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# Market Monitor

- The Dow Jones Industrial Average rose 2.51% last month, trimming its year-to-date (YTD) loss to 6.14%.
- Among the three major U.S. equity indices, the technology-dominated Nasdaq Composite (+6.85%) performed best, extending its YTD gain to 20.40%.
- From April through July, the S&P 500 has risen 27.3%, the Bloomberg Barclays U.S. Aggregate Bond Index gained 4.44%, and the Bloomberg Commodities Index returned 11.0%.
- Gold futures surged 10.3% in July, ending at \$1,986 per ounce, its best month in over four years. Intramonth, gold had topped \$2,000 for the first time ever. Silver prices surged 29.9%.
- After a nearly year-long ascent, the U.S. Dollar Index weakened by 4.2% to end July at its lowest level since April 2011. The dollar spiraled amid rising budget deficits and a longer outlook for near-zero Fed Funds interest rates.

U.S. major equity averages finished July with solid gains, extending a rally recovery with the benchmark S&P 500 capping its best four-month gain since December 1998. Impressive July performance across diverse markets were backed by continuing fiscal and Federal Reserve stimulus programs aimed at relieving unprecedented economic effects resulting from the COVID-19 pandemic. Bullish sentiment was also fueled by better-than-expected earnings and meaningful progress toward developing COVID-19 vaccines.

Yet after employment rebounded in May and June, many densely populated states began experiencing sizable increases in daily infection rates, prompting numerous state-ordered business re-closures. This in turn led to an increase in jobless claims during the latter half of July and a corresponding pullback in consumer confidence. Although widely expected, seasonally adjusted and annualized GDP plunged by a record 32.9% in the second quarter. This together with a 5% year-over-year GDP contraction during the first quarter marks 2020 with the largest two-quarter recession since at least 1947, when the data began.

Mid cap stocks performed best relative to large and small caps last month. The Russell Mid Cap rose 5.87% in July, while the small cap-focused Russell 2000 Index trailed with a 2.77% gain. Large cap growth stocks outperformed their value counterparts last month. Growth is likewise outperforming value for the year, up 18.3% YTD while value trimmed its YTD loss to -12.95%.

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As the sector performance table illustrates below, all but one of the 11 major sector groups ended positive in July, with leadership broadening into non-tech cyclicals including Consumer Discretionary and Materials. Surprisingly, Technology was a “middle-of-the-pack” performer last month with a gain of 5.62% garnering just a sixth-place finish. Energy continued to lag in July and YTD.

Foreign equity markets continued to recover but delivered uneven performance. Emerging markets widely outperformed, topping U.S. benchmark S&P 500 gains by 3.3%. Developed markets outside the U.S. and Canada trailed the American benchmark by the same amount. Globally, the MSCI All-Country World Index advanced 5.29%, while the same index excluding the USA gained 4.46%.

U.S. Treasury prices advanced in July with benchmark 10-year yields eroding to 0.54% from 0.65% at the start of the month. Treasuries of all maturities, as measured by the Bloomberg Barclays U.S. Government Index gained 1.10%, while the longer-term government bond index advanced 4.18%. Investment-grade bonds of all types returned about 1.5% in July. Meanwhile, July municipal bond performance more than doubled over June’s 0.82% gain, while higher-risk, non-investment grade high-yield corporate bonds performed best, up 4.69%.

Top Performers – July	Top Performers – YTD <sup>1</sup>
Consumer Discretionary (+9.00%)	Technology (+21.41%)
Utilities (+7.81%)	Consumer Discretionary (+16.88%)
Materials (+7.07%)	Communication Services (+6.47%)
Bottom Performers – July	Bottom Performers – YTD <sup>1</sup>
Real Estate (+4.00%)	Industrials (-10.93%)
Financials (+3.77%)	Financials (-20.74%)
Energy (-5.13%)	Energy (-38.65%)

<sup>1</sup> Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

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The Bloomberg Barclays Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973. The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

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