

Market commentary

Market highlights, Q221

- Domestic and international equity markets saw solid results for the quarter.
- Fixed income had a strong quarter, as long-term interest rates declined.
- The economic recovery continued, with accelerating job growth and declining layoffs in June.

Positive June Caps Off Strong Quarter

Equity markets rallied in June, capping off a positive quarter for U.S. indices. The S&P 500 gained 2.33 percent in June and 8.55 percent for the quarter. The Nasdaq rose by 5.55 percent in June and 9.68 percent for the quarter. The Dow Jones Industrial Average gained 0.02 percent in June and 5.08 percent for the quarter.

These strong results coincided with improved fundamentals. According to Bloomberg Intelligence, as of June 25, the expected second-quarter earnings growth rate for the S&P 500 is 59.2 percent. This follows a 45.8 percent year-over-year increase in earnings in the first quarter. The anticipated further growth is a positive sign, as fundamentals ultimately drive long-term performance.

Technical factors were also supportive for markets. All three major U.S. indices remained well above their respective 200-day moving average throughout the period. This marks 12 straight months where the indices have ended above trend.

International markets also saw solid results for the quarter. The MSCI EAFE Index declined by 1.13 percent during the month but returned 5.17 percent for the quarter. The MSCI Emerging Markets Index saw a 0.21 percent increase in June that contributed to a 5.12 percent gain for the quarter. Both indices were well supported technically, spending the entire period

above their respective trend lines.

Even fixed income had a strong second quarter, as declining long-term interest rates provided support. The 10-year U.S. Treasury yield ended the quarter at 1.45 percent. The Bloomberg Barclays U.S. Aggregate Bond Index gained 0.70 percent in June and 1.83 percent in the second quarter. High-yield fixed income also saw gains. The Bloomberg Barclays U.S. Corporate High Yield Bond Index increased by 1.34 percent in June and 2.74 percent during the quarter.

Pandemic's Economic Impact Fades

Although the pandemic continues as an ongoing medical risk, from an economic and market perspective, the worst appears to be behind us. We made steady progress throughout the month and quarter in containing the spread of the coronavirus, with continued vaccine progress driving much of the improvement. The big risk as we close out the first half of the year remains the introduction of more contagious versions of the virus, notably the Delta variant. As that spreads, especially in areas with lower vaccination rates, there is the potential for medical risks to rise in the future, but for the time being, they remain largely contained.

Economic Recovery Picks Up Steam

The progress on the medical front allowed for continued reopening efforts, and we finished the quarter with almost all of the country open again. This helped support a faster economic recovery, as we saw job growth accelerate in May after a lull in April. Layoffs declined in June while job openings continued to grow. Consumer confidence and spending also showed signs of improvement, with both now sitting near pre-pandemic levels. As you can see in Figure 1, the Conference Board Consumer Confidence Index hit a 16-month high in June.

Businesses showed signs of faster growth throughout the quarter. Service sector confidence increased to a record high in May, and we saw similar improvements for manufacturer

confidence. High levels of business confidence supported healthy business spending and hiring, which should continue into the months ahead.

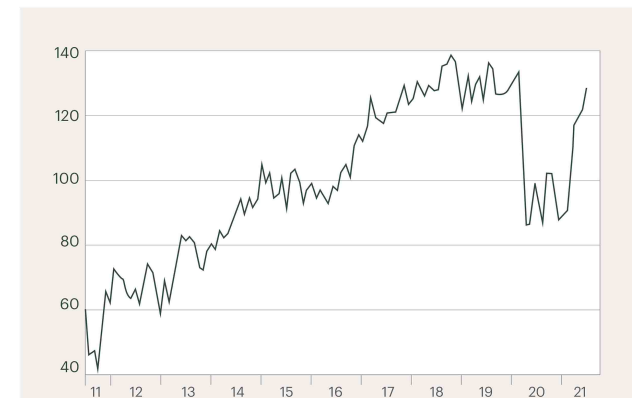
Risks Remain Despite Progress

Despite the continued progress, there are still areas of concern. But even so, we ended the month with the medical news and the economy in the best place since the start of the pandemic. While the path forward looks bright, it also remains uncertain, which could mean we'll see market volatility. Given that, a well-diversified portfolio that matches investor goals and timelines remains the best path forward for most. If concerns remain, reach out to your advisor to discuss your financial plan.

Information according to Bloomberg, unless stated otherwise.

Please see last page for important disclosures.

Figure 1. Conference Board Consumer Confidence, 2011—Present



Source: Bloomberg, The Conference Board Consumer Confidence Index

Disclosure

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Certain sections of this commentary contain forward-looking statements based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged and investors cannot invest directly into an index. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. It excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners. The Bloomberg Barclays Aggregate Bond Index is an unmanaged market value-weighted index representing securities that are SEC-registered, taxable, and dollar-denominated. It covers the U.S. investment-grade fixed-rate bond market, with index components for a combination of the Bloomberg Barclays government and corporate securities, mortgage-backed pass-through securities, and asset-backed securities.