



Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 Index	4,412	2.0%	17.5%
Dow Jones Industrial Average	35,062	1.1%	14.6%
NASDAQ	14,837	2.8%	15.1%
Russell 2000 Index	2,209	2.2%	11.9%
MSCI EAFE Index	2,298	-0.2%	7.0%
10-yr Treasury Yield	1.28%	0.0%	0.3%
Oil WTI (\$/bbl)	\$72.2	0.5%	48.7%
Bonds*	\$116.21	0.3%	-0.7%

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) rose +2.0%, as Delta variant concerns were offset by ongoing accommodative monetary policies, excess savings from fiscal stimulus, positive earnings surprises, corporate stock buybacks, and lack of attractive alternative investments. According to FactSet, the blended growth rate for Q2 S&P 500 earnings is 74.2%, up more than 11% from the end of the first quarter 2021, and 88% of companies beat expectations thus far. Growth/technology stocks outperformed cyclical/value stocks, as the reflation trade came under another week of scrutiny amid continued concerns regarding the Delta variant as well as peak growth, peak profit, peak inflation, and peak policy themes. The dollar was up +0.2%, Gold lost -0.4%, and WTI crude oil rose +0.7%.
- 2021 S&P 500 Index Sector Returns:
 - Communication services (+3.2%) outperformed, with strength from Facebook (+8.4%), Twitter (+8.0%), and **Alphabet** (+4.8%).
 - Consumer discretionary (+2.9%) outperformed, with strength from cruise lines, homebuilders, restaurants, and **Amazon** (+2.3%).
 - Information technology (+2.8%) outperformed, led by semiconductor stocks and software stocks.
 - Health care (+2.2%) outperformed, with strength from managed-care stocks, Moderna (+22%), **HCA Healthcare** (+13.4%), **Veeva Systems** (+5.6%), Hologic (+4.0%), IDEX Labs (+3.9%), **Pfizer** (+3.3%), **Abbot Labs** (+2.8%), Intuitive Surgical (+2.8%), and **Danaher Corp** (+2.3%).
 - Industrials (+1.6%) underperformed, despite strength from airlines, rails, and machinery rentals.
 - Financials (+0.3%) fell, with weakness from the banks despite strong earnings reports.
 - Energy (-0.4%) fell, despite oil (WTI) rising +0.5%.
 - Utilities (-0.9%), REITs (-0.1%), and consumer staples (+0.4%) underperformed, as investors favored less defensive sectors.

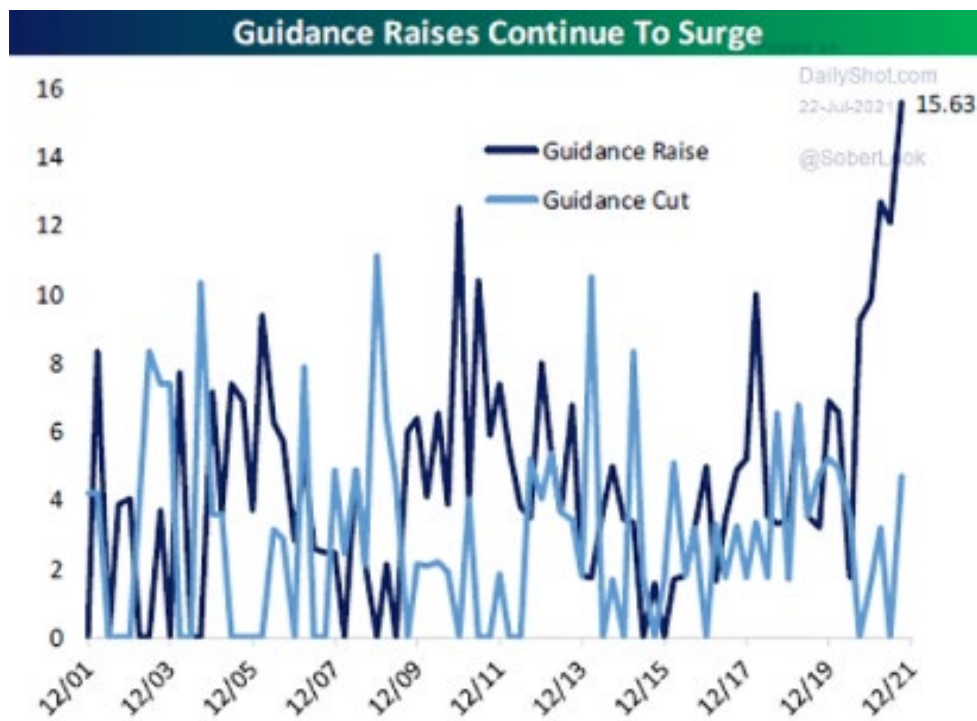


- The S&P 500 has been in a strong up-channel over the past six months.



