risk appetite declined. Returns in China were flat for the month on the back of China's weak manufacturing PMI of 49.2 in October, which indicates the sector contracted. Several EM countries outside of China continued to raise interest rates as they are concerned about growing inflation. Brazil's central bank raised rates 150 basis points, the largest single hike in almost two decades. Brazil's equity market fell 9.1% in the month, bringing the market into bear territory with a YTD return of -24.7%.

In the News

During the month of October, energy prices in Europe peaked to multi-year highs as the energy supply has not been able to keep up with demand. In the Chart of the Month below, we compare Europe's current natural gas price to the historical average. Energy demand has picked up throughout the continent as manufacturers and businesses return to full production in 2021. One issue driving shortages has been a shift in wind in the North Sea. In 2020, wind power generated in the North Sea provided 25% of the U.K.'s power, but so far in 2021, only 7% of the nation's power has come from wind. Western Europe is a net importer of natural gas, and Russia is the largest exporter of oil and natural gas to the European Union. Russia came under fire during the month as news that Gazprom, one of Russia's largest gas companies, only booked 30% of pipeline capacity for shipment into Europe for November, which raised concerns that Russia was holding the European energy market hostage. President Putin alleviated some of the pressure when he stepped in and ordered Gazprom to deliver more natural gas to the region in November. Prices in energy still remain elevated across the continent, and if the winter is harsher than predicted, more price shocks could be on the horizon.

