



**PERSPECTIVES  
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ENTERPRISE  
SUCCESS**

JULY 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- U.S. GDP rose at an annualized quarterly rate of 6.5% in Q2 (+12.2% YoY), bringing it past the high-water mark set before the pandemic. The overall increase was bolstered by the consumer, as personal expenditures rose 11.8%, and the personal savings rate dipped from 20.8% to 10.9%. This indicates Americans are likely spending cash saved during the pandemic.
- The July jobs report surprised to the upside and added 943,000 non-farm payrolls, exceeding economists' forecasts by roughly 73,000. Average hourly earnings also increased by 0.4% for the month, up 4% year-over-year as inflationary pressures continue to be a concern.
- The headline unemployment rate dropped to 5.4% in July and the labor force participation rate ticked up to 61.7%. The U.S. Job market remains a key barometer on economic recovery as the Fed monitors whether “substantial further progress” in the labor market might warrant changes to monetary policy.

## U.S. EQUITIES

- The S&P 500 (+2.4%) outperformed the NASDAQ (+1.9%) with tailwinds from real estate, and healthcare. Almost half of the relative outperformance can be explained by the S&P 500 having a large relative underweight to Amazon stock which posted a lackluster return of -3.3% for the month.
- In July, the S&P 500 posted seven new daily highs. The index has managed to post at least one new daily high in every month since November of 2020.
- All 11 S&P 500 major GICS sectors have reported positive earnings growth year-over-year, led by the sectors hit hardest by the pandemic such as industrials and energy.

## U.S. FIXED INCOME

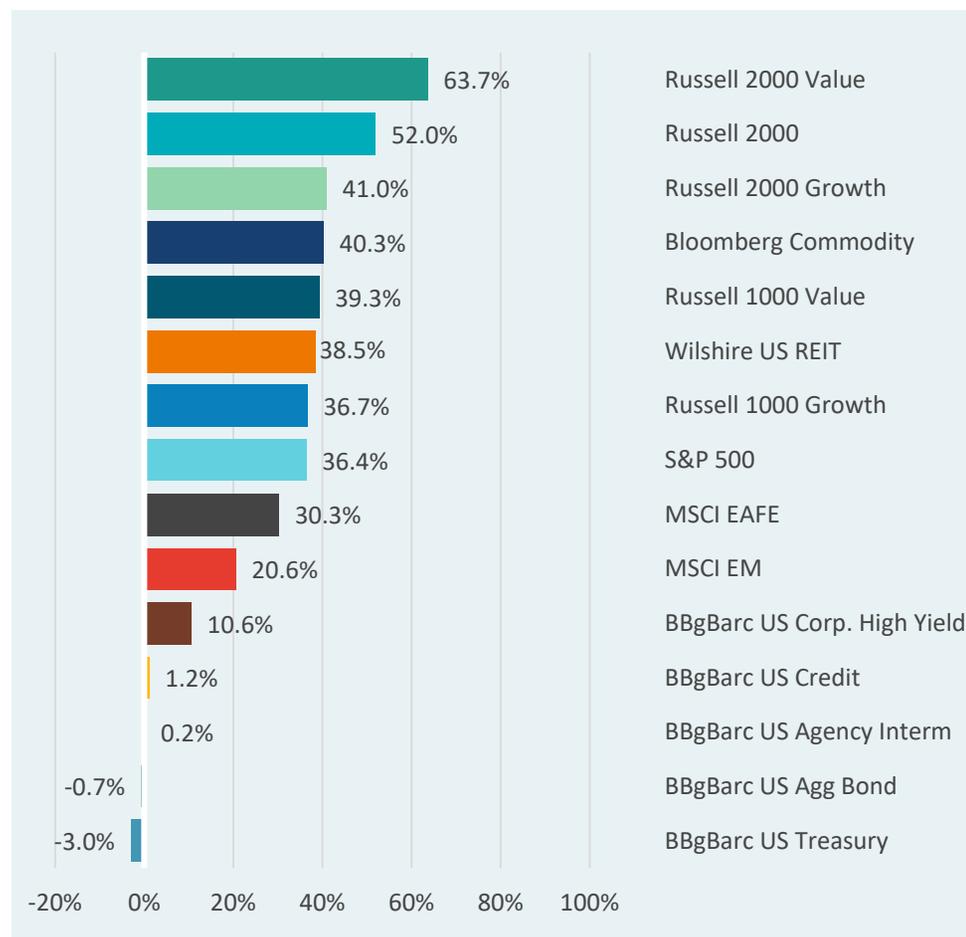
- The Federal Open Market Committee held the fed funds range at 0.00% - 0.25%, as expected. Chairman Jerome Powell reiterated that the economic recovery has been strong, but that “substantial further progress” is needed before the Fed will begin to tighten policy.
- The long end of the curve flattened and the yield on the 30-year Treasury fell 17 basis points. This move came as a surprise for many because positive labor market data tends to place upward pressure on interest rates. Uncertainty surrounding the increased spread of the Delta variant might have played a role in the move.
- As yields dropped, longer duration bond indexes outperformed most risk assets over the month (BBgBarc US Treasury Long +3.6%).