Source: The Daily Shot

- Not only have Q2.2021 earnings been strong, but companies have been raising their guidance at a robust pace.



Source: The Daily Shot

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees. Please reference important disclosures on page 9.

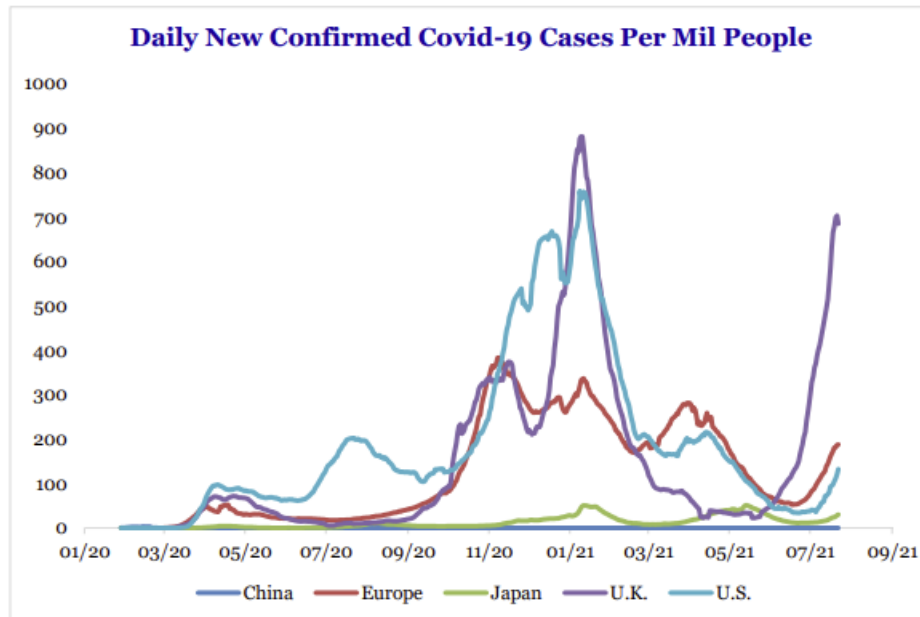


- Stock buybacks are increasing this year from a low in 2020, and are likely contributing to earnings beats.