Chart of the Month



Source: ICE

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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	5.66	3.80	19.44	40.42	18.20	15.45	12.19
	Bloomberg US Agg Bond TR USD	(0.03)	(1.08)	(1.58)	(0.48)	5.63	3.10	3.00
	Russell 3000 TR USD	6.76	4.88	22.77	43.90	21.62	18.91	16.10
	DJ Industrial Average TR USD	5.93	3.00	18.77	37.73	15.09	17.21	14.32
	NASDAQ Composite PR USD	7.27	5.63	20.25	42.04	28.49	24.46	19.16
	MSCI EAFE NR USD	2.46	1.24	11.01	34.18	11.54	9.79	7.37
	FTSE Treasury Bill 3 Mon USD	0.00	0.01	0.04	0.05	1.08	1.12	0.60
	Bloomberg Commodity TR USD	2.58	7.37	32.46	43.94	8.56	5.17	(3.04)
Domestic Equities	S&P 500 TR USD	7.01	5.13	24.04	42.91	21.48	18.93	16.21
	S&P MidCap 400 TR	5.89	3.66	22.32	48.90	17.07	14.89	13.90
	S&P SmallCap 600 TR USD	3.43	2.94	24.17	58.94	14.83	15.39	14.47
	Russell 1000 TR USD	6.94	4.98	23.18	43.51	22.01	19.16	16.30
	Russell 1000 Growth TR USD	8.66	6.41	24.20	43.21	29.41	25.49	19.42
	Russell 1000 Value TR USD	5.08	3.43	22.03	43.76	13.90	12.39	12.85
	Russell Mid Cap TR USD	5.95	4.17	22.02	45.40	19.85	16.47	14.78
	Russell Mid Cap Growth TR USD	7.01	5.12	17.29	39.43	26.17	21.90	16.86
	Russell Mid Cap Value TR USD	5.32	3.62	24.54	48.60	15.03	12.30	13.18
	Russell 2000 TR USD	4.25	3.44	17.19	50.80	16.47	15.52	13.50
	Russell 2000 Growth TR USD	4.68	2.50	7.64	38.45	18.64	17.90	14.57
	Russell 2000 Value TR USD	3.81	4.46	27.60	64.30	13.44	12.61	12.12
	International Equities	MSCI ACWI Ex USA NR USD	2.39	0.99	8.43	29.66	12.00	9.77
MSCI EAFE NR USD		2.46	1.24	11.01	34.18	11.54	9.79	7.37
MSCI EAFE Growth NR USD		3.27	1.60	10.38	29.98	16.82	13.12	9.35
MSCI EAFE Value NR USD		1.59	0.86	11.36	38.31	5.99	6.25	5.21
MSCI Japan NR USD		(3.36)	2.34	2.34	19.88	9.50	8.33	8.01
MSCI AC Asia Ex Japan NR USD		1.36	(0.65)	(2.22)	12.82	13.96	10.77	7.42
MSCI Europe NR USD		4.50	1.01	15.03	40.93	12.34	10.54	7.40
MSCI United Kingdom NR USD		4.01	2.77	16.69	43.72	6.16	6.77	4.62
MSCI EAFE Small Cap NR USD		1.57	0.77	11.75	35.77	13.37	11.37	10.13
MSCI EM NR USD		0.99	(0.49)	(0.27)	16.96	12.30	9.39	4.88
MSCI China NR USD	0.02	0.60	0.41	17.11	12.20	9.74	7.49	
Fixed Income	Bloomberg US Govt/Credit TR USD	0.05	(1.22)	(1.88)	(0.48)	6.27	3.45	3.23
	Bloomberg US Govt/Credit Long TR USD	1.63	(1.05)	(3.01)	0.20	11.98	6.16	6.00
	Bloomberg US Govt/Credit Interm TR USD	(0.56)	(1.29)	(1.43)	(0.74)	4.48	2.57	2.44
	ICE BofA US High Yield TR USD	(0.18)	0.40	4.49	10.74	7.15	6.25	6.66
	Credit Suisse HY USD	(0.29)	0.39	4.53	10.51	6.77	6.02	6.44
	S&P/LSTA Leveraged Loan TR	0.27	1.39	4.70	8.47	4.25	4.47	4.64
	FTSE WGBI NonUS USD	0.02	0.60	0.41	17.11	12.20	9.74	7.49
	Bloomberg Gbl Agg Ex USD TR USD	(0.39)	(3.43)	(6.31)	(1.99)	3.52	1.92	0.65
REITs	FTSE Nareit All REITs TR	6.92	2.95	29.77	46.32	14.69	10.85	11.29
	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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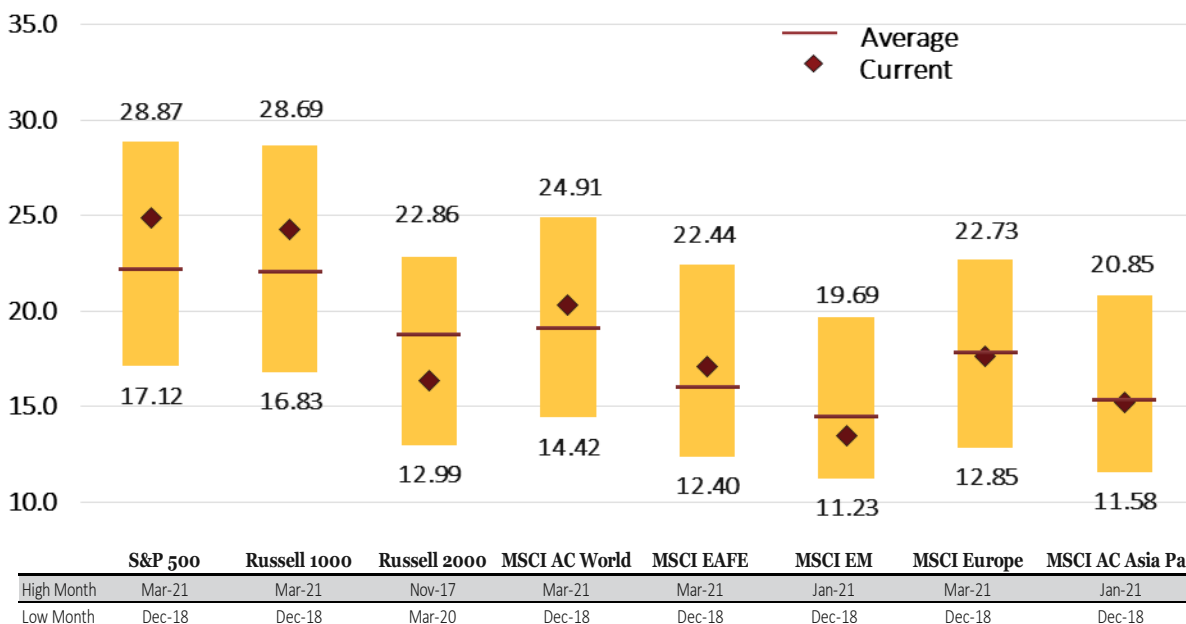
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Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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	2.00	6.00	3.90	4.60	1.57	-	-	4.00
China	0.20	8.50	5.80	4.90	2.99	6.41	6.71	1.20
Japan	0.50	2.50	2.10	2.80	0.10	114.03	104.69	0.10
United Kingdom	5.50	6.70	5.20	4.50	1.05	1.37	1.29	2.90
Euro Area	2.20	5.30	4.60	7.40	0.20	1.16	1.17	2.10
Germany	1.80	2.90	4.60	3.40	-0.11	1.16	1.17	2.90
France	3.00	6.30	4.00	8.00	0.27	1.16	1.17	1.30
Italy	2.60	5.90	4.10	9.20	1.13	1.16	1.17	1.10
Canada	-0.30	6.80	6.60	6.70	1.72	1.24	1.34	4.50
India	-10.20	9.70	7.90	6.90	6.39	74.92	73.56	5.30
Mexico	-0.20	6.30	3.40	4.20	7.49	20.55	21.37	4.90
Brazil	-0.10	5.20	2.30	13.20	12.25	5.63	5.78	6.90