## INTERNATIONAL MARKETS

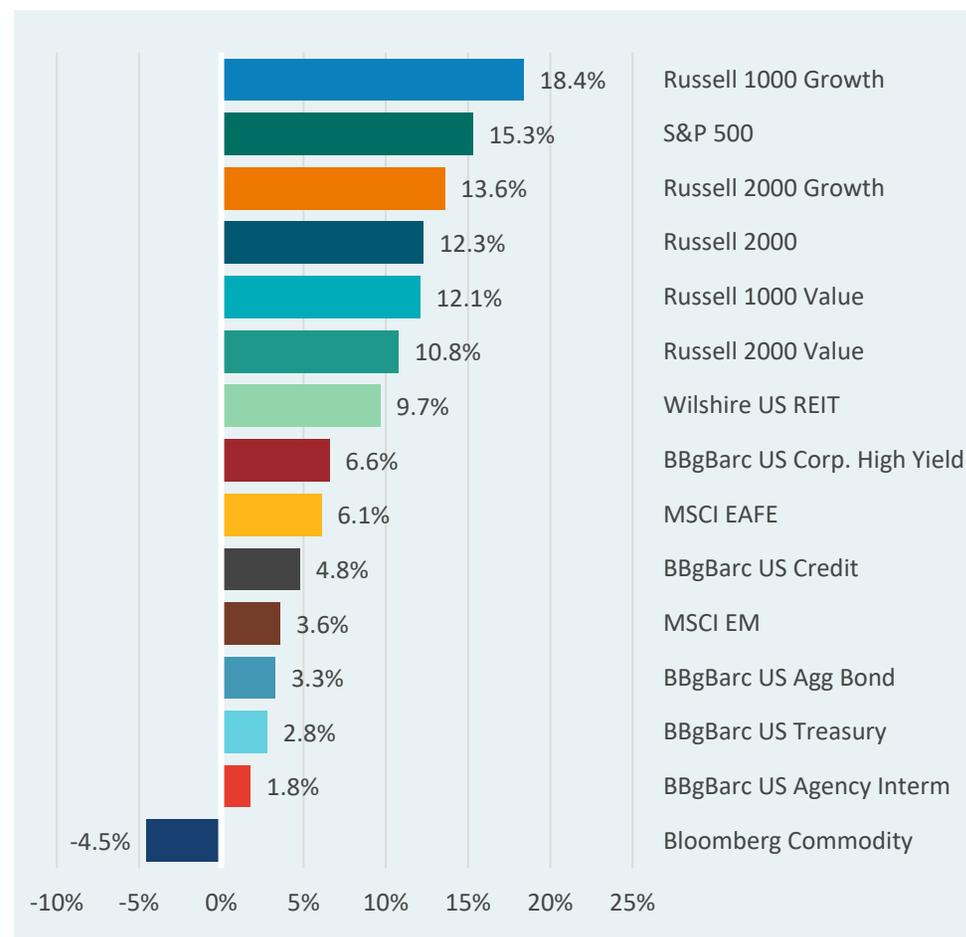
- The Covid-19 Delta variant has spread quickly around the world. The CDC has warned that this new strain is more contagious and may pose greater risks. A report from the Israeli Health Ministry found that the Pfizer vaccine is just 39% effective at preventing infection, though it remains 88% effective against hospitalization and 91% effective against severe virus illnesses.
- For the month of July, the Shanghai Composite Index fell -5.4%. The Hong Kong market experienced even sharper losses, at -9.9% during the month.
- The slide in Chinese markets was likely fueled by economic measures to curb Delta variant spread, as well as the potential for new government regulation which has led many U.S. funds to offload their China holdings.

# Major asset class returns

ONE YEAR ENDING JULY



TEN YEARS ENDING JULY



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 7/31/21

Source: Morningstar, as of 7/31/21

# U.S. large cap equities

- The S&P 500 rose +2.4% as earnings continued to rebound. With 59% of companies reporting as of July, blended earnings grew 85.1% year-over-year. The industrial sector was a big contributor to S&P 500 profits as airlines, hotels and restaurants began to report positive year-over-year earnings numbers.
- The forward one-year P/E ratio fell over the month from 21.3 to 21.0. The S&P 500 price multiple has fallen every month for the last four months. Higher stock prices have been backed by earnings gains. As earnings rise faster than prices, this has resulted in a moderation of price-to-earnings multiples.
- Only two of the 11 S&P 500 GICS sectors posted negative performance in July. The top contributors to overall index performance were the healthcare (+4.9%) and information technology (+3.9%) sectors. The energy (-8.3%) and financials (-0.4%) sectors lagged the overall index.
- The Cboe VIX Index started the month hitting year-to-date lows of 15.1, before rising to 22.5, coinciding with a mid-month selloff surrounding uncertainty over increases in Delta variant cases. The index closed the month elevated and closely in line with the 100-day moving average of 18.3.

