



# Capital Markets Snapshot

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# Global Market Summary

Global stocks, U.S. sectors and interest rates

Global Stock Market Summary

Index	Level	WTD	MTD	QTD	YTD
S&P 500	3768	-1.5%	0.3%	0.3%	0.3%
Dow Jones Industrials Average	30814	-0.9%	0.7%	0.7%	0.7%
NASDAQ Composite	12998	-1.5%	0.9%	0.9%	0.9%
MSCI Emerging Markets Index	1358	0.3%	5.2%	5.2%	5.2%
MSCI EAFE Index	2184	-1.4%	1.7%	1.7%	1.7%
MSCI All Country World Index	655	-1.2%	1.5%	1.5%	1.5%
MSCI Europe Index	1861	-2.1%	1.2%	1.2%	1.2%

Global Rates Summary

	Jan 15, 2021	Dec 31, 2020
3-Month Treasury Yield	0.09%	0.09%
2-Year Treasury Yield	0.13%	0.13%
10-Year Treasury Yield	1.11%	0.93%
30-Year Treasury Yield	1.85%	1.65%
30-Year Fixed Mortgage	2.79%	2.67%
German 10-Year Bund Yield	-0.54%	-0.57%

Sector Performance

Index	WTD	MTD	QTD	YTD
Energy	3.1%	12.7%	12.7%	12.7%
Real Estate	1.9%	-0.7%	-0.7%	-0.7%
Utilities	1.1%	0.4%	0.4%	0.4%
Financials	0.0%	4.7%	4.7%	4.7%
Healthcare	-0.4%	3.0%	3.0%	3.0%
Industrials	-0.9%	0.2%	0.2%	0.2%
S&P 500	-1.5%	0.3%	0.3%	0.3%
Materials	-1.6%	4.0%	4.0%	4.0%
Cons. Disc.	-1.9%	1.9%	1.9%	1.9%
Cons. Stap.	-2.0%	-3.0%	-3.0%	-3.0%
Technology	-2.6%	-2.2%	-2.2%	-2.2%
Comm.	-3.6%	-3.8%	-3.8%	-3.8%

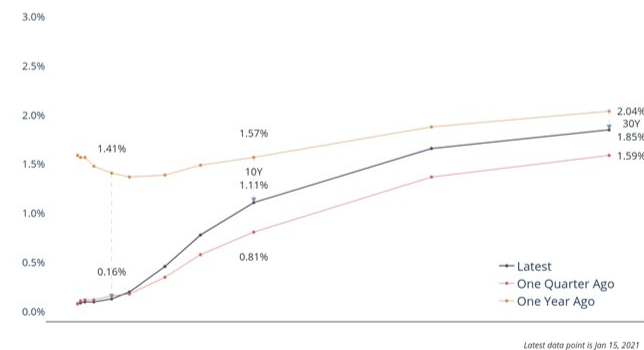
Currencies and Commodities

Index	Level	MTD	QTD	YTD
US Dollar Index	90.77	0.9%	0.9%	0.9%
Euro	1.21	-1.2%	-1.2%	-1.2%
Chinese RMB	6.47	1.0%	1.0%	1.0%
Japanese Yen	103.88	-0.6%	-0.6%	-0.6%
British Pound	1.36	-0.6%	-0.6%	-0.6%
WTI Oil	53.44	10.7%	10.7%	10.7%
Brent Oil	56.49	8.9%	8.9%	8.9%