Source: The Daily Shot

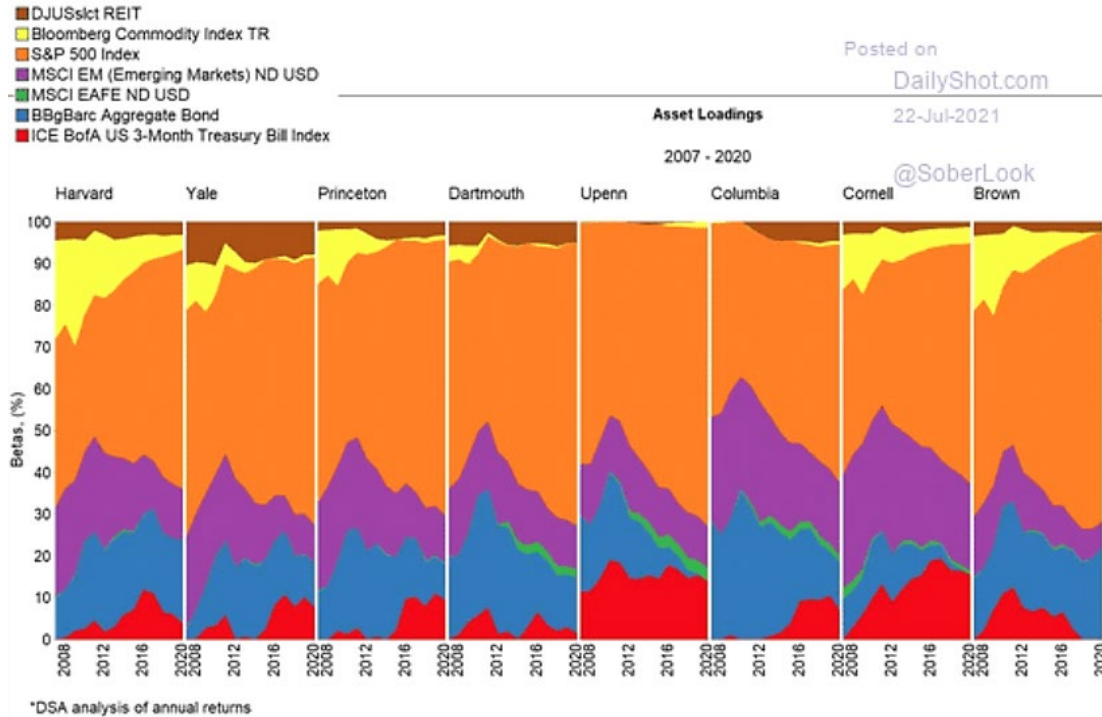
- U.S. stocks fell on Monday (07.19), as investor concerns regarding the Delta variant and its impact on the global economy. However, stocks bounced back throughout the rest of the week.



Source: Strategas

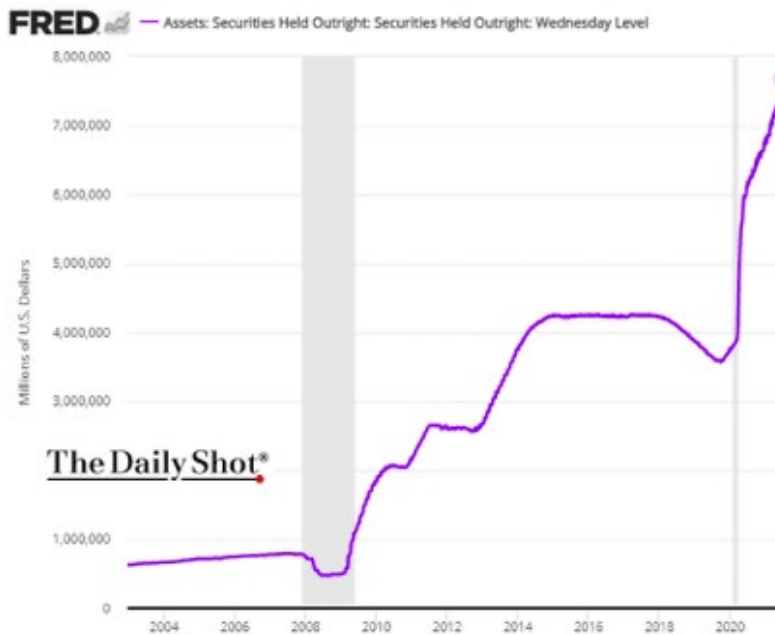


- Several of the largest endowments added to their U.S. equity exposure, as indicated in the orange in the chart below.



Source: The Daily Shot

- The Federal Reserve's securities holdings are approaching \$8 trillion.