## S&P 500 PRICE INDEX



Source: Bloomberg, as of 7/31/21

## IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 7/31/21

## S&P 500 VALUATION SNAPSHOT

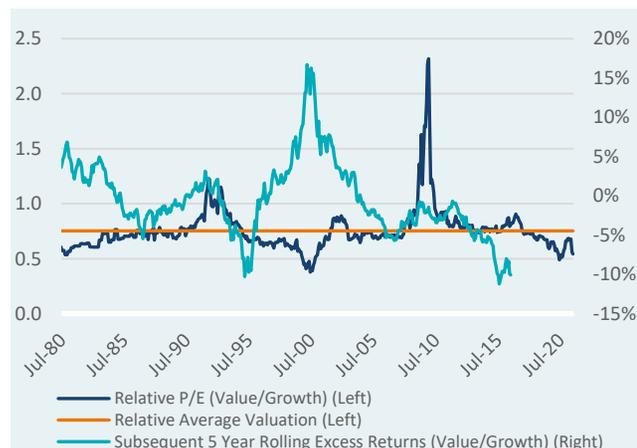


Source: Bloomberg, as of 7/31/21

# Domestic equity size and style

- Large-cap equities (Russell 1000 +2.1%) outperformed small-cap stocks (Russell 2000 -3.6%). Large-caps have outperformed small-caps for four consecutive months. Despite every sector in the Russell 1000 outperforming the Russell 2000, outperformance was concentrated in the larger health care companies, which posted 11.9% outperformance over small-cap peers.
- Large-cap stocks delivered a Sharpe Ratio 45% higher than small-cap stocks over the 3-year period, meaning large-cap stocks have provided superior risk-adjusted returns over the period.
- Growth stocks (Russell 3000 Growth +2.8%) outperformed value stocks (Russell 3000 Value +0.5%) in July. Growth's outsized rise in price was reflective of a poor month for value-tilted sectors such as energy and financials, which acted as a headwind.
- The S&P 500 Low Volatility Index includes one hundred of the least volatile stocks over the past 12-month period and is weighted by the volatility of each stock. The S&P 500 Low Volatility Index outperformed the S&P 500 by 1.2% in July, as investors were not as compensated for holding riskier stocks.

**VALUE VS. GROWTH RELATIVE VALUATIONS**



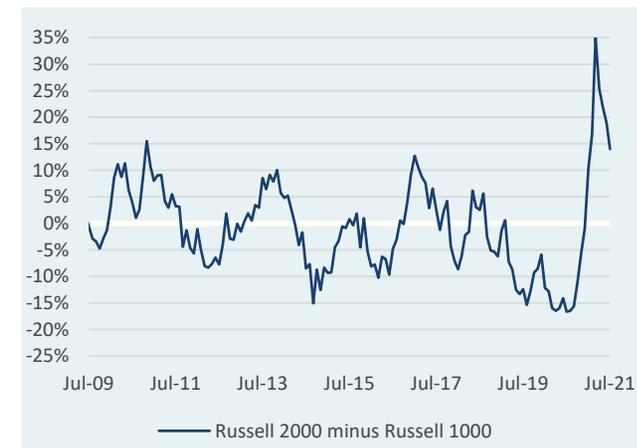
Source: FTSE, Bloomberg, as of 7/31/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 7/31/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

