

Market Pulse

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In focus

The third quarter came to a bumpy end, with the S&P 500 achieving a 5% pullback, which had eluded the market to this point. Since 1980, there have only been two years that did not see a 5%+ pullback – 1995 and 2017. Despite large cap value outperforming growth during the month of September, large cap growth had a strong showing and outperformed value by 2.7 percentage points during the quarter. This was in line with many other trends we saw during the third quarter, including a resurgence of the technology sector, the 10-year yield retracing some of its early-year rally (though this changed in the last 10 days of the quarter), and small caps lagging. This coincided with the spread of the Delta variant delaying some economic activity, elevated inflation readings, and continued supply chain bottlenecks – all of which weighed on consumer sentiment. As a result, all of the aforementioned areas of the market, which were closely linked to the reflation trade, ran into some headwinds.

While the U.S. had its weakest showing since the first quarter of 2020, U.S. equities still outperformed their international developed and emerging market peers. Emerging markets (EM), an area we have been underweight since May and where we continue to have a negative outlook, had an especially tough third quarter given concerns around the ongoing crackdown on the private sector by the Chinese government. Additionally, the debt crisis at Chinese property developer Evergrande is weighing on sentiment. Given that China accounts for roughly 34% of the EM index, developments in China will have a large impact on the asset class as a whole.

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A look back

- Global equities finished lower for the week with the MSCI ACWI having its worst week since February. Stocks in the U.S., international developed, and emerging markets all slid last week.
- Political wrangling over the bipartisan infrastructure package and a reconciliation bill continued last week as disagreements remain between Democrats about the size and scope of the reconciliation bill.
- President Biden signed a bill to avoid a partial government shutdown and fund the government through December 3.

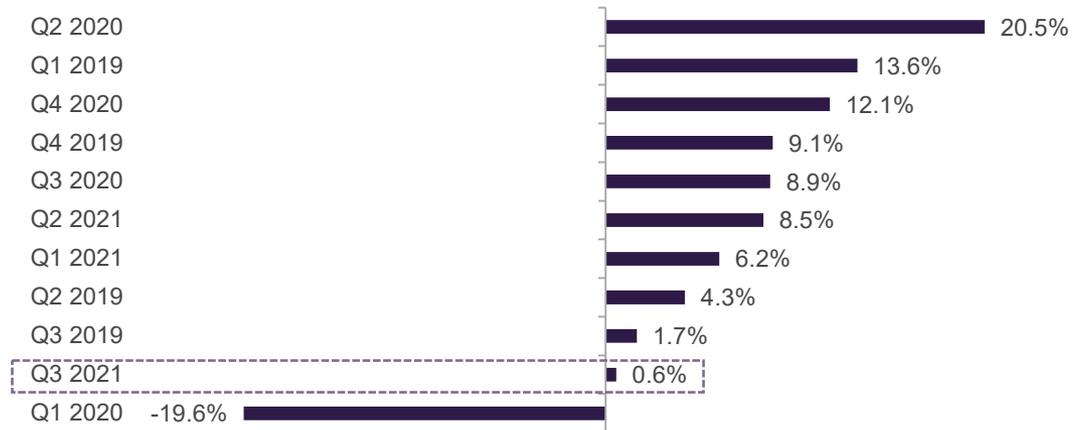
A look ahead

- The coming weeks will see Capitol Hill's turn on the carousel of concerns as several important votes are coming up, including on the debt ceiling, which the Treasury estimates will need to be addressed by late October.
- House Speaker Pelosi suspended a vote on the bipartisan infrastructure package, which was already passed by the Senate, until October 31.
- Economic data: Factory Orders, Durable Goods Orders, Markit & ISM Services, Nonfarm Payrolls, Wholesale Inventories, and Unemployment Rate.

Chart of the week – U.S. stocks were the weakest since Q1 2020

The third quarter, which tends to be a seasonally-choppier period, saw the weakest total return for the S&P 500 since the first quarter of 2020 but still managed to eke out a gain. While there is likely to be continued concerns, the end of October through year end has been a stronger period for markets historically. We continue to see the primary trend for the market as higher.

