



Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 Index	4,327	-1.0%	15.2%
Dow Jones Industrial Average	34,688	-0.5%	13.3%
NASDAQ	14,427	-1.9%	11.9%
Russell 2000 Index	2,163	-5.1%	9.5%
MSCI EAFE Index	2,312	-0.1%	7.7%
10-yr Treasury Yield	1.30%	-0.1%	0.4%
Oil WTI (\$/bbl)	\$71.50	-4.1%	47.4%
Bonds*	\$115.90	0.2%	-1.0%

Source: Bloomberg, FactSet

*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

U.S. Equity Market

- U.S. large cap equities (S&P 500® Index) fell -1.0%, as Federal Reserve Chair Jay Powell's two-day testimony supported market expectations for a purchase-taper announcement later this summer and for tapering to start near year end or early 2022. Consumer and producer prices for June came in hotter than expected, on both the headline and core measures. Growth/defensive stocks outperformed cyclical stocks, as the reflation trade came under another week of scrutiny amid continued attention on the peak growth, peak profit, peak inflation, and peak policy themes. Legislators continued to flesh out both the \$1.2T bipartisan infrastructure bill and the Democrats' \$3.5T budget-reconciliation measure, with key procedural votes coming next week. The dollar was mixed, gold rose +0.2%, and WTI crude oil fell -4.1%.
- Weekly S&P 500 Index sector return:
 - Utilities (+2.6%), consumer staples (+1.3%), and REITs (+0.8%) outperformed, as investors favored defensive sectors.
 - Health care (-0.2%) outperformed, with strength from managed-care stocks, Moderna (+23%), **Danaher** (+2.6%), and **Pfizer** (+1.9%).
 - Communication services (-0.3%) outperformed, with strength from Disney (+1.3%), **Alphabet** (+1.2%), **Verizon** (-0.7%), and AT&T (-0.4%).
 - Information technology (-0.6%) outperformed, led by **Visa** (+4.1%), **Mastercard** (+3.8%), **Microsoft** (+1.0%), Apple (+0.9%), and Adobe (+0.3%).
 - Industrials (-1.5%) underperformed, led lower by airlines despite strong earnings reports.
 - Financials (-1.6%) fell, with weakness from the banks despite strong earnings reports.
 - Materials (-2.4%) underperformed, with weakness in chemicals and industrial metals stocks.
 - Consumer discretionary (-2.6%) underperformed, with weakness from **Amazon** (-3.9%), autos, apparel, and retail stocks.
 - Energy (-7.7%) fell, as oil (WTI) declined -4.1%.

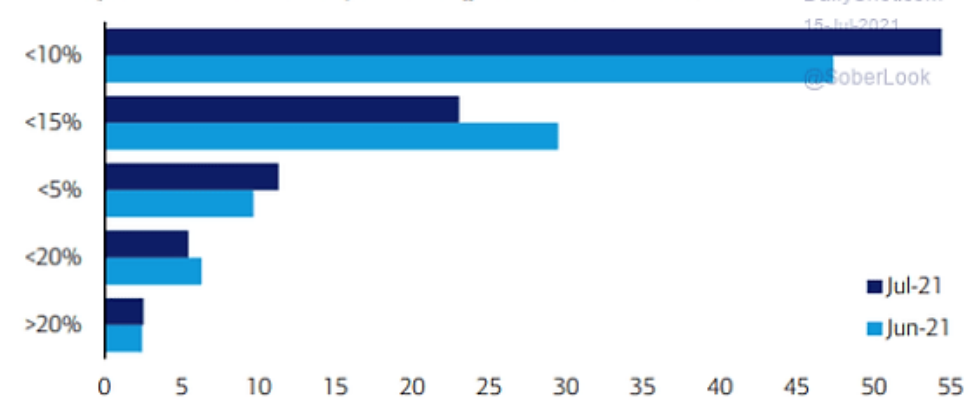


- Stocks that perform well in a rising inflation environment have underperformed recently, despite the upside surprise in the Consumer Price Index (CPI).