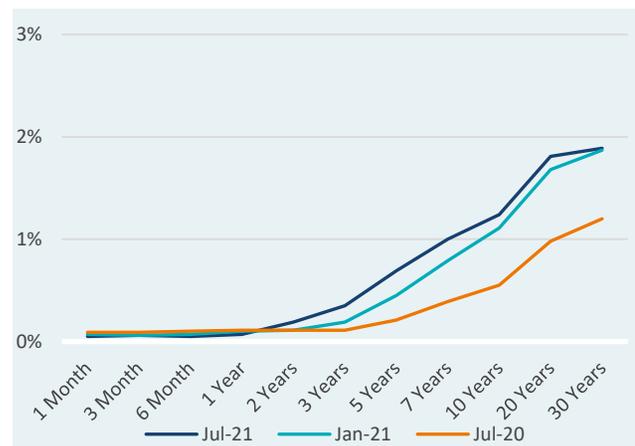


Source: FTSE, Bloomberg, as of 7/31/21

# Fixed income

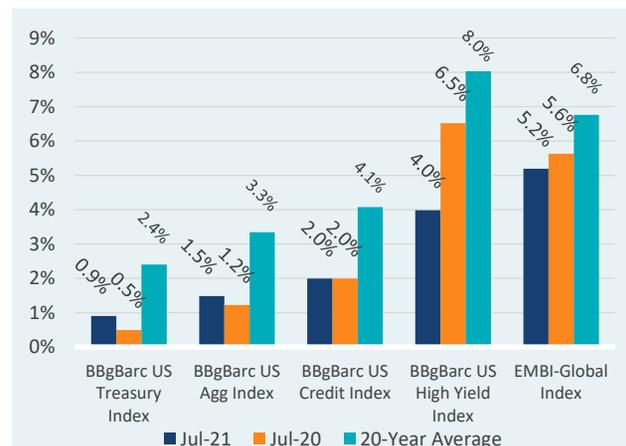
- 10-year TIPS breakeven inflation rate rose 10 basis points over the month, while the yield on the 10-year Treasury fell 21 basis points. Both movements boosted the performance of U.S. Treasury Inflation-Protected Securities (BBgBarc US TIPS +2.7%), which outperformed most other fixed income asset classes over the month.
- In July, the dollar rose +0.5% against a basket of emerging market currencies, which was a slight reversal from the 10.5% depreciation that occurred from March through mid-June.
- The European Central Bank set a new inflation target in its most recent policy review to a symmetric 2%, which will allow for overshoots when deemed necessary. In a recent statement, the ECB reiterated that it expects to keep interest rates “at their present or lower levels until it sees inflation reaching 2%, with a transitional period above 2% allowed”.
- The Bank of England left its monetary policy unchanged at a historically low rate of 0.1%. Policymakers also voted to keep the quantitative easing program in place despite inflation forecasts of 4% by year end considerably above its 2% target.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 7/31/21

**NOMINAL YIELDS**



Source: Morningstar, as of 7/31/21

**BREAKEVEN INFLATION RATES**

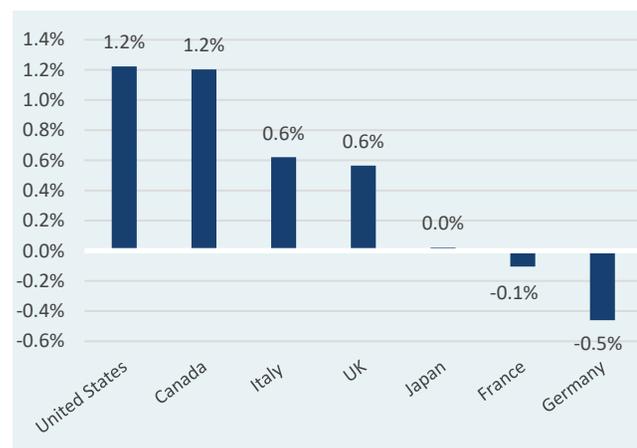


Source: Bloomberg, as of 7/31/21

# Global markets

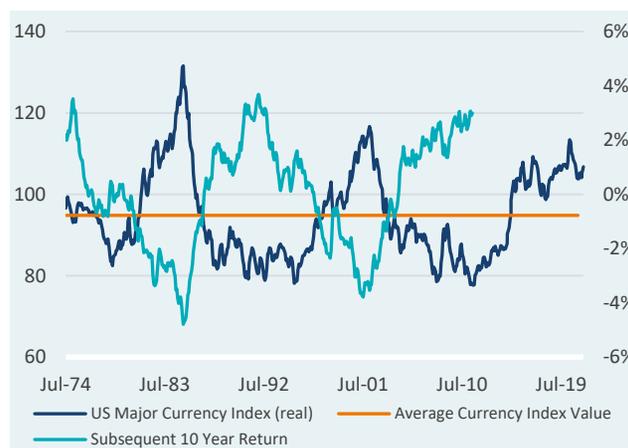
- Developed market equities (MSCI EAFE +0.8%) performed similarly to global equities (MSCI ACWI +0.7%) over the month. Global equities were weighed down by the material underperformance of emerging market equities (MSCI EM -6.7%).
- Within the MSCI EM Index, Asian companies (MSCI EM Asia -6.7%) underperformed Latin American companies in U.S. dollar terms (MSCI EM Latin American -4.1%). Asian equities sold off over the month following the delisting of several Chinese tech companies.
- According to a survey by the International Monetary Fund, world GDP is expected to grow 6.0% in 2021, and 4.9% in 2022, revised upward from the October 2020 report 0.8% and 0.2%, respectively.
- The U.S. and China met for the first time since March. The meeting concluded with criticisms from both sides as Chinese officials stated that the U.S.-China relationship is “in a stalemate and faces serious difficulties”. The Biden administration has broadly maintained the previous administration’s tough stance and is working with U.S. allies to put pressure on China.

