



February 2021: Market Review

Global equities rose in February as countries around the world accelerated the distribution of coronavirus vaccines and the U.S. made progress towards the passage of additional fiscal stimulus. The U.S. and the U.K. sped up vaccine distribution this month which decreased the number of coronavirus cases in both countries. Another tailwind for equities was progress towards the passage of an additional fiscal stimulus package in the United States. Investors saw the positive news as a sign that economic activity is likely to be strong in the back half of this year and thus bid up cyclical stocks, which are expected to be the big beneficiaries of an economic recovery. A modest late-month selloff driven by rising inflation expectations, however, did curtail the monthly gains. The S&P 500 Index gained +2.8% while the Dow Jones Industrial Average (+3.4%) reached an all-time high during the month. The tech-heavy NASDAQ Composite posted a modest gain of +1.0%.

In the United States, the number of coronavirus cases fell as seasonal effects and vaccination efforts have started to have a positive impact on the infection rate. The U.S. approved the single dose Johnson & Johnson vaccine for emergency use which is expected to increase vaccination supply significantly in the next few months. The unemployment rate fell to 6.3% in January as employers added 49,000 jobs. Unemployment readings continued to show improvement throughout February as initial unemployment claims fell to 730,000 in the final week of the month, the lowest level since November. Retail sales surged in January to the highest levels seen in seven months, reflecting the impact from the December stimulus checks. Among commodities, WTI crude oil ended the month at \$62 a barrel, higher than last month's close of \$52. Gold ended the month at \$1,728, down from \$1,847 at the end of January.

Within domestic equities, value stocks outpaced growth stocks across all capitalization sizes. The Russell 1000 Value Index climbed +6.0% during the month while the Russell 1000 Growth Index was down 2 basis points (-0.02%). The Russell Midcap Value Index was up +7.8% versus a +1.7% gain for the Russell Midcap Growth Index. Small-cap equities continued to outperform in February as the Russell 2000 Value Index surged +9.4% while the Russell 2000 Growth Index returned +3.3%. Similarly, major international equity indices appreciated as the implementation of vaccines positively affected investor sentiment. The largest gains for the month were posted by the MSCI EAFE Index (+2.2%) and the MSCI Europe Index (+2.4%). Additionally, the MSCI Pacific Index increased +2.0% in February. The MSCI Emerging Markets Index took a pause from recent outperformance this month, only adding +0.8% as returns were weighed down by underperformance in Brazil (-6.4%), China (-1.0%), and South Korea (+0.2%).

U.S. fixed income market returns were down for the month as rising inflation expectations drove a sell-off in February. While the Fed reassured investors that they have no plans to hike rates in the near-term, the longer end of the yield curve steepened causing longer duration bond prices to fall. The yield on the 10-year Treasury rose to 1.44%, a significant increase from last month's close of 1.11%. The Bloomberg Barclays U.S. Aggregate Bond Index was down -1.4% in February while the Bloomberg Barclays Treasury 20+ Year Index declined -5.7%. High yield bonds posted modest gains as the Bloomberg Barclays Corporate High Yield Bond Index was up +0.4%.

Global equities posted gains in February as the positive impact of coronavirus vaccinations and improving economic data gave investors further evidence that the groundwork for a potentially strong economic recovery has been established. Additionally, further fiscal stimulus appears likely to aid economic activity in the first half of this year until the vaccines are available to the majority of the population and the economy can fully reopen.