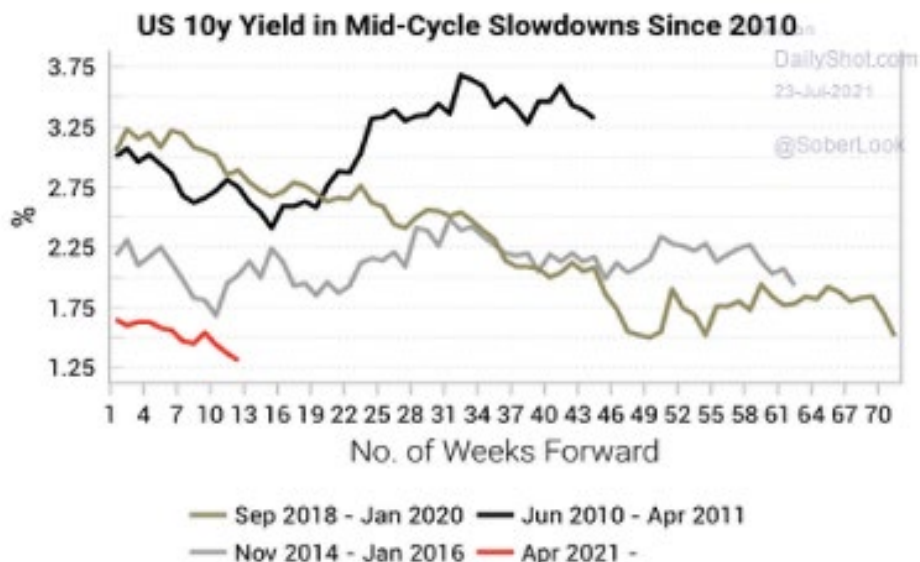
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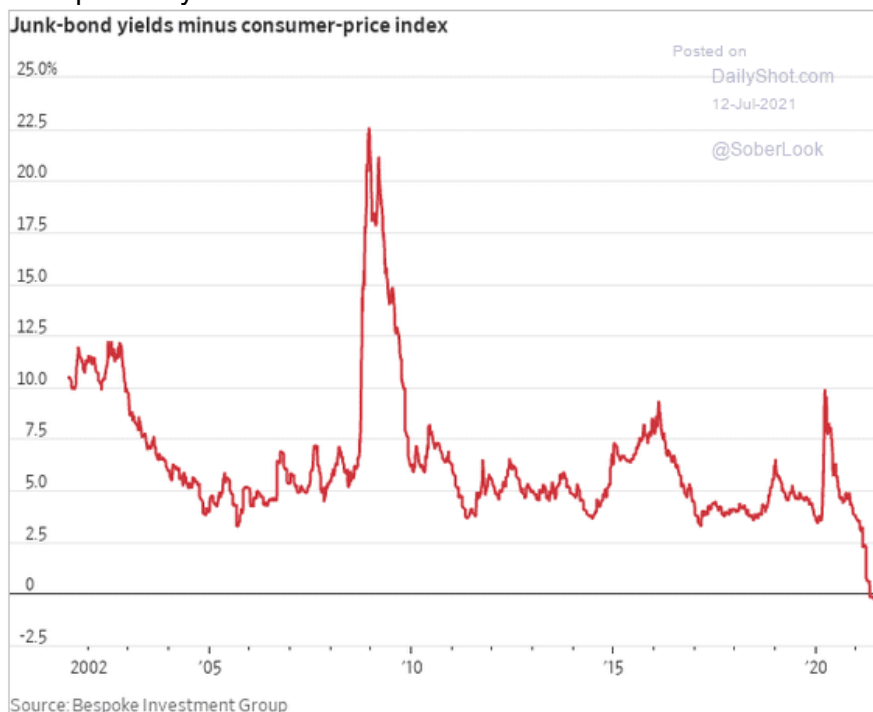


Fixed Income Markets

- Treasury yields are tracking previous mid-cycle slowdowns, defined by decelerating industrial production growth (x-axis= ten-year interest rate).



- The spread between high-yield bond yields and the CPI (measure of inflation) is now negative, which has not occurred in the past 20 years.





U.S. Economic and Political News

- According to FactSet's latest Earnings Insight report, the blended growth rate for Q2 S&P 500 earnings is 74.2%, up more than 11% from the end of the first quarter 2021, while the blended revenue growth rate is 20.9%.
- As widely expected, Senate Republicans rejected a procedural vote this week to advance the \$1.2T bipartisan infrastructure legislation. Republicans argued that they could not support the measure given that the framework has not been finalized. Pay-fors remained the big stumbling block, as negotiators scrapped a GOP-criticized provision to increase tax enforcement. However, there appeared to be a path forward later in the week with an agreement to delay Medicare regulation that came from the Trump administration.
- The debt ceiling started to receive some heightened attention, as the two-year suspension enacted by Congress in 2019 expires at the end of July. Senate Minority Leader McConnell told Punchbowl News that he does not expect a single Republican vote to raise the debt ceiling, while Democrats quickly rejected any attempt by Republicans to set conditions for another reprieve.
 - Goldman Sachs expressed some skepticism regarding the chances for another government shutdown, noting that the most disruptive debt limit debates tend to occur in divided government, while Republicans have not proposed an alternative. It pointed out that although raising the debt limit might not be politically popular, there is much greater risk (particularly in the wake of both a pandemic and a rising populist mentality that favors a more interventionist fiscal policy) in promoting the spending cuts of the size necessary to eliminate the deficit.