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



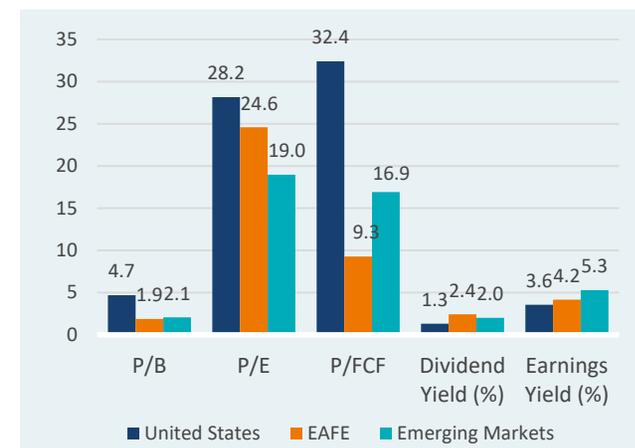
Source: Bloomberg, as of 7/31/21

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 7/31/21

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 7/31/21

# Commodities

- The Bloomberg Commodity Index rose +1.8% over the month of July. The index was helped higher by the heavily weighted energy (+3.8%) and industrial metals (+4.0%) sectors, while the grains (-3.7%) component weighed on the performance of the overall commodity index.
- The Bloomberg Energy Sub-Index (+3.8%) finished the month higher, supported by natural gas (+10.7%). WTI Crude Oil saw a -8.9% sell off mid-month, surrounded by concerns over a Delta variant that may weigh on demand. Prices were likely pressured further by Saudi Arabia which reached agreement with the UAE to allow monthly supply hikes of 400,000 barrels per day.

- The Industrial Metals Sub-Index (+4.0%) was the top performing sub-index within the commodities basket. The biggest component of the sub-index, copper (+4.5%) contributed most to returns. The smallest weighted component of the sub-index, nickel (+7.3%), was the second largest contributor to overall returns.
- The Grains Sub-Index (-3.7%) was weighed down by falling corn prices (-12.2%). The U.S. Court of Appeals ruled in favor of a lawsuit from an oil refining group that challenged a trump-era rule that let the EPA lift its ban on summertime sales of corn-based fuels like ethanol. Corn farmers could experience \$1 billion in lost sales revenues.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	1.8	1.8	23.4	40.3	5.3	3.9	(4.5)
Bloomberg Agriculture	(1.0)	(1.0)	19.3	58.0	9.2	1.7	(3.5)
Bloomberg Energy	3.8	3.8	50.1	56.9	(8.0)	(0.9)	(11.8)
Bloomberg Grains	(3.7)	(3.7)	16.0	60.2	7.9	2.2	(3.5)
Bloomberg Industrial Metals	4.0	4.0	22.2	45.2	10.7	11.2	(1.7)
Bloomberg Livestock	(0.3)	(0.3)	8.5	20.0	(5.4)	(3.1)	(4.3)
Bloomberg Petroleum	2.4	2.4	51.9	75.8	(4.6)	5.8	(7.6)
Bloomberg Precious Metals	1.2	1.2	(4.6)	(6.5)	13.1	4.2	(1.3)
Bloomberg Softs	6.2	6.2	24.2	39.5	7.6	(3.3)	(7.6)

