



## August 2021: Market Review

Global equities continued their climb in August as strong corporate earnings and increased vaccinations across the world maintained positive market sentiment. This despite, in the United States, coronavirus infections hitting a 6-month high as the delta variant is spreading rapidly among the unvaccinated population. At the end of the month, the FDA gave full approval of the Pfizer-BioNTech coronavirus vaccine, giving investors hope for a continued economic recovery as more people are likely to get vaccinated. U.S. stock market indices hit multiple all-time highs this month as corporate earnings continued to beat expectations. The S&P 500 Index gained +3.0% and the Dow Jones Industrial Average rose +1.5%. The NASDAQ Composite bounced back in August, climbing +4.1% as mega-cap technology stocks had a strong month.

The unemployment rate fell to a pandemic low of 5.4% in July as the economy added 943,000 jobs, the largest increase in 11 months. Additionally, job growth remained steady over the month of August as initial unemployment claims continued to decline modestly around the 350,000 level. However, job openings hit another record high in June of 10.1 million openings. The Consumer Price Index remained unchanged in July (5.4% annualized), but investors were encouraged as the month-over-month price growth decelerated (+0.5% versus +0.9% increase from May to June). The housing market continues to experience strong demand as the S&P Case-Shiller National Home Price Index climbed to another record, increasing 18.6% over the past twelve months.

Within domestic equities, growth stocks outperformed value stocks in large- and mid-capitalization sizes, with value stocks outpacing growth in small-cap issues. The Russell 1000 Growth Index added +3.7% while the Russell 1000 Value Index gained +2.0%. The Russell Midcap Growth Index was up +3.2% versus a gain of +2.1% from the Russell Midcap Value Index. The Russell 2000 Growth Index returned +1.8% while the Russell 2000 Value Index rose +2.7%. The commodities market was calm this month as WTI crude oil ended the month at \$69, down from \$74 at the end of July. Gold closed the month at \$1,815, a modest increase from last month's close of \$1,813.

Major international equity indices posted gains in August as positive economic data and higher vaccination rates have boosted market sentiment overseas. The MSCI ACWI ex U.S. Index grew +1.9% this month while the MSCI EAFE Index added +1.8%. The MSCI Emerging Markets Index rallied in August, returning +2.6% as strength in Thailand (+10.9%) and India (+10.9%) boosted returns. China (-0.1%) had another lackluster performance in August as regulatory actions and weakening economic data are risks in the forefront of investors' minds.

U.S. fixed income markets posted modest declines in August as the Fed announced that they are considering tapering bond purchases as early as November of this year, as long as the labor market continues to grow. The yield on the 10-year Treasury ended the month at 1.30%, modestly higher than its July close of 1.24%. Both the Bloomberg U.S. Aggregate Bond Index and the Bloomberg Treasury 20+ Year Index fell -0.2% over the month. Contrarily, the Bloomberg Corporate High Yield Bond Index ended the month with a gain of +0.5%.

U.S. equities continue to hit record highs due to strong corporate earnings and labor market growth. However, the spread of the delta variant has caused a spike in infections, hospitalizations, and deaths, which has triggered a decline in consumer sentiment and has the potential to curb economic growth. Investors should remain vigilant with their investment policy disciplines as the risk of the delta variant combined with the possibility of a less accommodative Fed is likely to result in increased volatility in the coming months.