

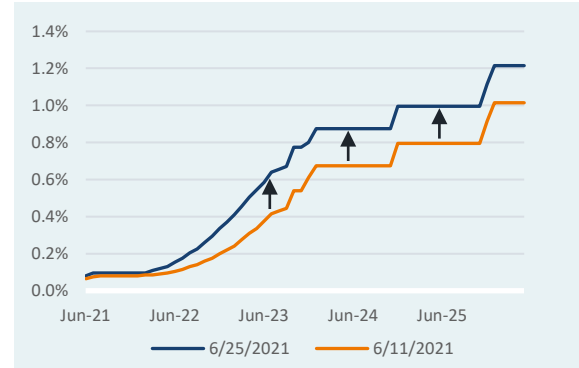
# Capital Markets Snapshot

June 14<sup>th</sup> to June 25<sup>th</sup>, 2021

## U.S. Economy

- Fed officials made a hawkish messaging pivot and appeared to shift their focus from the risk of not achieving an expeditious labor market recovery to the risk of inflation running too hot, though they remained of the view that price increases will be transitory.
- The median expectation of Fed officials for the number of rate hikes which will take place by the end of 2023 increased from zero to two. The market is pricing in between two and three hikes.
- Core PCE growth picked up from 3.1% YoY in April to 3.4% in May, meeting expectations. Rent prices have started to pick up again, which could provide a degree of sustainability to higher inflation.

## IMPLIED FED FUNDS RATE TRAJECTORY



Source: Bloomberg, as of 6/25/21

## U.S. Markets

- The shift in tone from Fed officials and concerns that the Fed might hike interest rates earlier than previously expected led to a decline in longer-term growth and inflation expectations, and longer-dated U.S. Treasury yields declined precipitously.
- The spread between the 30-year Treasury yield and the 5-year Treasury yield compressed from 1.40% to 1.23%, the lowest level since last November. The 30-year breakeven inflation rate remained at 2.3%, while the five-year rate rose from 2.4% to 2.5%.
- Within U.S. equities, growth rebounded relative to value, driven by tech (NASDAQ 100 +2.5%). The S&P 500 Index gained 0.8%.

## 30Y-5Y TERM SPREAD

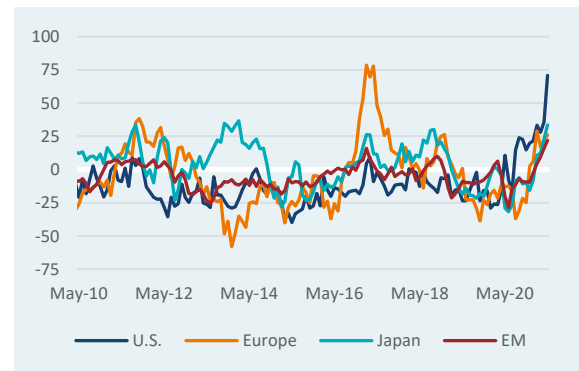


Source: Bloomberg, as of 6/25/21

## International Economy

- Concerns over the more-virulent delta variant of the coronavirus loomed over the summer outlook, specifically within countries with lesser access to mRNA vaccines, where officials have had to respond to small increases in cases with more draconian policies.
- The Bank of England kept policy unchanged, but their warning against “premature tightening” surprised some analysts which had been expecting a more hawkish tone. The pound sterling slumped on the news and depreciated -1.6% against the dollar.
- Inflation readings around the world continued to beat estimates – several EM central banks have begun hiking their key rates.

## INFLATION SURPRISE INDICES



Source: Citi, Bloomberg, as of 5/31/21

## International Markets

- U.S. equities (+0.8%) significantly outperformed emerging market (-0.1%) and international developed equities (-0.9%), in U.S. dollar terms, primarily due to a resurgence in the greenback.
- Relatively hawkish language from Fed officials compared to commentary from ECB and BOE officials sparked a rally in the U.S. dollar. The Bloomberg Dollar Spot Index returned +1.2%.
- The Bloomberg Commodity Index declined -2.7%, reducing year-to-date gains to +18.5%. The Energy sector (+4.5%) provided some support but was unable to offset material losses in corn (-15.8%), soybeans (-11.7%), gold (-5.4%), and copper (-5.6%).