Source: Morningstar, as of 7/31/21

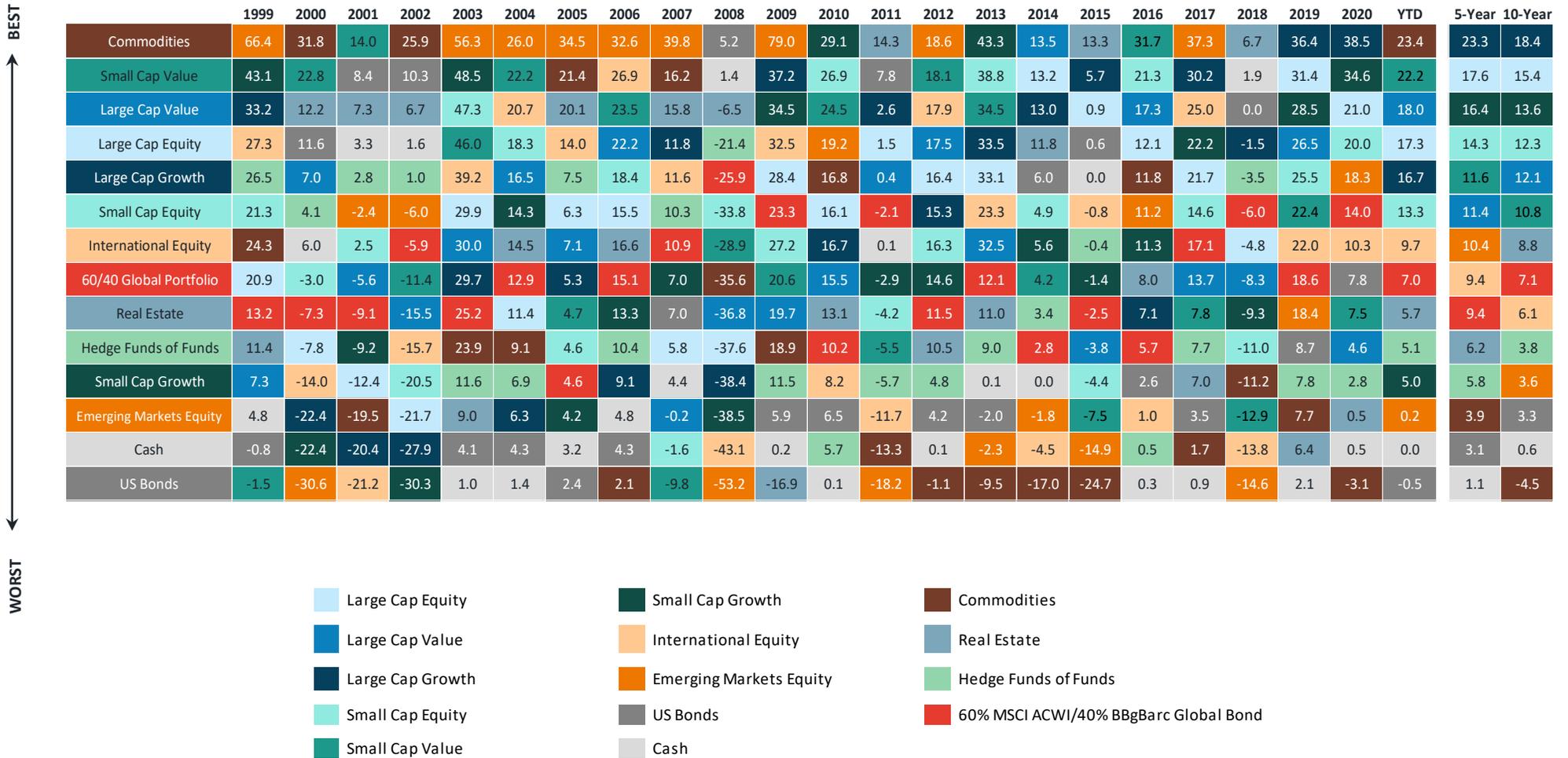
## COMMODITY PERFORMANCE



Source: Bloomberg, as of 7/31/21

# Appendix

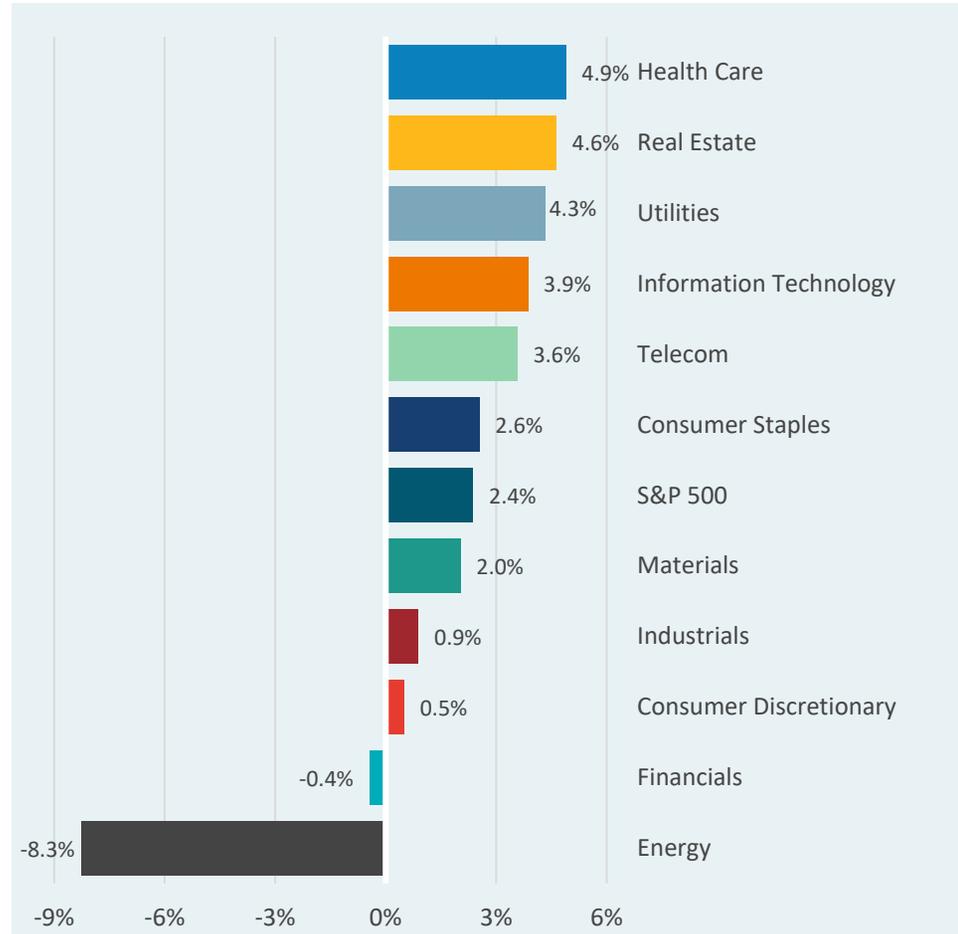
# Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 6/30/21.