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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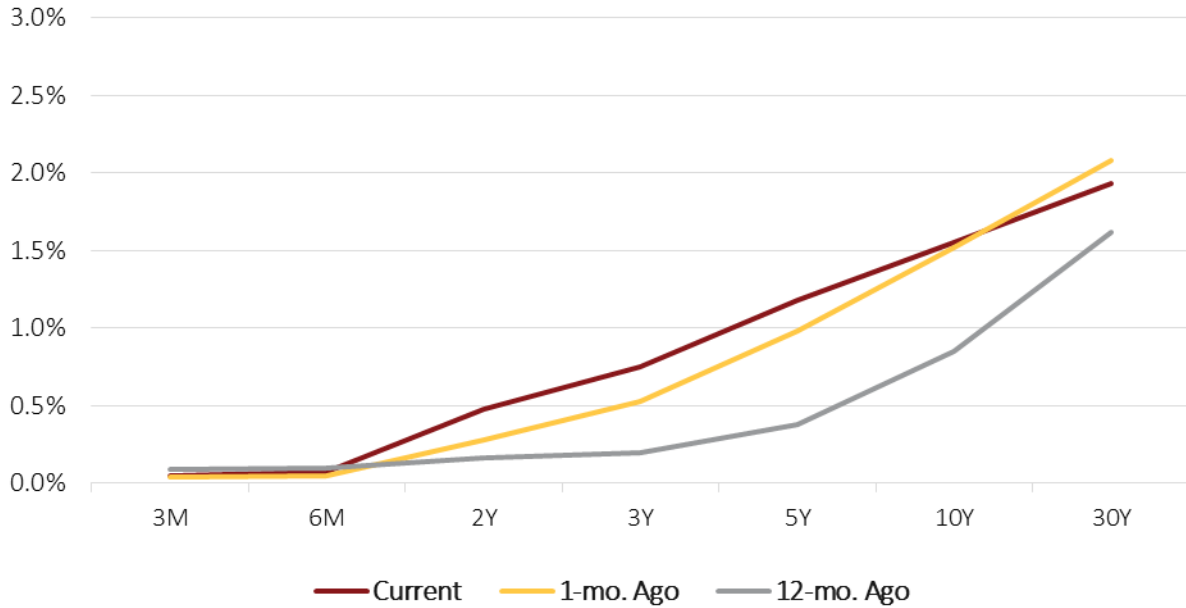
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U.S. Treasury Yield Curves

