

Market Pulse

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In focus

Markets are shifting past yet another extraordinary earnings season after seeing 87% of S&P 500 companies beating both top and bottom line expectations. In an otherwise quiet economic week, key items in focus include:

- July Federal Reserve (Fed) meeting minutes will be released Wednesday and are likely to be met with mixed reactions. Participants will gain some insight into if/how the Delta variant is affecting the central bank's plan to reduce its monthly asset purchases. While we don't believe the recent spike in cases will derail our ongoing recovery, it could have an impact on its expected trajectory. Any updates to be addressed at the upcoming August 26-28 Jackson Hole Summit will command increased investor focus in the context of fluid and rapid news flow.
- The fall of Kabul in Afghanistan over the weekend punctuated an unexpected resurgence of Taliban forces only to be matched by its swiftness. While this is not anticipated to have near-term economic consequences, it does underscore the reemergence of geopolitical risks that could contribute to market headwinds. Additionally, this could steal some of the traction that markets had been anticipating from the finalization of infrastructure and budget deals.

Finally, last week, we updated our portfolio outlook specifically in the areas of emerging markets (EM) and fixed income.

- We further downgraded our views of EM equities, sparked by the continuing crackdown by the Chinese government and its broader EM ripple effect.
- We also realigned taxable fixed income portfolios by reducing allocations to longer-term government bonds in favor of mortgage-backed securities.

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A look back

- Global markets advanced last week on strength in the U.S. and Europe. Asian markets lagged last week with ongoing spillover from emerging markets.
- 10/2 U.S. Treasury spreads remained unchanged for the week at 1.07% while high yield corporate spreads maintained their 3.34% spread versus the 10-year U.S. Treasury.
- 91% of S&P 500 companies have reported Q2 earnings with 87% posting positive earnings and revenue surprises. Low base effects between 2021 and 2020 are likely to fade going forward.

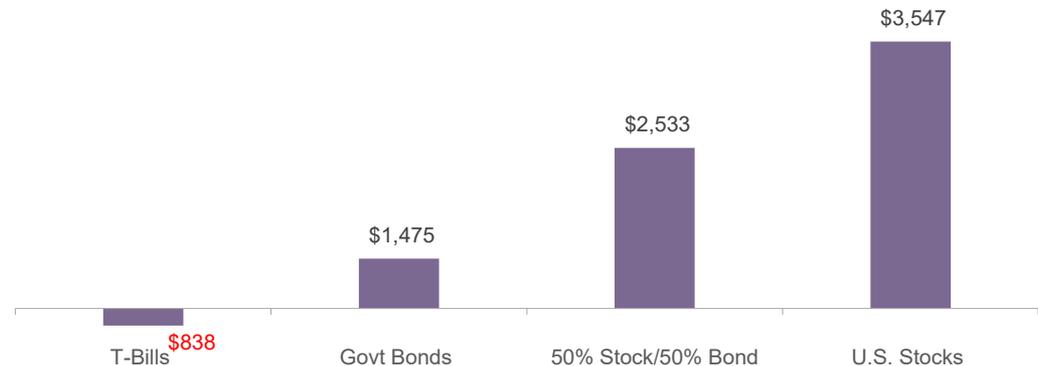
A look ahead

- Elevated headline headwinds from the Delta variant and turmoil in Afghanistan could set a cautious tone for the week ahead.
- July FOMC meeting minutes will be released Wednesday with markets parsing taper talks in the context of elevated Delta variant cases since that meeting.
- Economic releases: Empire Manufacturing, Retail Sales, Industrial Production, Business Inventories, Housing Starts, Leading Index, FOMC meeting minutes.

Chart of the week – Cash is not king

The last 20 years have provided extreme examples of economic, market, and sentiment highs and lows. 9/11, the Great Financial Crisis (GFC), and the COVID-19 pandemic were extreme tests for investors' resolve. However, post-crisis recoveries following the GFC and now COVID-19 have rewarded investors' patience. The low interest rate/low inflation environment of the last 20 years has seen a \$1,000 investment in T-Bills (a cash proxy) shrink to \$838. This highlights the importance of determining your right "balance" among non-cash asset classes to protect against inflation and further highlights the concept that holding excess cash is an active decision, often with detrimental long-term consequences after adjusting for inflation.