S&P 500



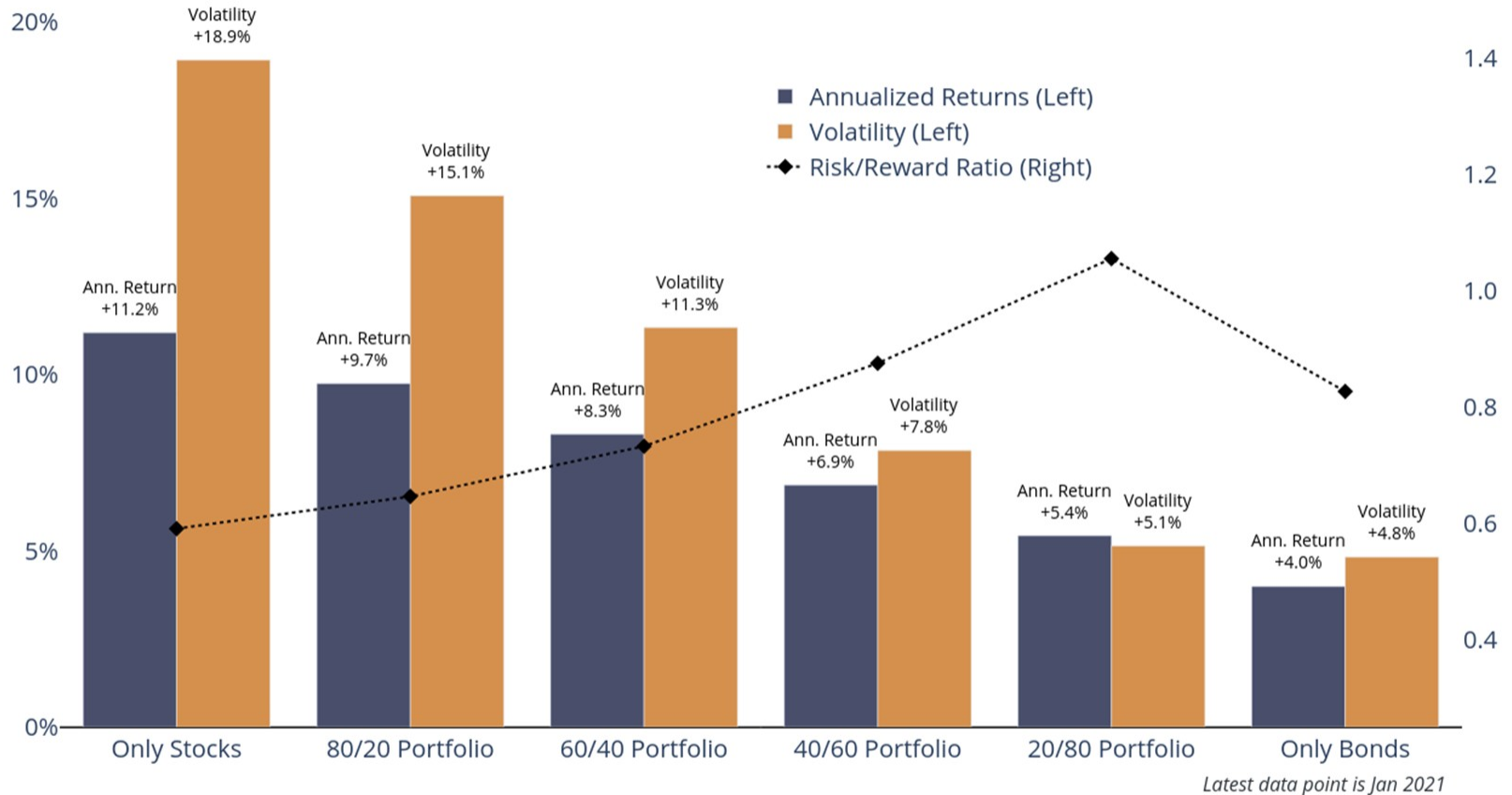
U.S. Treasury Yield Curve



# Portfolio Risk/Reward

Returns and standard deviations over the past 15 years across hypothetical stock/bond asset allocation portfolios, before fees and other expenses