- Fund managers are not forecasting a bear market in the next six months.

Chart 12: Only 3% of investors expect a bear market in the next 6 months
What do you think will be the max peak to trough correction for the S&P500 in the next 6 months?



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

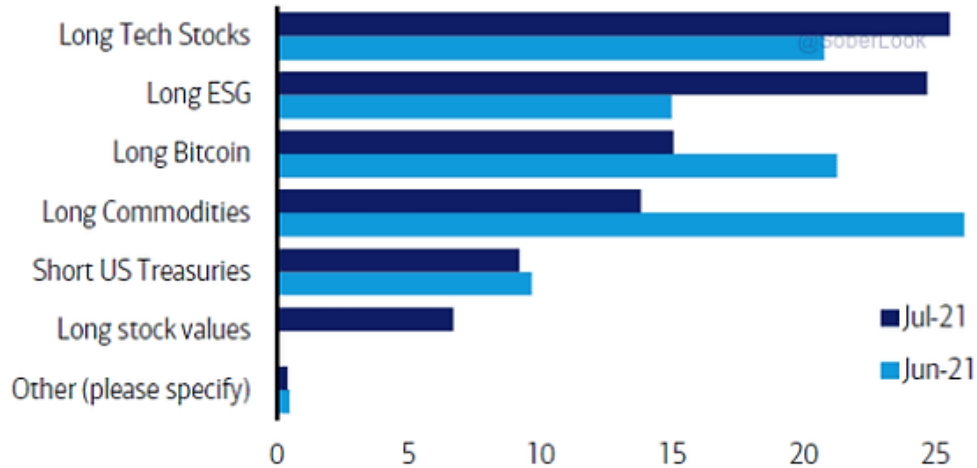
Y-Axis = percent. X-axis = percentage of the managers surveyed. Source: The Daily Shot



- “Long Tech” appears to be the most crowded trade again, according to BofA Fund Manager Survey.

Chart 13: “Long Tech” again the most crowded trade
What do you think is currently the most crowded trade?

Posted on
DailyShot.com
15-Jul-2021



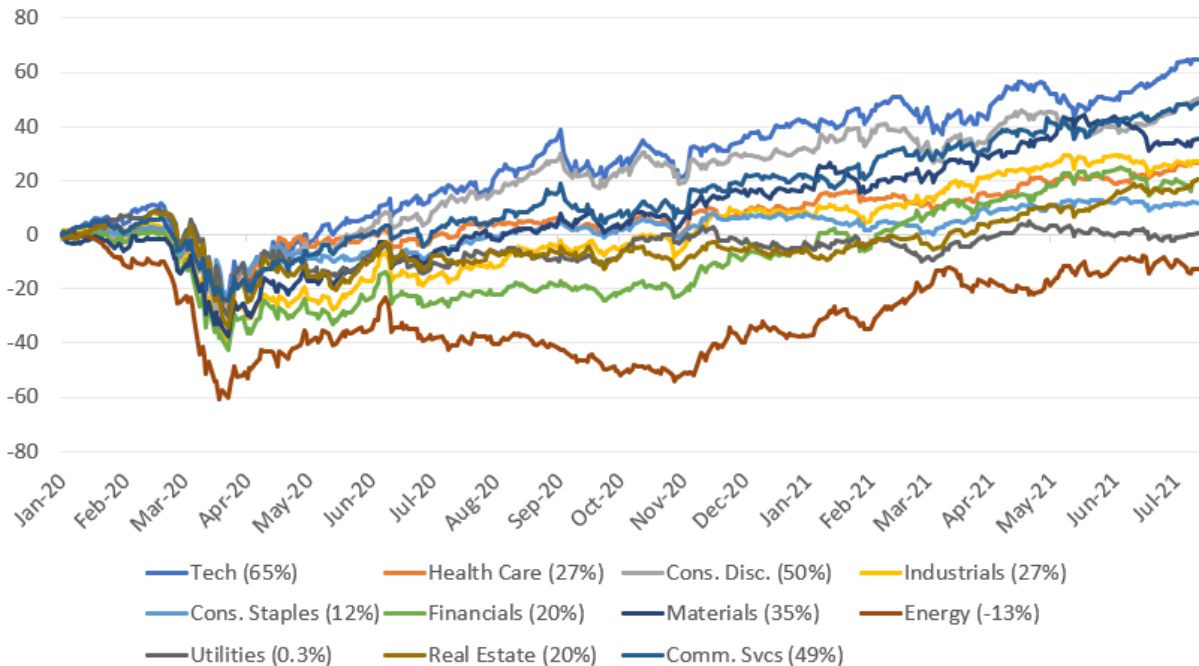
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Y-Axis = percent. X-axis = percentage of the managers surveyed. Source: The Daily Shot