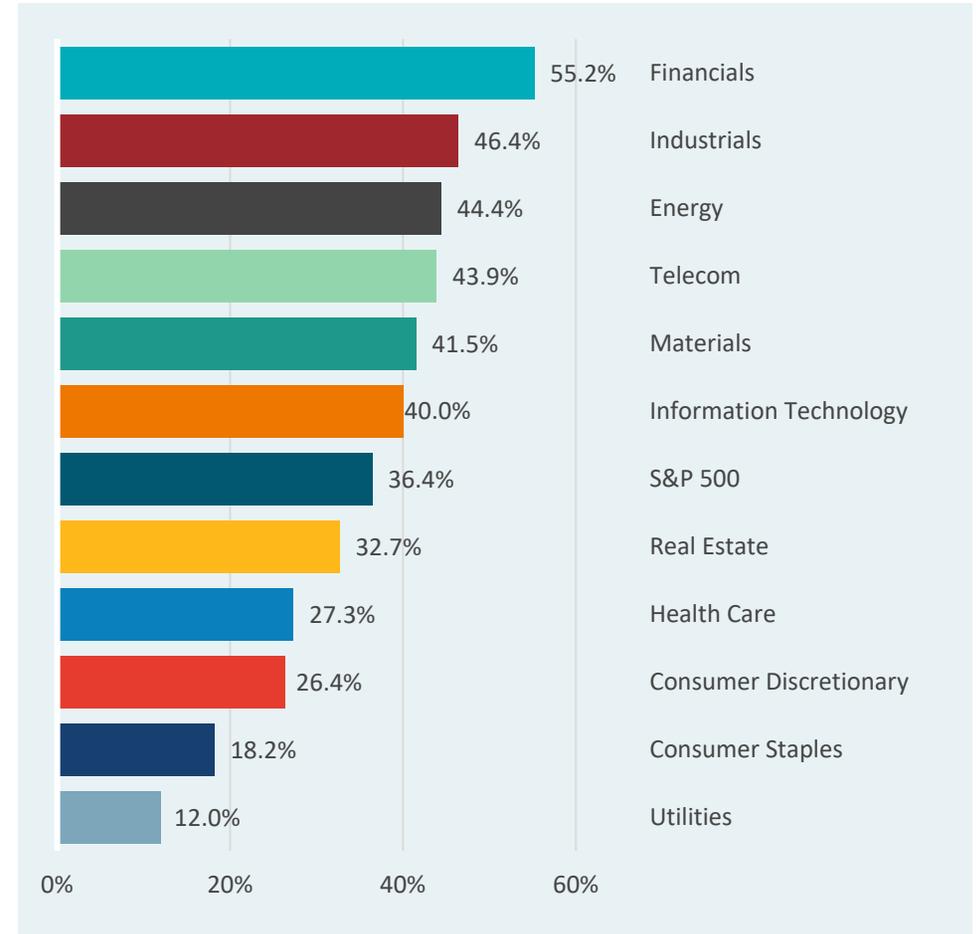
# S&P 500 sector returns

QTD



Source: Morningstar, as of 7/31/21

ONE YEAR ENDING JULY



Source: Morningstar, as of 7/31/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	2.4	2.4	18.0	36.4	18.2	17.3	15.3
S&P 500 Equal Weighted	1.3	1.3	20.7	45.6	15.7	15.0	14.3
DJ Industrial Average	1.3	1.3	15.3	34.8	13.7	16.3	13.9
Russell Top 200	2.6	2.6	17.4	36.4	19.7	18.7	16.0
Russell 1000	2.1	2.1	17.3	38.0	18.6	17.6	15.4
Russell 2000	(3.6)	(3.6)	13.3	52.0	11.5	14.3	12.3
Russell 3000	1.7	1.7	17.1	38.7	18.1	17.4	15.2
Russell Mid Cap	0.8	0.8	17.1	42.6	15.8	14.8	13.7
<b>Style Index</b>							
Russell 1000 Growth	3.3	3.3	16.7	36.7	25.3	23.3	18.4
Russell 1000 Value	0.8	0.8	18.0	39.3	11.3	11.4	12.1
Russell 2000 Growth	(3.6)	(3.6)	5.0	41.0	13.9	16.4	13.6
Russell 2000 Value	(3.6)	(3.6)	22.2	63.7	8.3	11.6	10.8