Asset Allocation

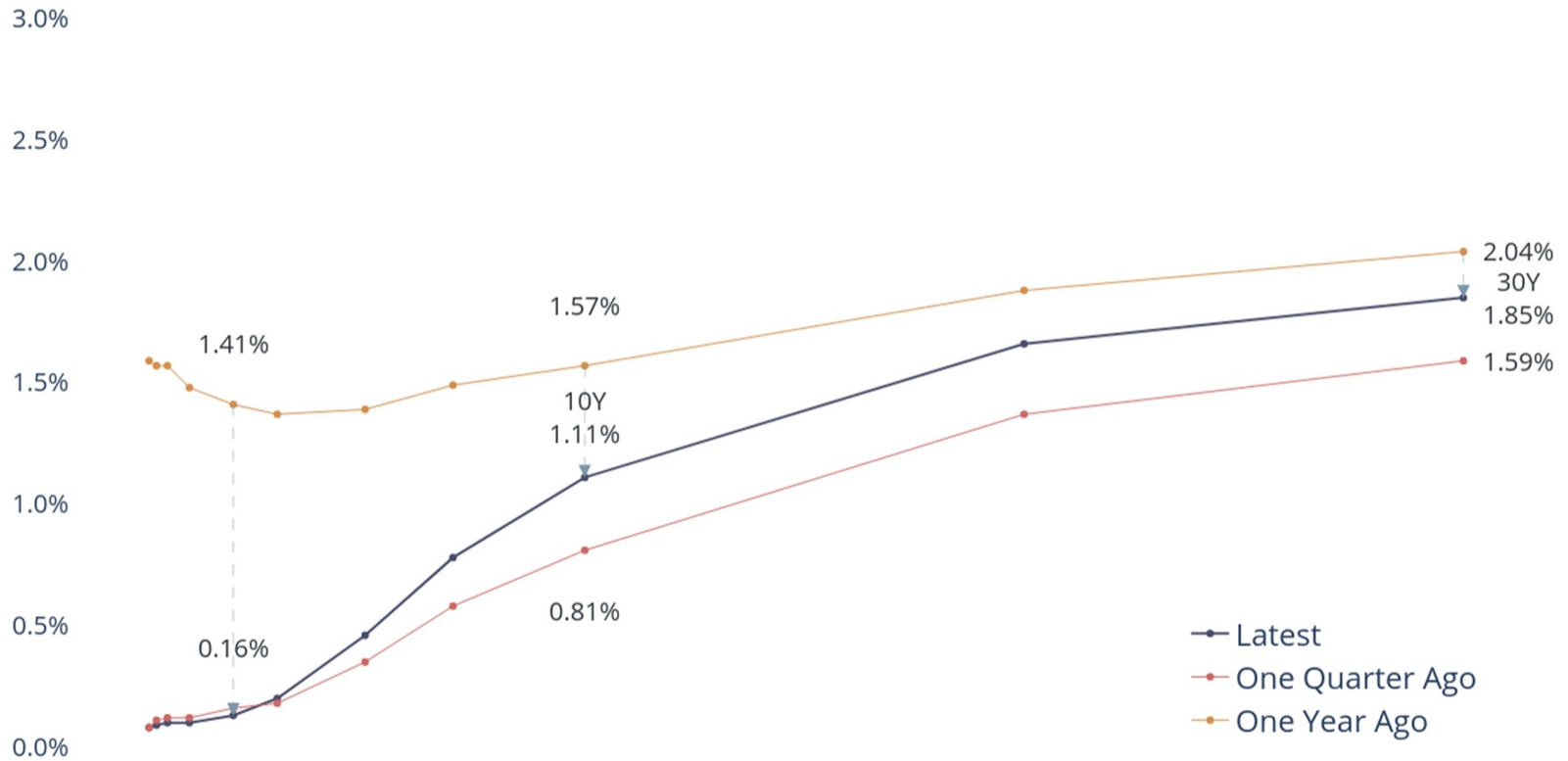


- This chart shows the historical risk and return profiles of various stock/bond portfolios.
- For instance, while an all-stock portfolio has the highest return, it also has the most volatility.
- Selecting the best stock/bond allocation depends on personal characteristics and financial goals.