- Although energy is the best-performing sector in 2021, it’s still the worst-performing sector since the start of 2020, and information technology remains the top sector over the same time period.

S&P 500 Sector Performance Since the Start of 2020

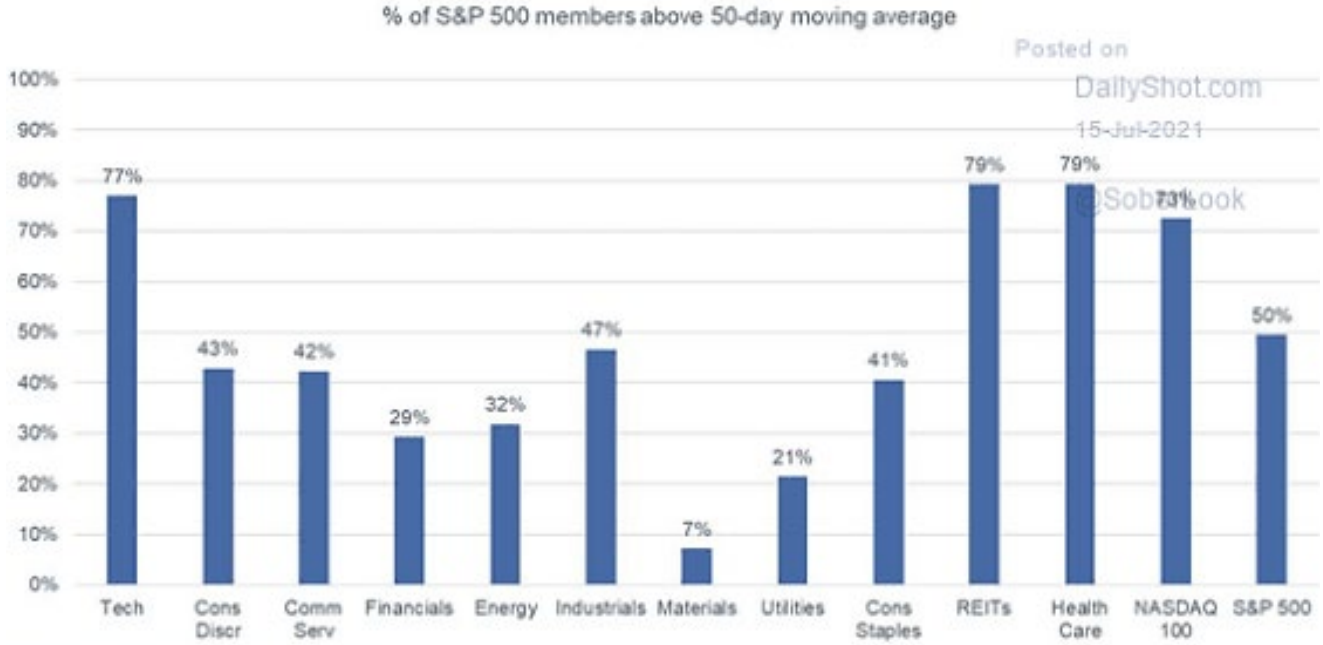


Source: Bespoke Investment Group