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	0.7	0.7	13.1	33.2	13.7	13.8	10.2
MSCI ACWI ex US	(1.6)	(1.6)	7.4	27.8	7.9	9.6	5.4
MSCI EAFE	0.8	0.8	9.7	30.3	7.7	9.4	6.1
MSCI EM	(6.7)	(6.7)	0.2	20.6	7.9	10.4	3.6
MSCI EAFE Small Cap	1.7	1.7	10.9	38.7	8.8	11.1	8.7
<b>Style Index</b>							
MSCI EAFE Growth	1.7	1.7	8.6	27.5	12.3	11.8	8.0
MSCI EAFE Value	(0.2)	(0.2)	10.4	32.9	2.7	6.7	4.1
<b>Regional Index</b>							
MSCI UK	0.9	0.9	13.5	30.6	1.9	5.3	3.8
MSCI Japan	(1.3)	(1.3)	(0.0)	25.2	6.6	8.5	6.6
MSCI Europe	1.0	1.0	(0.2)	0.4	5.9	3.5	3.7
MSCI EM Asia	(8.1)	(8.1)	(2.6)	18.2	9.7	12.3	6.1
MSCI EM Latin American	(4.1)	(4.1)	4.5	25.3	0.6	3.9	(2.5)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US TIPS	2.7	2.7	4.4	6.9	7.6	4.5	3.3
BBgBarc US Treasury Bills	0.0	0.0	0.0	0.1	1.3	1.2	0.7
BBgBarc US Agg Bond	1.1	1.1	(0.5)	(0.7)	5.7	3.1	3.3
BBgBarc US Universal	1.0	1.0	(0.2)	0.4	5.9	3.5	3.7
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	0.2	0.2	0.1	0.1	2.8	1.7	1.2
BBgBarc US Treasury Long	3.6	3.6	(4.6)	(11.1)	9.8	3.4	6.6
BBgBarc US Treasury	1.4	1.4	(1.3)	(3.0)	5.3	2.3	2.8
<b>Issuer</b>							
BBgBarc US MBS	0.6	0.6	(0.1)	0.0	4.0	2.4	2.6
BBgBarc US Corp. High Yield	0.4	0.4	4.0	10.6	7.2	7.0	6.6
BBgBarc US Agency Interm	0.5	0.5	(0.0)	0.2	3.5	2.0	1.8
BBgBarc US Credit	1.3	1.3	0.0	1.2	7.6	4.6	4.8

## OTHER

<b>Index</b>							
Bloomberg Commodity	1.8	1.8	23.4	40.3	5.3	3.9	(4.5)
Wilshire US REIT	5.1	5.1	29.0	38.5	11.7	6.5	9.7
CS Leveraged Loans	(0.0)	(0.0)	3.5	9.6	4.1	4.7	4.5
Alerian MLP	(6.3)	(6.3)	38.5	59.3	(5.3)	(3.4)	0.8
<b>Regional Index</b>							
JPM EMBI Global Div	0.4	0.4	(0.3)	4.1	6.0	4.6	5.5
JPM GBI-EM Global Div	(0.4)	(0.4)	(3.8)	3.0	3.3	3.0	0.3
<b>Hedge Funds</b>							
HFRI Composite	0.4	0.4	10.5	24.3	8.7	7.6	5.1
HFRI FOF Composite	0.2	0.2	5.1	15.9	6.3	5.8	3.8
<b>Currency (Spot)</b>							
Euro	(0.0)	(0.0)	(3.1)	0.3	0.4	1.2	(1.9)
Pound Sterling	0.6	0.6	1.7	5.9	2.0	0.9	(1.6)
Yen	1.1	1.1	(5.9)	(3.7)	0.7	(1.4)	(3.5)

Source: Morningstar, HFRI, as of 7/31/21

# Detailed private market returns

## Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	48.2	19.3	15.9	12.6
Global Private Equity Direct Funds *	58.5	22.9	20.0	15.2
U.S. Private Equity Direct Funds *	61.1	25.1	20.9	16.6
Europe Private Equity Direct Funds *	51.8	19.5	20.0	12.7
Asia Private Equity Direct Funds *	54.3	20.0	17.9	14.6

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
MSCI World	54.0	12.8	13.4	9.9
S&P 500	56.4	16.8	16.3	13.9
MSCI Europe	44.9	5.6	8.2	5.1
MSCI AC Asia Pacific	51.8	8.2	12.2	6.7

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	13.1	7.0	8.5	11.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
FTSE NAREIT Equity REIT	37.8	9.5	5.3	8.6

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	32.0	10.4	11.5	10.4

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P / LSTA U.S. Leveraged Loan 100 Index	15.3	4.1	5.0	3.9

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	19.6	(4.7)	1.7	0.6
Global Infrastructure	16.9	9.1	10.9	9.7

Public Index Time-weighted Returns	1 Year	3 Year	5 Year	10 Year
S&P Global Natural Resources	67.7	5.5	11.4	1.1
S&P Global Infrastructure	37.0	5.7	6.8	6.3

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of March 31<sup>st</sup>, 2021. All returns in U.S. dollars.

\* Includes Buyout, Growth Equity and Venture Capital.

\*\* Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

\*\*\* Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

# Notices & disclosures

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