FOURTH STREET
PERFORMANCE PARTNERS
Independent Investment Consultants

June 2021: Market Review

Global equities posted mixed results in June with U.S. equity indices advancing to record highs while international equities declined as the spread of the coronavirus "delta" variant has delayed re-openings. June saw a significant rotation away from cyclical value holdings toward more secular growth stocks as the tech-heavy NASDAQ Composite appreciated +5.6%, bringing its year-to-date return to +12.9%. The S&P 500 Index was up +2.3% this month to end the first half of the year up +15.3%. Alternatively, the Dow Jones Industrial Average took a pause from recent outperformance and was unchanged (+0.0%) in June and up +13.8% year-to-date.

U.S. consumer confidence hit its highest level since the onset of the pandemic, indicating Americans are optimistic about the economy now that over 60% of the U.S. adult population have received at least one dose of a vaccine. The unemployment rate fell to 5.8% in May as the U.S. economy added 599,000 jobs, mostly due to the easing of state economic restrictions. Despite this good news, there remains a record number of job openings, suggesting that the labor market has plenty of room for improvement. The Consumer Price Index showed a year-over-year increase of 5% in May, the highest annual increase in 13 years, with car sales and energy prices causing most of the increase. The S&P Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas in the U.S., surged 14.6% year-over-year in April, the highest level seen since 1987.

Within domestic equities, growth stocks outperformed value across all capitalization sizes. The Russell 1000 Growth Index gained +6.2% while the Russell 1000 Value Index fell -1.2%. The Russell Midcap Growth Index was up +6.8% versus a decline of -1.2% from the Russell Midcap Value Index. In small-cap equities, the Russell 2000 Growth Index appreciated +4.7% while the Russell 2000 Value Index was down -0.6%. Value stocks retain a considerable edge over growth stocks year-to-date across all capitalization sizes. Among commodities, WTI crude oil continued to rise in June, ending the month at $73, up from $66 a barrel at the end of May. Gold closed the month at $1,771, lower than last month's close of $1,903 as investors digested the Federal Reserve's "hawkish" comments.

Major international equity indices declined in June as the spread of the coronavirus "delta" variant negatively weighed on investor sentiment. The MSCI ACWI ex U.S. Index fell -0.7% this month but remains up +9.2% so far this year while the MSCI EAFE Index declined -1.1% in June and posted a year-to-date gain of +8.8%. The MSCI Emerging Markets Index (+0.2%) outperformed developed market equities this month but continue to lag year-to-date (+7.5%). The main contributors this month were Brazil (+4.8%), Russia (+3.9%), and South Korea (+1.2%).

Despite strong commodity prices, U.S. fixed income markets had a strong month as the Federal Reserve indicated that some governors are anticipating two rate hikes by the end of 2023, an acceleration in expectations. The yield on the 10-year Treasury ended the month at 1.45%, lower than last month's close of 1.58%. The Bloomberg U.S. Aggregate Bond Index added +0.7% for the month but remains down -1.6% year-to-date. The Bloomberg Treasury 20+ Year Index gained +3.8% in June though has still fallen -8.1% this year. The Bloomberg Corporate High Yield Bond Index returned +1.3% for the month and has posted the strongest year-to-date results (+3.6%).

U.S. equity indices continued their upward climb this month to record highs. However, the tenor of the market may have changed from economic reopening fervor and concerns over ensuing inflationary pressures, to signs of pre-pandemic rates of anemic economic growth. As the COVID-19 pandemic continues its choppy wind-down, investors will be looking to Q2 corporate earnings growth and Q3 GDP economic growth for guidance on how to structure portfolios.