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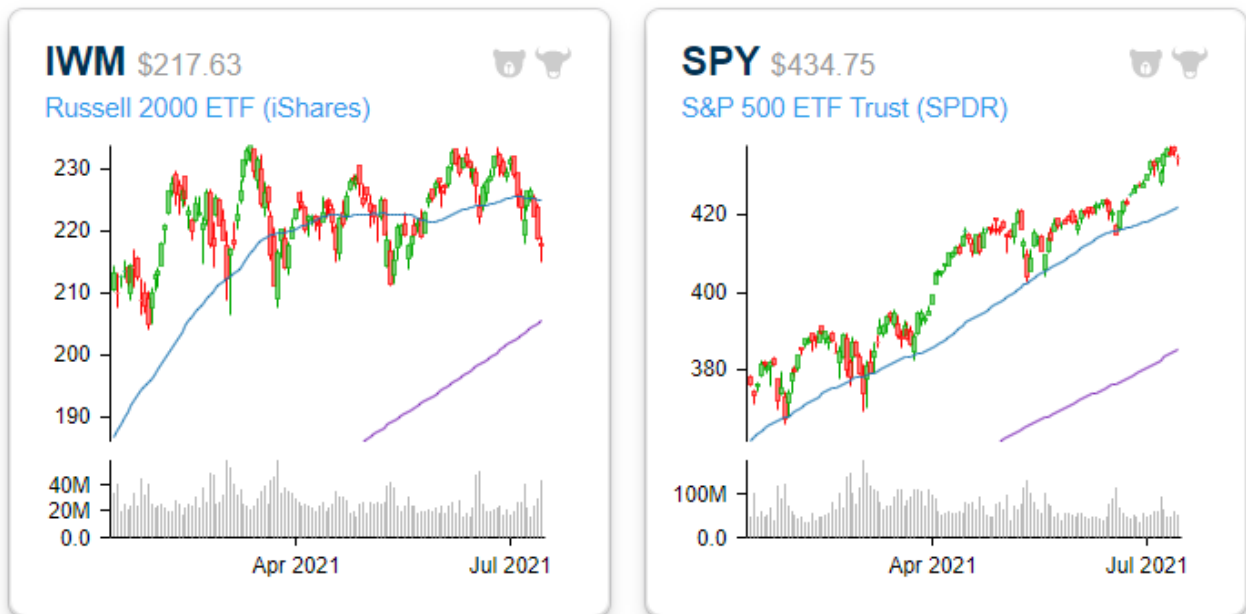


- Over 77% of constituents in REITs, health care, and information technology are trading above their 50-day moving average, while all other sectors are below 50%.



Source: The Daily Shot

- Small cap stocks diverged to the downside versus the S&P 500 in recent weeks.