Source: Clearnomics, Refinitiv

# Treasury Yield Curve

*The shape of the U.S. Treasury curve last year versus today*



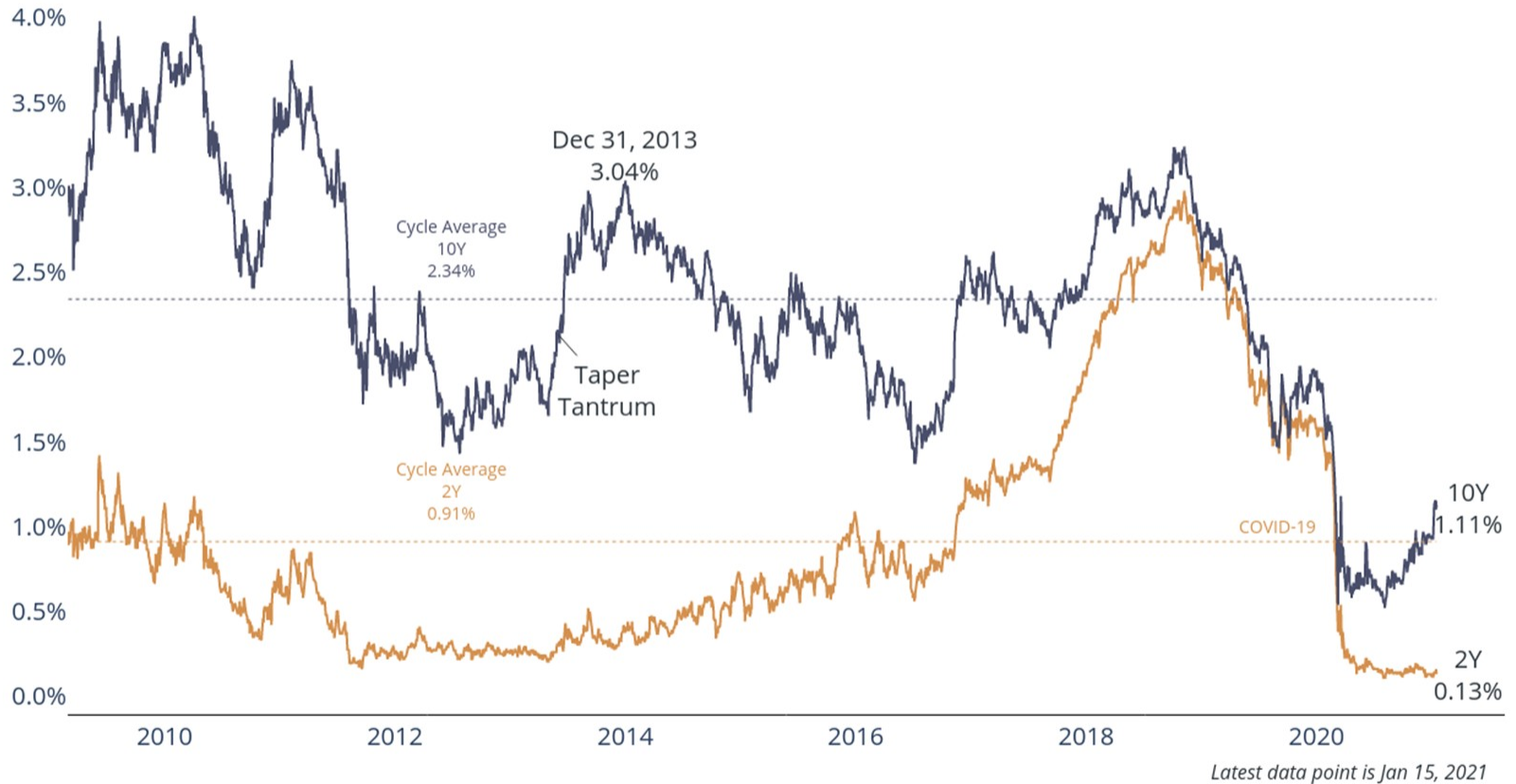
*Latest data point is Jan 15, 2021*

- The yield curve is still flat by historical standards due to low long-term interest rates.
- However, the yield curve is no longer inverted since the Fed cut rates to zero at the onset of the COVID-19 pandemic.
- Economic uncertainty due to COVID-19 will likely keep interest rates across the yield curve low for some time.