International Markets and News

- The Chinese stock market (Shanghai Composite) rose 0.3% this week, as the People's Bank of China kept loan rates unchanged for one- and five-year maturities, and Beijing plans to create rules that would effectively encourage Chinese companies to IPO in Hong Kong over the U.S.
 - Nationwide home sales in the first half of 2021 rose 38% year-over-year despite tighter credit conditions.
 - Many of China's provinces continued to suffer heavy losses from extreme rainfall and flooding.
 - China's State Council unveiled more details of the third-child policy announced in May, which abolishes so-called social maintenance fees and cuts the link between family size and China's hoku (household registration) policy, school enrollment, and employment.
- European markets (STOXX 600 Index) rose 1.5% on optimism about the upcoming corporate earnings season, and the European Central Bank's (ECB) reaffirmation of its dovish monetary policies.
 - The ECB kept its policy measures unchanged, but indicated that it would keep interest rates "at their present or lower levels until it sees inflation reaching 2% well ahead of the end of its projections horizon and durably for the rest of the projection horizon, and it judges that realized progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilizing at 2% over the medium term."
 - European economies continued to reopen, despite new COVID-19 cases rising by 40% over the past week in the U.K.
- Japanese equities (Nikkei 225 Index) fell -1.4% this week, as concerns about whether the Olympic Games would worsen the country's COVID-19 outbreak weighed on markets.
 - Japan's core consumer price index (CPI) rose 0.2% from a year earlier in June, the fastest increase since March 2020, as higher energy costs drove the rise in CPI.



This Week:

- Corporate earnings reports will increase this week with notable earnings including, but not limited to: Apple, **Microsoft**, **Amazon**, **Alphabet**, **Facebook**, Tesla, **Visa**, Samsung, LVMH, **MasterCard**, **PayPal**, **Comcast**, Pfizer, Thermo Fisher, **Shopify**, **Merck**, **UPS**, McDonald's, QUALCOMM, Rio Tinto, Bristol-Myers Squibb, **Starbucks**, United Technologies, Boeing, American Tower, 3M, **ServiceNow**, General Electric, AMD, TOTAL, Lockheed Martin, **S&P Global**, Stryker, GlaxoSmithKline, Lam Research, Altria, Automatic Data Processing, Gilead Sciences, Sherwin-Williams, Chubb, Equinix, **Fiserv**, **Moody's**, **Twilio**, **Atlassian**, Edwards Lifesciences, Southern Co., Norfolk Southern, Ecolab, **Boston Scientific**, Waste Management, Humana, Ford Motor, **General Dynamics**, Dr Pepper Snapple Group, KLA-Tencor, **MSCI**, T. Rowe Price Group, Pinterest, Spotify, M3, Fortinet, Digital Realty Trust, Centene, O Reilly Automotive, The Hershey Co, Welltower, Aflac, **CoStar Group**, **Corning**, Cap Gemini, Archer Daniels Midland, Skyworks Solutions, Equity Residential, Axis Bank, Kia Motors, Paccar, **Old Dominion Freight Line**, **CBRE Group**, Garmin, Ameriprise Financial, Genera Holdings, **Maxim Integrated Products**, Teladoc, United Rentals, Hess Corp, **TransUnion**, and Fortis.
- U.S. Economic data:
 - Monday: New Home Sales
 - Tuesday: Core Durable Orders, Durable Orders ex transport, Durable Orders, FHFA House Price Index, Case-Shiller Home Price Index, Consumer Confidence
 - Wednesday: MBA Mortgage Purchase Applications, Wholesale Inventories, Core Inflation (m/m), CPI (m/m)
 - Thursday: GDP (advance), GDP Chain Price (advance), Pending Home Sales
 - Friday: Core PCE, Personal Spending, Personal Income, Employment Cost Index, GDP m/m, Chicago PMI, Michigan Consumer Sentiment (Final)

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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