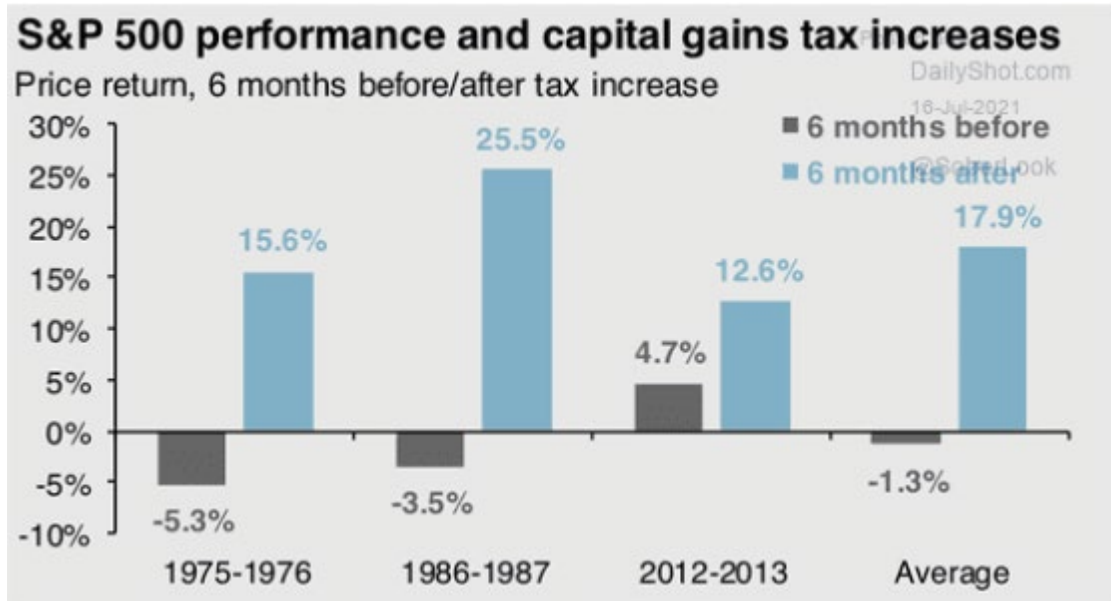


Source: Bespoke

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- The S&P 500 Index tends to bounce back in the six months following a capital gains tax increase.



Source: The Daily Shot



Fixed Income Markets

- The ten-year Treasury yield held support at the 200-day moving average.



- The spread between the 30-year Treasury yield and the five-year Treasury yield has declined (curve flattening) prior to the Federal Reserve beginning its taper of asset purchases.



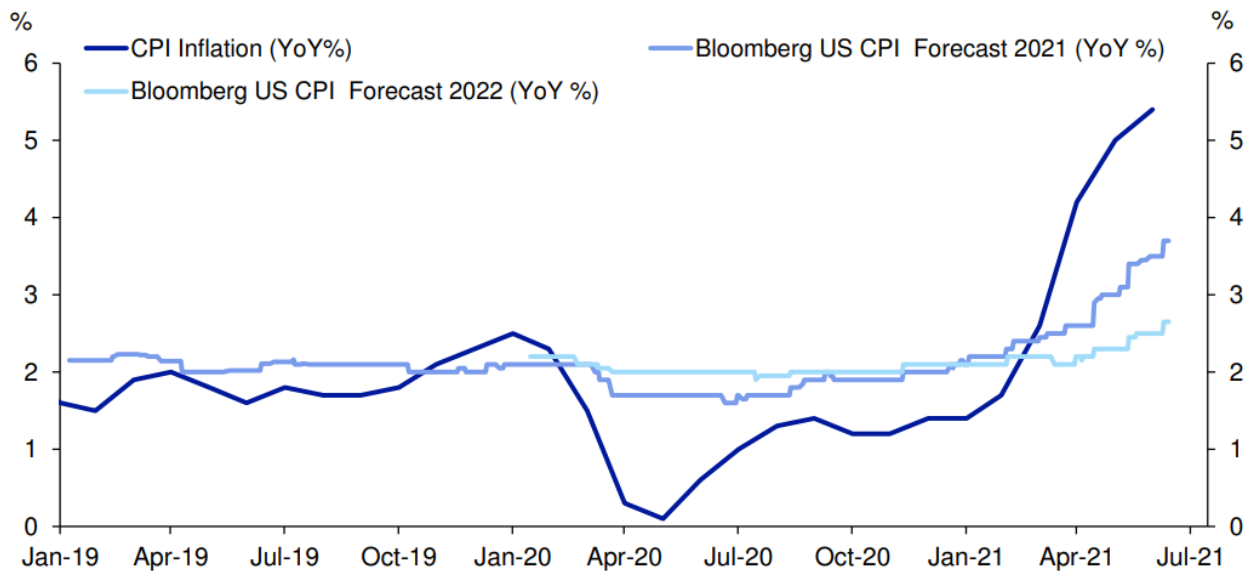
Y-axis = the spread between the 30- and 5-year Treasury yield. X-axis = years. Source: The Daily Shot