Source: Federal Reserve

# Interest Rates

10-year and 2-year yields since 2010

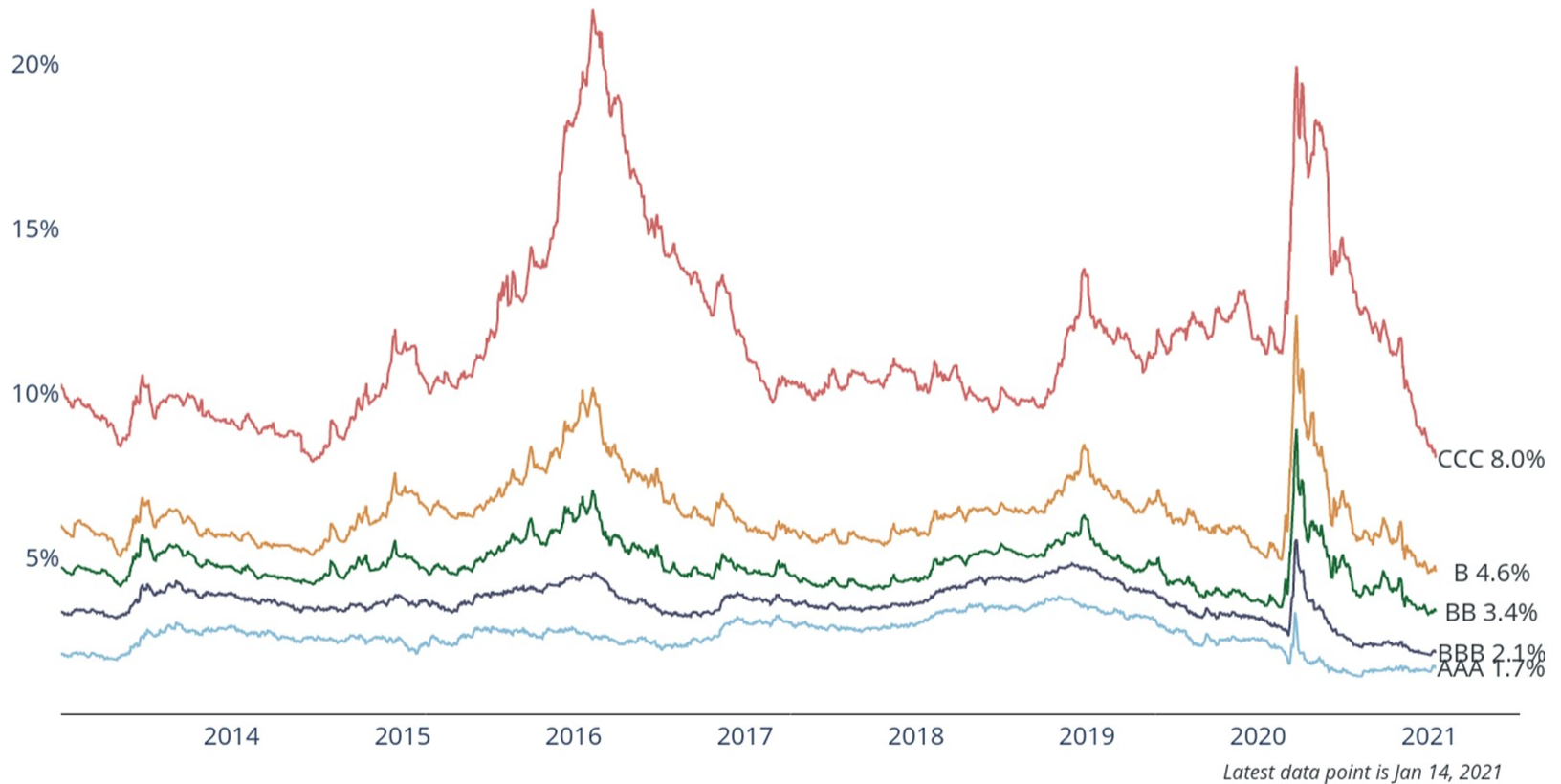


- Long-term interest rates plummeted during the pandemic and economic shutdown.
- The 10-year Treasury yield continues to sit at low levels due partly to Fed rate cuts.
- Interest rates could remain low as uncertainty over economic growth hangs over financial markets.