Inflation-adjusted growth of \$1000: July 2001- July 2021



Data Source: Truist IAG, Morningstar. T-Bills = IA SBBI U.S. 30-day T-bill inflation-adjusted index; Govt bonds = IA SBBI IT Government inflation-adjusted index; U.S. stocks = IA SBBI U.S. Large Stock inflation-adjusted index.

Wealth

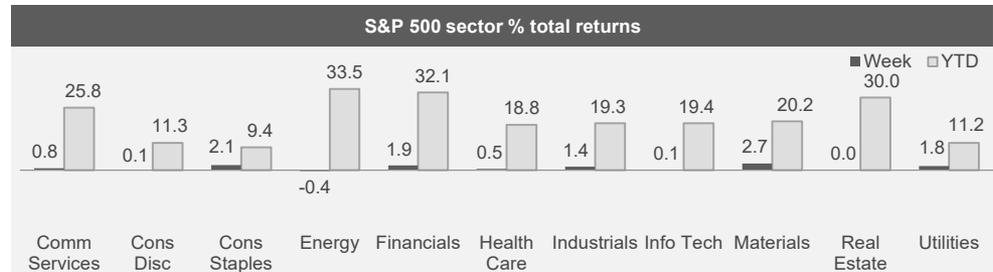
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As of August 13, 2021

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	0.71	1.70	2.40	15.00	30.73
S&P 500	0.75	1.72	4.13	20.02	34.32
MSCI EAFE (net)	1.56	2.62	3.40	12.53	27.02
MSCI Emerging Markets (net)	-0.85	0.32	-6.43	0.54	18.96
Dow Jones Industrials	0.94	1.74	3.10	17.31	29.62
NASDAQ Composite	-0.09	1.02	2.20	15.01	34.08
S&P U.S. REIT	-0.25	0.06	4.89	27.07	37.49
Bloomberg Commodity Index	0.51	-1.15	0.67	21.96	34.28
Bloomberg Barclays Aggregate	0.11	-0.31	0.80	-0.82	-0.27
ICE BofA US High Yield	-0.14	-0.32	0.04	3.74	10.03
Bloomberg Barclays Municipal Bond Blend 1-15 Year	-0.11	-0.19	0.54	1.12	2.02
ICE BofA Global Government xUS (USD Unhedged)	0.38	-0.22	1.64	-4.64	0.02
ICE BofA Global Government xUS (USD Hedged)	0.09	0.12	1.59	-0.40	1.01
JP Morgan EMBI Global Diversified	-0.22	-0.06	0.36	-0.31	2.67

Rates (%)	8/13/21	6/30/21	3/31/21	12/31/20	9/30/20
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.12	0.14	0.19	0.23	0.23
T-Bill, 3-Month	0.05	0.05	0.02	0.07	0.10
2-Year Treasury	0.21	0.25	0.16	0.11	0.13
5-Year Treasury	0.79	0.87	0.93	0.36	0.27
10-Year Treasury	1.30	1.44	1.73	0.91	0.68
30-Year Treasury	1.94	2.06	2.42	1.64	1.45
Bloomberg Barclays Aggregate (YTW)	1.43	1.50	1.61	1.12	1.18
Bloomberg Barclays Municipal Bond Blend 1-15 Year	0.68	0.76	0.87	0.77	0.96
ICE BofA US High Yield	4.12	3.85	4.27	4.24	5.76
Currencies	8/13/21	6/30/21	3/31/21	12/31/20	9/30/20
Euro (\$/€)	1.18	1.19	1.18	1.22	1.17
Yen (¥/\$)	109.87	110.99	110.50	103.25	105.53
Pound (\$/£)	1.39	1.38	1.38	1.37	1.29
Commodities	8/13/21	6/30/21	3/31/21	12/31/20	9/30/20
Crude Oil (WTI)	68.44	73.47	59.16	48.52	40.22
Gold	1,778	1,772	1,716	1,895	1,896
Volatility	8/13/21	6/30/21	3/31/21	12/31/20	9/30/20
CBOE VIX	15.45	15.83	19.40	22.75	26.37

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
1.12	0.75	0.43	19.61	20.02	20.34	Large
1.06	0.56	0.00	25.24	19.29	13.40	Mid
0.13	-0.44	-1.07	26.24	21.46	16.71	Small



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 Barclays 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 Barclays 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 SBB1 U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBB1 Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBB1 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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