U.S. Economic and Political News

- There were no real surprises in Federal Reserve Chair Powell's semi-annual testimony to Congress, as he maintained his view that some inflation metrics would abate as supply chain bottlenecks dissipated (but stressed the Fed would monitor prices and act as appropriate). Powell also offered little incremental information about a possible taper to the Fed's \$120B/month asset-purchase plan, other than pointing to the upcoming FOMC meeting and saying the issue is under "active consideration."
- June CPI and PPI data was released, both coming in hotter than forecasted on both the headline and core levels (core CPI rose 3.8% y/y, the highest since 1992). The prints added fuel to the debate over how long "transitory" inflationary pressures could last, with Treasury Secretary Janet Yellen talking about several more months, while some analysts predict 3%+ inflation into next year.

Figure 1: US Headline CPI YoY versus Bloomberg Consensus Forecasts for FY 2021 and 2022 US CPI over the last 18 months.



Source : BLS, Bloomberg Finance LP, Deutsche Bank

Source: Deutsche Bank

- June retail sales saw rises in headline, ex-autos, and control-group, sales despite expectations for another month of slowing. Analysts noted spending on goods plateaued rather than reversed, though some weakness in furniture and building supplies served as another sign of slowing housing-related trends.
- Weekly initial jobless claims posted a fresh pandemic low.
- July's NY Fed Empire manufacturing survey surged while the Philly Fed's slumped.
- July University of Michigan consumer sentiment was lower than consensus, with the expectation component weakening.



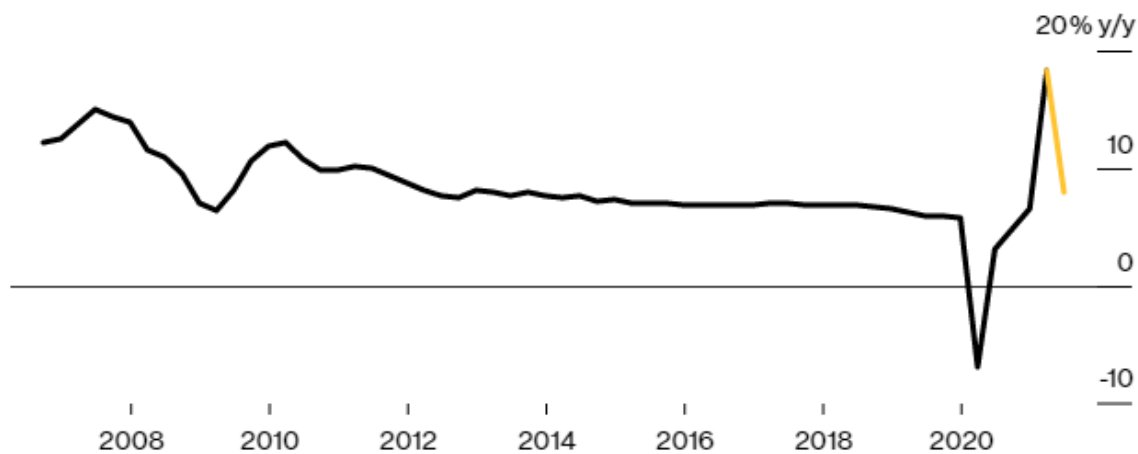
International Markets and News

- The Chinese stock market (Shanghai Composite) rose 0.5%, as China's 2Q GDP was in-line with expectations and equity inflows into China turned positive.
 - The People's Bank of China cut the required reserve ratio for banks by 0.5%.
 - China's annual GDP growth rose to 7.9% in 2Q, down from 18.3% in the previous quarter, leading to a two-year growth rate of 5.5% from the first quarter in 2019.