S&P 500 – Quarterly total returns



Data Source: Truist IAG, Morningstar. Quarterly returns from Q1 2019 – Q3 2021.

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As of October 01, 2021

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-2.40	0.41	0.41	11.58	27.19
S&P 500	-2.19	1.15	1.15	17.26	30.66
MSCI EAFE (net)	-3.14	-0.76	-0.76	7.52	24.36
MSCI Emerging Markets (net)	-1.41	-0.52	-0.52	-1.76	17.21
Dow Jones Industrials	-1.36	1.43	1.43	13.72	25.64
NASDAQ Composite	-3.20	0.82	0.82	13.02	28.48
S&P U.S. REIT	-0.98	1.53	1.53	23.91	34.31
Bloomberg Commodity Index	1.97	0.17	0.17	29.34	43.55
Bloomberg Aggregate	-0.12	0.28	0.28	-1.28	-0.65
ICE BofA US High Yield	-0.29	-0.02	-0.02	4.66	11.22
Bloomberg Municipal Bond Blend 1-15 Year	-0.42	-0.01	-0.01	0.48	1.86
ICE BofA Global Government xUS (USD Unhedged)	-0.83	0.49	0.49	-7.45	-3.40
ICE BofA Global Government xUS (USD Hedged)	-0.18	0.18	0.18	-1.82	-1.07
JP Morgan EMBI Global Diversified	-0.93	-0.09	-0.09	-1.45	4.00

Rates (%)	10/01/21	9/30/21	6/30/21	3/31/21	12/31/20
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.13	0.13	0.14	0.19	0.23
T-Bill, 3-Month	0.04	0.03	0.05	0.02	0.07
2-Year Treasury	0.26	0.28	0.25	0.16	0.11
5-Year Treasury	0.93	0.99	0.87	0.93	0.36
10-Year Treasury	1.46	1.52	1.44	1.73	0.91
30-Year Treasury	2.04	2.09	2.06	2.42	1.64
Bloomberg Aggregate (YTW)	1.53	1.56	1.50	1.61	1.12
Bloomberg Municipal Bond Blend 1-15 Year	0.85	0.84	0.76	0.87	0.77
ICE BofA US High Yield	4.08	4.08	3.85	4.27	4.24
Currencies	10/01/21	9/30/21	6/30/21	3/31/21	12/31/20
Euro (\$/€)	1.16	1.16	1.19	1.18	1.22
Yen (¥/\$)	110.97	111.57	110.99	110.50	103.25
Pound (\$/£)	1.35	1.35	1.38	1.38	1.37
Commodities	10/01/21	9/30/21	6/30/21	3/31/21	12/31/20
Crude Oil (WTI)	75.88	75.03	73.47	59.16	48.52
Gold	1,758	1,757	1,772	1,716	1,895
Volatility	10/01/21	9/30/21	6/30/21	3/31/21	12/31/20
CBOE VIX	21.15	23.14	15.83	19.40	22.75

U.S. style % total returns (S&P indexes)					
Week			YTD		
Value	Core	Growth	Value	Core	Growth
-0.79	-2.19	-3.36	16.85	17.26	17.60
0.67	-0.54	-1.92	23.52	17.41	11.33
1.96	0.99	-0.11	27.99	22.37	16.72



Data Source: Truist, FactSet

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S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general. S&P 500 Information Technology Index —a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification. The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the U.S. dollar.

The ICE BofAML Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars.

JP Morgan EMBI Global Diversified index includes only USD-denominated emerging markets sovereign bonds and the traditional, market capitalization weighted method for country allocation is modified to limit the weights of index countries with larger debt loads by only including a specified portion of the eligible fact amounts of the debt outstanding.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

IA SBBBI U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBBI Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBBI U.S. 30-day T-Bill index measures the total return of T-Bills with a maturity of one month on a monthly basis.

The S&P 500 High Beta index measures the performance of 100 constituents in the S&P 500 that are the most sensitive to changes in market returns.

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