Source: Federal Reserve

# U.S. Corporate Bond Yields

Bond Market



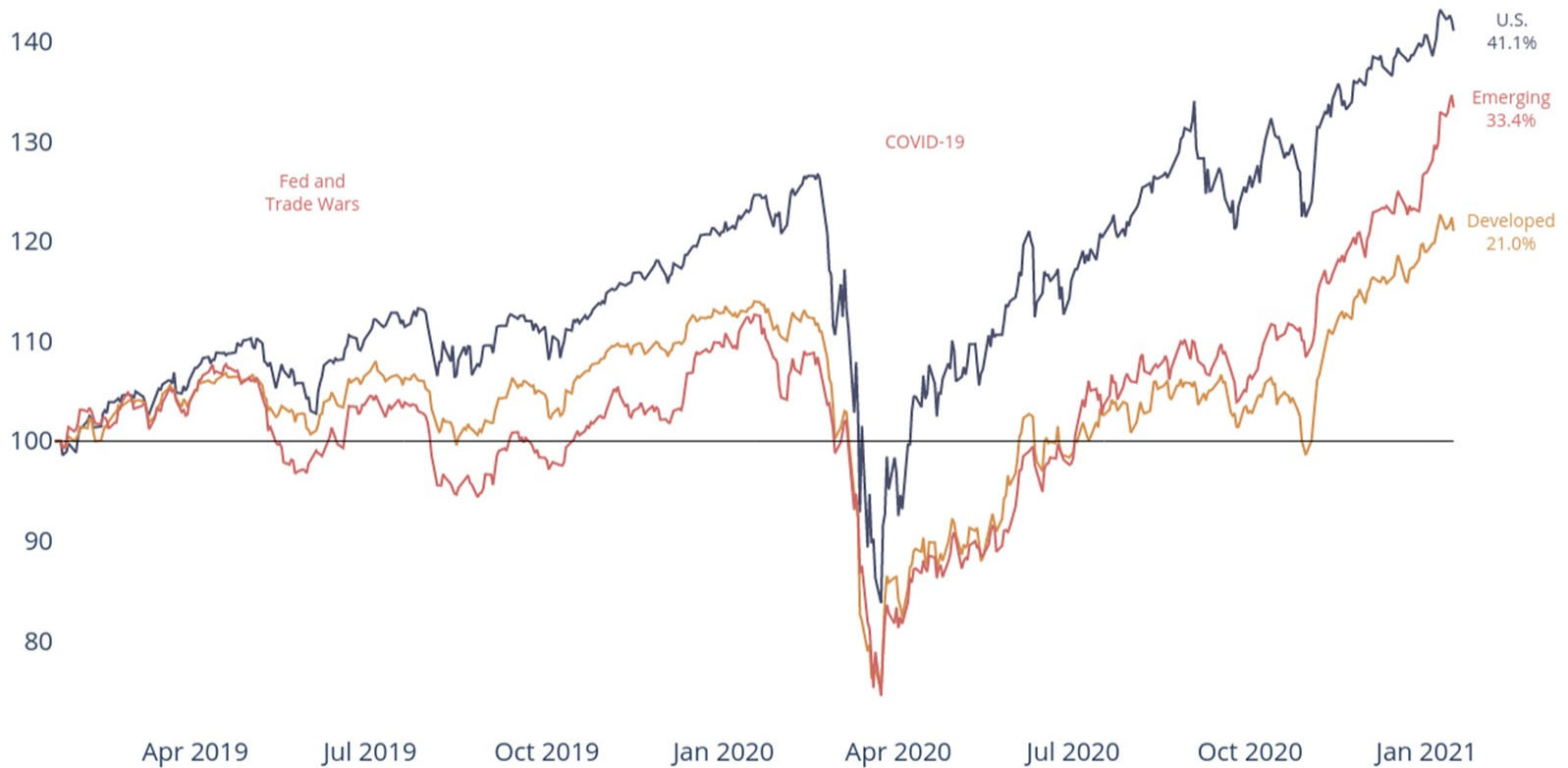
- Corporate bond spreads have widened recently due to global market volatility.
- Over the past decades, corporate bonds - especially high yield - was an attractive way to generate income.
- Corporate bonds are an important portfolio diversifier to stock market and government bond holdings.