Softening Growth

China's gross domestic product is expected to grow 8% in second quarter

Consensus forecast



Source: National Bureau of Statistics of China, Bloomberg

Source: Bloomberg

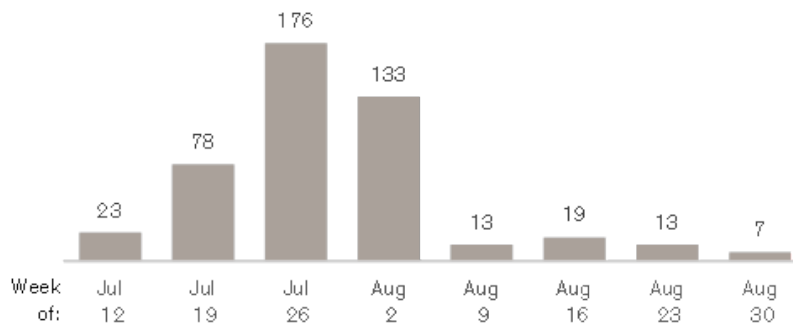
- European markets (STOXX 600 Index) fell -0.6% on concerns that the increase in COVID-19 cases (including the Delta variant) could derail the economic recovery.
 - The U.K. remains on course to lift its remaining COVID-19 lockdown controls today, despite France implementing new social restrictions to prevent the spread of the new variant.
 - U.K. consumer price inflation increased to 2.5% in June, the highest level since August 2018.
- Japanese equities (Nikkei 225 index) rose +0.2%, as Tokyo was placed under its fourth COVID-19 state of emergency, lasting until August 22, and covering the duration of the Olympic Games.
 - As expected, the Bank of Japan maintained its interest rate and quantitative easing policies and revised down its forecast for FY 2021 GDP from 4.0% to 3.8%.



This Week:

- Asian markets finished the day sharply lower, with European bourses and U.S. futures following suit.
- Ten-year Treasury yields again probed the 1.25% area, lowest since February.
- OPEC concluded a meeting, agreeing to increase oil output in the months ahead. Oil prices are down about 4% this morning.
- It's the peak week for S&P 500 earnings reports.

Number of S&P 500 companies reporting earnings



Source: Credit Suisse

- Corporate earnings reports will include, but are not limited to: **Johnson & Johnson**, Roche, ASML, **Coca-Cola**, Netflix, **Verizon**, Intel, **Abbott Labs**, Novartis, **Danaher**, AT&T, SAP, Texas Instruments, Unilever, Phillip Morris, Union Pacific, IBM, Blackstone, Intuitive Surgical, **Anthem**, Snap, Daimler, **Crown Castle**, Canadian National Railway, **HCA Holdings**, **Marsh & McLennan**, CSX, Capital One, NIDEC, Twitter, Volvo, UBS, Freeport-McMoRan, Chipotle Mexican Grill, PPG Industries, Kinder Morgan, Las Vegas Sands, Travelers, D.R. Horton, Equifax, Nasdaq, Nucor, Synchrony Financial, Verisign, Fifth Third Bancorp, Dover, United Rentals, Tractor Supply, Key Corp, Domino's Pizza, Ally Financial, Pool Corp., Halliburton, M&T Bank, **MarketAxess Holdings**, Omnicom Group, Baker Hughes, Publicis, United Airlines, Crown Holdings, Whirlpool, American Airlines, Interpublic Group, and Boston Beer Company.
- U.S. Economic data:
 - Monday: NAHB Housing Market Index
 - Tuesday: Building Permits, Housing Starts
 - Wednesday: MBA Mortgage Purchase Applications
 - Thursday: Existing Home Sales, Leading Indicators, Jobless claims, KC Fed Manufacturing Index, Chicago Fed Activity index
 - Friday: Retail sales (m/m), Retail Sales ex-Autos, Flash Manufacturing PMI, Flash Services PMI

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

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