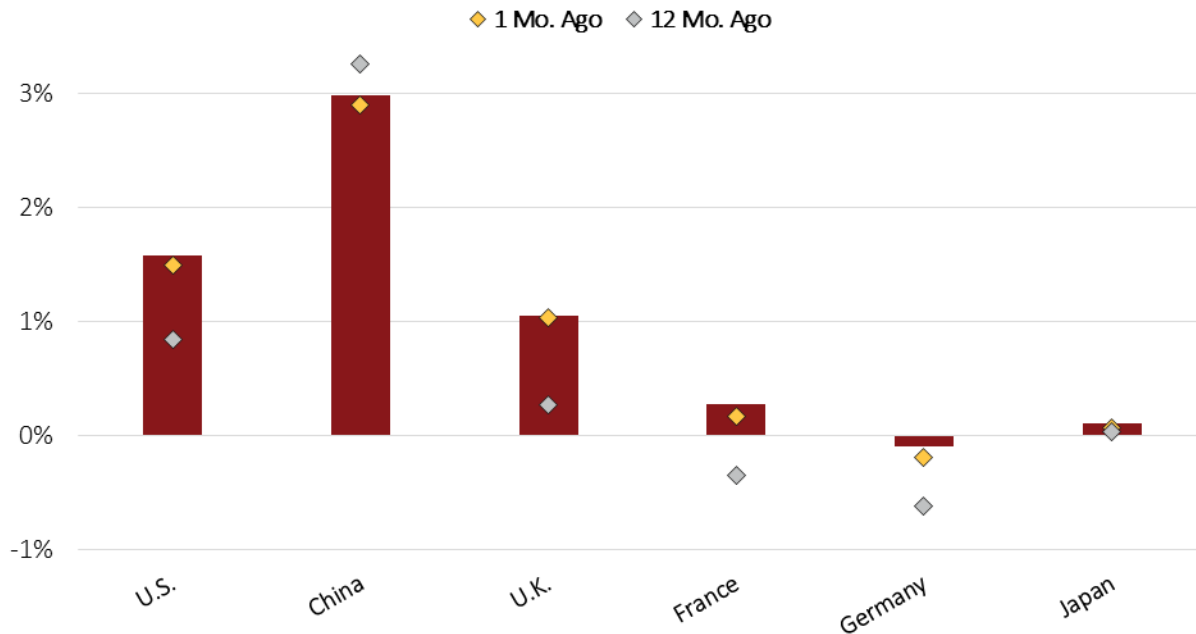
as of 10/31/2021



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 10/31/2021 (most recently available)



