

Delta Variant & Earnings Drive Headlines

Brian Puckett, JD, CPA/PFS
Certified Financial Planner™

Dennis Packard
Certified Financial Planner™

Monthly Market Summary

- The S&P 500 Index of large cap stocks returned 2.4% during July, while the Russell 2000 Index of small cap stocks returned -3.6%.
- Defensive sectors, such as Health Care, Real Estate, and Utilities, outperformed cyclical sectors, such as Energy, Financials, and Industrials, as the delta variant weighed on the economic outlook.
- Treasury yields fell as investors rotated into bonds. Investment grade bonds produced a 1.4% total return compared to high yield bonds' 0.1% total return.

The Delta Variant

We think Holman Jenkins in the *Wall Street Journal* offered one of the most intelligent comments yet, in his July 20 piece "The Delta Variant Is a Reality Test:"

"If you haven't had Covid yet, you will. If you've had it once, you'll have it again. If you're vaccinated or were infected previously – which will, one day, be most people except the very young – your symptoms will likely be mild or nonexistent, but it's not guaranteed. Words the CDC says about flu it will one day say about Covid: 'Vaccination is especially important for people 65 years and older because they are at high risk of developing serious complications from flu. Flu vaccines are updated each season as needed to keep up with changing viruses.' Nobody is surprised when they get the flu for the second, the third, or the eighth time in their lives. This is what epidemiologists meant when, for the last 15 months, they said the new coronavirus was likely to evolve and become endemic."

Second Quarter 2021 Earnings Season Kicks Off

According to FactSet's *Earnings Insight*, 59% of S&P 500 companies have reported Q2 2021 earnings as of July 30th. Of the companies reporting results, 88% have reported earnings above Wall Street estimates (vs the 5-year average of 75%), with an aggregate positive earnings surprise of 17.2% (vs the 5-year average surprise of 7.8%). The blended year-over-year earnings growth rate (i.e., actual results for companies that reported plus estimates for companies that have not reported) for the S&P 500 is 85.1%, which would be the S&P 500's highest earnings growth rate since Q4 2009. The data indicates corporate earnings are recovering nicely as the economy reopens.

A look across earnings call transcripts highlights multiple themes. Most importantly, management teams are generally positive on the economic recovery. Consumer demand is returning as restrictions are relaxed and the economy reopens. However, companies have highlighted multiple friction points, such as staffing shortages and shipping delays, created by the accelerated reopening. The issues are increasing costs, which are being passed through to consumers via higher prices. The friction points may slow the recovery near-term, but the long-term outlook remains positive.

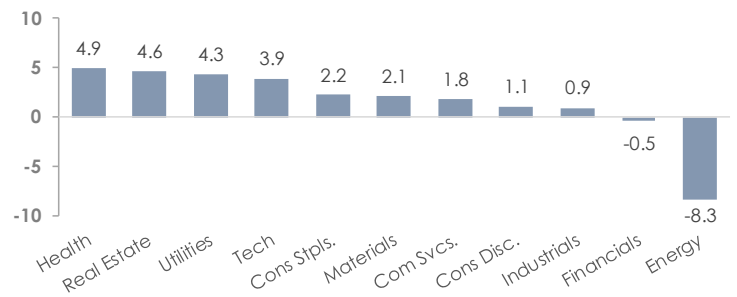
THIS MONTH IN NUMBERS

FIGURE 1
U.S. Style Returns (July in %)

	Value	Blend	Growth
Large	0.9	2.4	3.4
Mid	0.6	0.8	1.0
Small	-3.5	-3.6	-3.7

Data Reflects Most Recently Available As of 7/31/2021

FIGURE 2
U.S. Sector Returns (July in %)



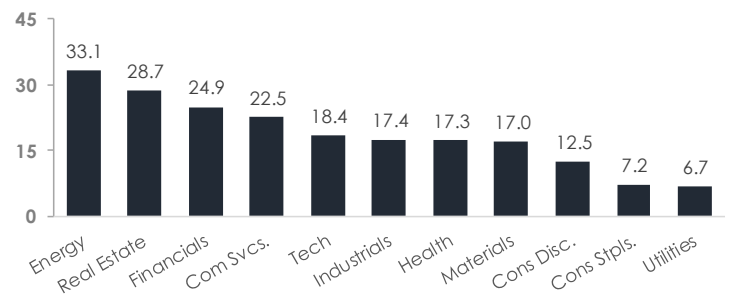
Data Reflects Most Recently Available As of 7/31/2021

FIGURE 3
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	17.9	18.0	16.7
Mid	20.0	17.0	11.4
Small	22.0	13.1	4.8

Data Reflects Most Recently Available As of 7/31/2021

FIGURE 4
U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 7/31/2021

FIGURE 5
Market Data Center

Stocks	Level	1 month	3 months	YTD	1 year	3 years
S&P 500	4,395	2.4%	5.4%	18.0%	36.0%	61.8%
Dow Jones	34,935	1.4%	3.5%	15.2%	34.3%	44.2%
Russell 2000	5,533	-3.6%	-1.6%	13.1%	51.3%	36.8%
Russell 1000 Growth	1,865	3.4%	8.2%	16.7%	36.4%	93.5%
Russell 1000 Value	972	0.9%	1.9%	17.9%	38.7%	34.8%
M SCI EAFE	1,310	0.8%	3.2%	10.5%	31.0%	23.3%
M SCI EM	71,753	-6.4%	-4.0%	0.3%	21.0%	21.3%
NASDAQ	14,673	2.9%	8.0%	16.5%	37.8%	109.4%

	Dividend Yield	NTM P/E	P/B
S&P 500	1.27%	21.1x	4.3x
Dow Jones	1.59%	18.9x	4.8x
Russell 2000	0.86%	26.8x	2.5x
Russell 1000 Growth	0.52%	30.5x	12.3x
Russell 1000 Value	1.57%	16.5x	2.5x
M SCI EAFE	2.26%	15.9x	1.8x
M SCI EM	1.47%	12.9x	1.9x
NASDAQ	0.48%	28.0x	8.3x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	1.87%	1.1%	2.2%	-0.6%	-0.8%	17.4%
U.S. Corporates	2.41%	1.4%	4.3%	-0.4%	0.7%	27.5%
Municipals (10 yr)	1.93%	0.5%	1.2%	1.2%	2.5%	15.0%
High Yield	4.43%	0.1%	1.5%	2.7%	7.4%	16.8%

Commodities	Level	1 month	YTD
Oil (WTI)	73.81	0.5%	52.1%
Gasoline	2.24	3.0%	63.8%
Natural Gas	3.91	7.2%	54.9%
Propane	1.09	12.7%	69.5%
Ethanol	2.13	-3.4%	70.0%
Gold	1,817	2.6%	-4.1%
Silver	25.55	-2.5%	-3.3%
Copper	4.48	4.3%	27.5%
Steel	1,878	2.1%	95.0%
Corn	5.45	-7.5%	12.5%
Soybeans	14.74	0.6%	12.5%

Key Rates	7/31/2021	6/30/2021	4/30/2021	1/31/2021	7/31/2020	7/31/2018
3 yr Treasury	0.35%	0.45%	0.34%	0.19%	0.11%	2.76%
10 yr Treasury	1.23%	1.45%	1.63%	1.09%	0.54%	2.97%
30 yr Treasury	1.89%	2.06%	2.30%	1.85%	1.20%	3.08%
30 yr Fixed Mortgage	3.02%	3.13%	3.11%	2.88%	3.09%	4.43%
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	5.00%

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