



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 2.38% in July, its sixth consecutive positive gain.
- Within the S&P, nine out of 11 sectors posted positive returns. Healthcare did best, returning 4.90%. Real Estate followed, returning 4.64%. The Energy sector was the worst performer of the month and returned -8.27%.
- By market capitalization, small-caps (Russell 2000) returned -3.61%, large-caps (Russell 1000 Index), returned 2.08% and mid-caps (Russell Mid Cap Index) returned 0.77%. Growth stocks outperformed value stocks across mid- and large-cap.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned -1.65%. Developed markets, represented by the MSCI EAFE Index, returned 0.75%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned -6.73% in July.
- Within the ACWI ex-U.S. Index, six out of 11 sectors posted negative returns. Materials did best, returning 3.00%, followed by Utilities, returning 1.05%. Consumer Discretionary was the worst performer, returning -5.81%.
- Within the MSCI Emerging Markets Index, North America performed best during the month, returning 2.22%. EM Asia was the worst-performing region during the month, returning -8.11%.

## Fixed Income

- In July, rates further out the curve continued to exhibit declines, while rates shorter than two years remained flat. The Bloomberg Barclays U.S. Aggregate Index (Aggregate) increased 1.12%, extending its gain for the fourth straight month. The 10- and 30-year Treasury rates decreased 21 and 17 basis points (bps) respectively during the month, leading to the broad treasury index gaining 1.36%. Credit spreads widened across the board, a reversal from the prior month. Investment-grade (IG) corporates had another strong month and gained 1.30%. High yield corporates also gained 0.38% during the month. Meanwhile, Agency CMBS (+0.94%) and EM sovereign debt (+0.56%) extended their gains into the third quarter.
- Within the IG credit spectrum, AAA-rated bonds returned 0.89%, AA-rated bonds returned 1.35%, A-rated bonds returned 1.30% and BBB-rated bonds returned 1.35%.

- Yields generally declined across the U.S. Treasury yield curve during the month of July.

## Alternatives and Other Asset Classes

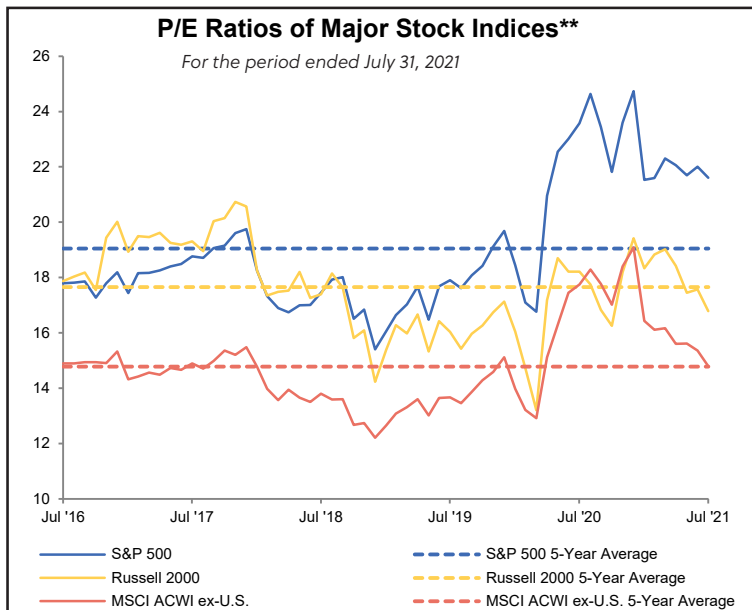
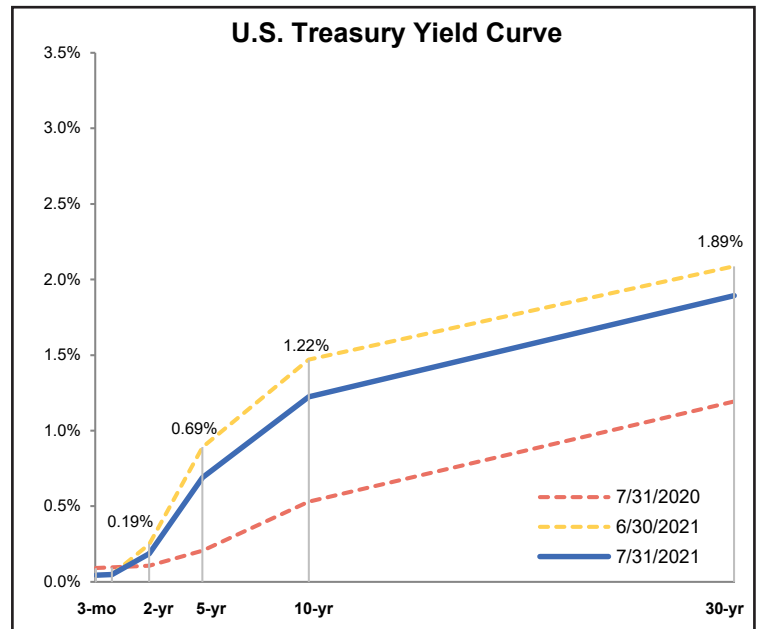
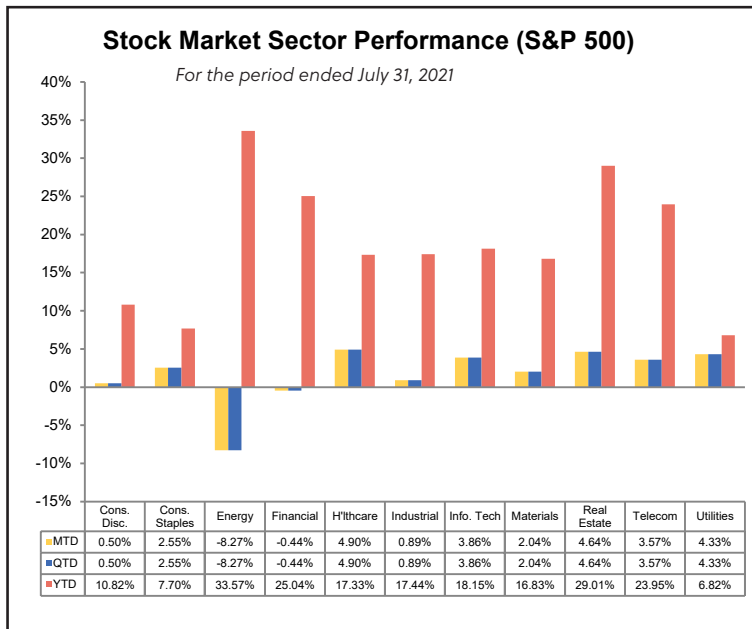
- Real estate investment trusts (REITs) represented by the FTSE NAREIT index rose 4.81% in July. Performance was positive in eight out of nine real estate sectors. Residential did the best, returning 10.86%. The worst performing REIT sector of the month was Lodging/Resorts, returning -5.93%.
- The active contract for West Texas Intermediate (WTI) crude increased to \$73.95/barrel in July from \$73.47/barrel at the end of June. Demand grew faster than supply, and vaccinations are expected to alleviate the impact of a resurgence in COVID-19 infections across the world.