## BLOOMBERG DOLLAR SPOT INDEX



Source: Bloomberg, as of 6/25/21

Verus<sup>77</sup>

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# Capital Markets Snapshot

## MARKET PERFORMANCE

	Last Two Weeks 6/14/2021 - 6/25/2021		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
<b>Equities</b>								
S&P 500 TR USD	0.84	11.49	1.92	9.03	8.11	11.44	14.79	13.79
Russell 2000 TR USD	-0.02	19.12	2.95	16.68	5.33	18.78	18.71	23.82
MSCI ACWI NR USD	0.38	9.39	1.56	7.53	7.65	9.33	12.57	11.27
MSCI EAFE NR USD	-0.94	13.24	0.44	10.03	6.84	11.61	10.55	12.09
MSCI EM NR USD	-0.06	10.00	0.45	11.27	5.34	11.62	7.75	16.02
<b>Fixed Income</b>								
Barclays US Treasury US TIPS TR USD	-0.10	6.03	0.14	5.39	2.78	4.19	1.26	4.91
Barclays US Treasury TR USD	-0.42	4.14	0.19	3.77	1.29	3.14	-3.02	3.79
Barclays Long Term US Treasury TR USD	-0.16	15.52	2.03	12.98	4.87	10.45	-9.30	12.56
Barclays US Agg Bond TR USD	-0.30	3.64	0.30	3.34	1.42	2.84	-2.00	3.35
Barclays US Credit TR USD	-0.16	5.01	0.89	4.63	2.69	4.06	-1.88	4.76
Barclays High Yield Corporate TR USD	0.29	0.93	1.07	0.91	2.47	1.33	3.34	1.78
JPM EMBI Global Diversified TR USD	-0.60	2.50	0.66	2.89	3.99	3.10	-0.73	4.27
<b>Other</b>								
Bloomberg Commodity TR USD	-2.69	20.53	-0.42	17.76	10.78	14.43	18.45	14.64
Wilshire US REIT TR USD	-1.48	17.40	4.54	16.37	14.46	14.67	24.54	15.79
MSCI Currency Factor Mix ER USD	0.36	1.92	-0.14	1.71	-0.15	2.05	0.81	1.87

Source: Morningstar, Data as of last available market close,  
Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
06/15/21	EC	Trade Balance SA	M	Apr	15.0b	9.4b	-2.6
06/15/21	US	Retail Sales Advance MoM	M	May	-0.8%	-1.3%	-0.7
06/15/21	US	PPI Final Demand YoY	M	May	6.2%	6.6%	2.1
06/15/21	US	PPI Ex Food and Energy YoY	M	May	4.8%	4.8%	0.0
06/15/21	US	NAHB Housing Market Index	M	Jun	83.0	81.0	-2.0
06/16/21	US	Interest Rate on Excess Reserves	D	17-Jun	0.10%	0.15%	3.0
06/17/21	US	Philadelphia Fed Business Outlook	M	Jun	31.0	30.7	-0.1
06/22/21	US	Existing Home Sales	M	May	5.73m	5.80m	1.0
06/23/21	US	New Home Sales	M	May	865k	769k	-3.6
06/24/21	UK	BOE Gilt Purchase Target	M	Jun	875b	875b	--
06/24/21	US	Advance Goods Trade Balance	M	May	-\$87.5b	-\$88.1b	-0.3
06/24/21	US	Durable Goods Orders	M	May P	2.8%	2.3%	-0.7
06/25/21	US	Personal Income	M	May	-2.5%	-2.0%	0.4
06/25/21	US	Personal Spending	M	May	0.4%	0.0%	-1.4
06/25/21	US	PCE Core Deflator YoY	M	May	3.4%	3.4%	0.0

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
06/28/21	US	Dallas Fed Manf. Activity	M	Jun	34.9	32.5	1.5
06/29/21	GE	CPI EU Harmonized YoY	M	Jun P	2.4%	2.1%	0.2
06/29/21	US	S&P CoreLogic CS 20-City YoY NSA	M	Apr	13.3%	14.9%	0.4
06/29/21	US	Conf. Board Consumer Confidence	M	Jun	117.2	119.0	2.0
06/30/21	EC	CPI Core YoY	M	Jun P	1.0%	0.9%	0.1
07/01/21	EC	Unemployment Rate	M	May	8.0%	8.0%	0.1
07/01/21	US	ISM Manufacturing	M	Jun	61.2	61.0	0.7
07/01/21	US	ISM Prices Paid	M	Jun	88.0	86.0	1.7
07/02/21	EC	PPI YoY	M	May	7.6%	9.5%	0.3
07/02/21	US	Change in Nonfarm Payrolls	M	Jun	559k	700k	111.6
07/02/21	US	Unemployment Rate	M	Jun	5.8%	5.7%	0.1
07/02/21	US	Average Hourly Earnings YoY	M	Jun	2.0%	3.6%	0.2
07/02/21	US	Labor Force Participation Rate	M	Jun	61.6%	61.7%	0.1
07/02/21	US	Trade Balance	M	May	-\$68.9b	-\$71.3b	1.2
07/06/21	US	ISM Services Index	M	Jun	64.0	63.5	1.1

Source: Bloomberg



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