Source: Trading Economics

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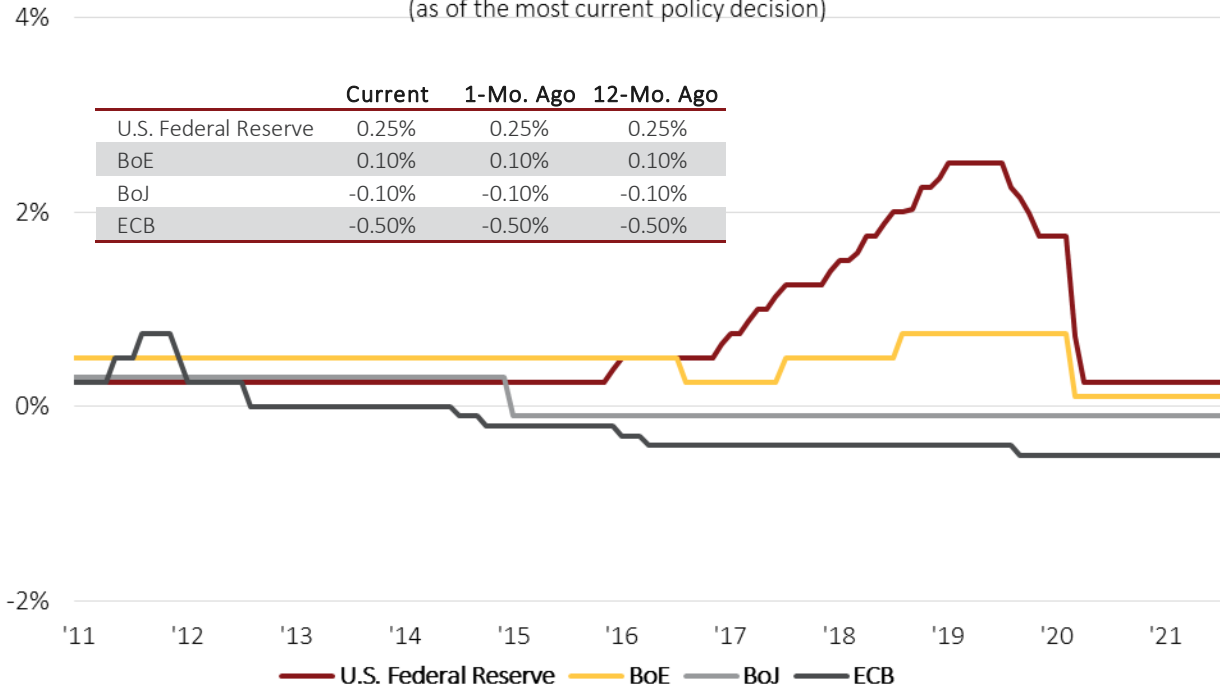
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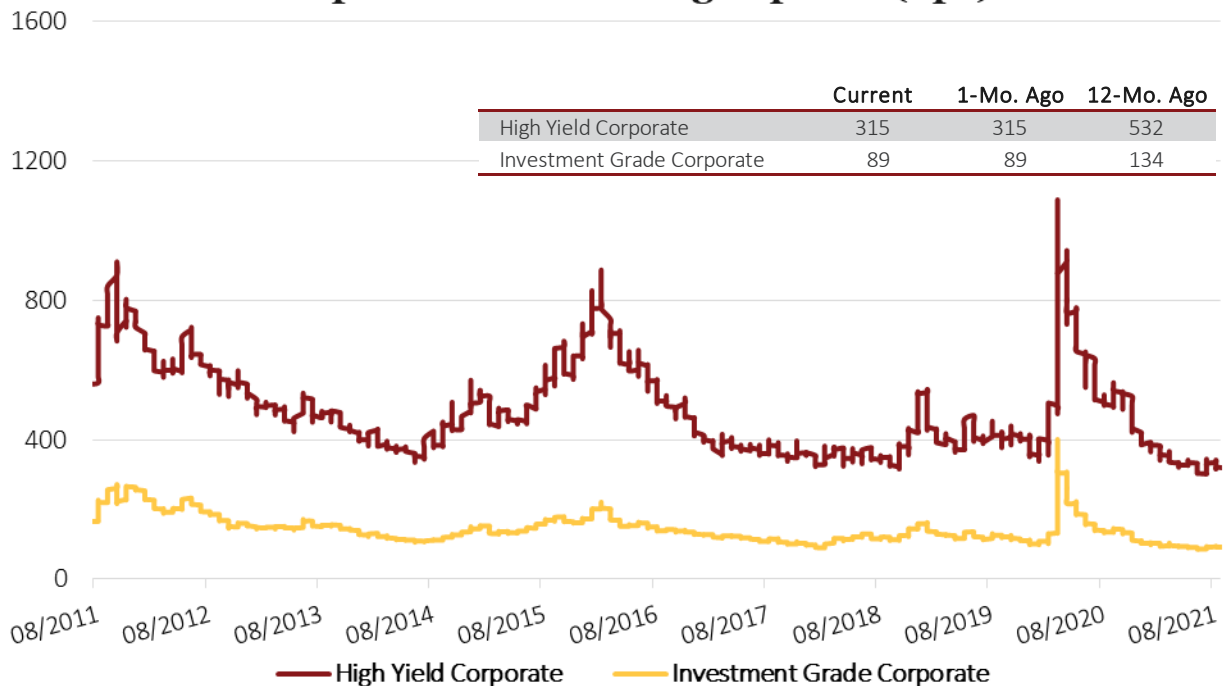
Central Bank Policy Rates

(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