## Items to Watch

- The U.S. economy grew rapidly in the second quarter and exceeded its pre-pandemic size, but the outlook has suddenly turned cloudier due to the fast-spreading Delta coronavirus variant. Virus cases are rising again, particularly in parts of the country where vaccination rates remain low. Gross domestic product (GDP) grew at a 6.5% annual rate in the second quarter, up slightly from a 6.3% growth rate in the first three months of the year. With the Delta variant's fast spread, the U.S. economy remains vulnerable as long as the pandemic persists.
- U.S. household spending bounced back in June as consumers shelled out more on services at the start of the summer, but a current upswing in COVID-19 cases related to the Delta variant is injecting uncertainty into the economic outlook. Personal consumption expenditures increased a seasonally adjusted 1% last month. That followed a downwardly revised 0.1% drop in May, when consumers pulled back on purchases of goods but boosted spending on services.
- The U.S. economy added 943,000 jobs in July, well ahead of the estimate of 845,000 jobs. The unemployment rate dropped to 5.4%, below the estimate of 5.7%. Notable job gains occurred in leisure and hospitality, local government education, and professional and business services.
- In July, expansion in China's factory sector hit the lowest level in nearly a year and a half, with a gauge of activity slipping in the latest sign of slackness of the world's second-largest economy. China's official manufacturing purchasing managers' index dropped to 50.4 in July from 50.9 in June. The recent record rainfall in central China and the Yangtze River Delta triggered flooding and tangled supply chains. Power shortages in some cities held back output.

Total Return of Major Indices as of 07/31/21				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	2.38%	2.38%	17.98%	36.43%
Russell 3000	1.69%	1.69%	17.05%	38.71%
Russell 2000	-3.61%	-3.61%	13.29%	51.94%
Russell 1000	2.08%	2.08%	17.33%	37.95%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-1.65%	-1.65%	7.36%	27.78%
MSCI EAFE	0.75%	0.75%	9.65%	30.31%
MSCI Emerging Markets	-6.73%	-6.73%	0.22%	20.64%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	1.12%	1.12%	-0.50%	-0.70%
Bloomberg Barclays Global Agg	1.33%	1.33%	-1.92%	0.78%
Bloomberg Barclays U.S. HY	0.38%	0.38%	4.01%	10.62%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	4.81%	4.81%	27.82%	39.03%
Bloomberg Commodity	1.83%	1.83%	23.34%	40.19%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	5.4%	5.9%
Initial Jobless Claims (4 week average)	394 K	394.3 K
CB Leading Economic Indicators	0.7	1.2
Capacity Utilization	75.4%	75.1%
GDP (annual growth rate)	6.5%	6.3%
University of Michigan Consumer Confidence	81.2	85.5
New Home Starts	676 K	724 K
Existing Home Sales	5.9 MM	5.8 MM
Retail Sales (YoY)	17.6%	26.0%
U.S. Durable Goods (MoM)	0.9%	3.2%
Consumer Price Index (YoY)	5.4%	5.0%
Producer Price Index (MoM)	1.2%	1.1%
Developed International*	3/31/2021	12/31/2020
Market GDP (annual rate)	-0.3%	-2.0%
Market Unemployment	7.3%	7.5%



Source: Bloomberg. Data as of July 31, 2021, unless otherwise noted.  
 \*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of March 31, 2021 due to release dates of numerous countries.  
 \*\*P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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