Source: Merrill Lynch Bond Indices



# Global Stock Market Performance

*S&P 500, MSCI EAFE, and MSCI EME. Prior 2 years*



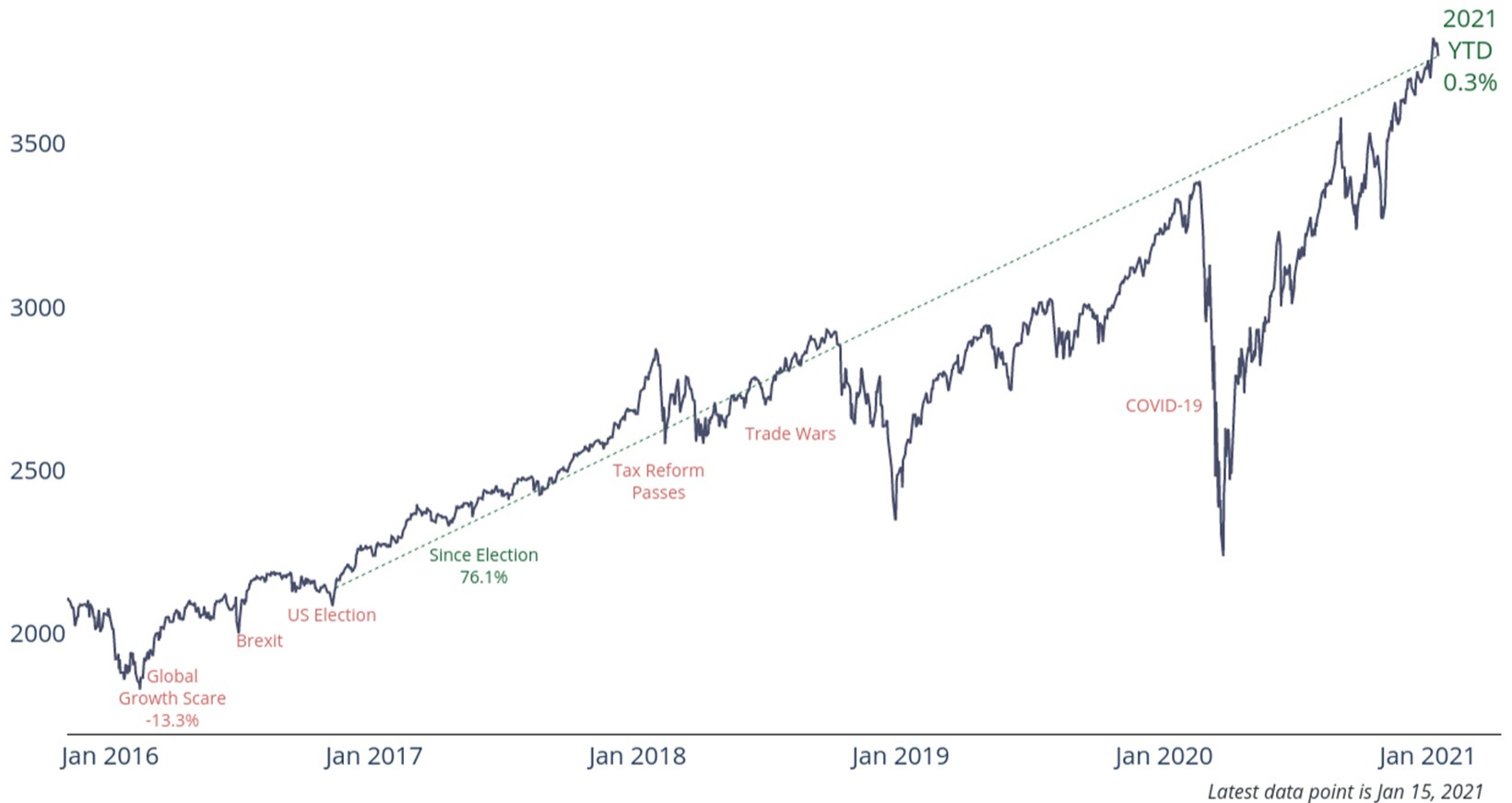
*Latest data point is Jan 15, 2021*

- The pandemic resulted in significant uncertainty for the stock market in 2020. However, the stock market was able to recover quickly.
- While volatility spiked and economic growth stumbled, both stabilized with the reopening of the economy, stimulus and vaccine rollouts.
- Investors ought to remain focused on the long run rather than the past few days, weeks or months.

Source: MSCI, Standard and Poor's, Refinitiv

# Stock Market Performance

*S&P 500 Index, recent period*



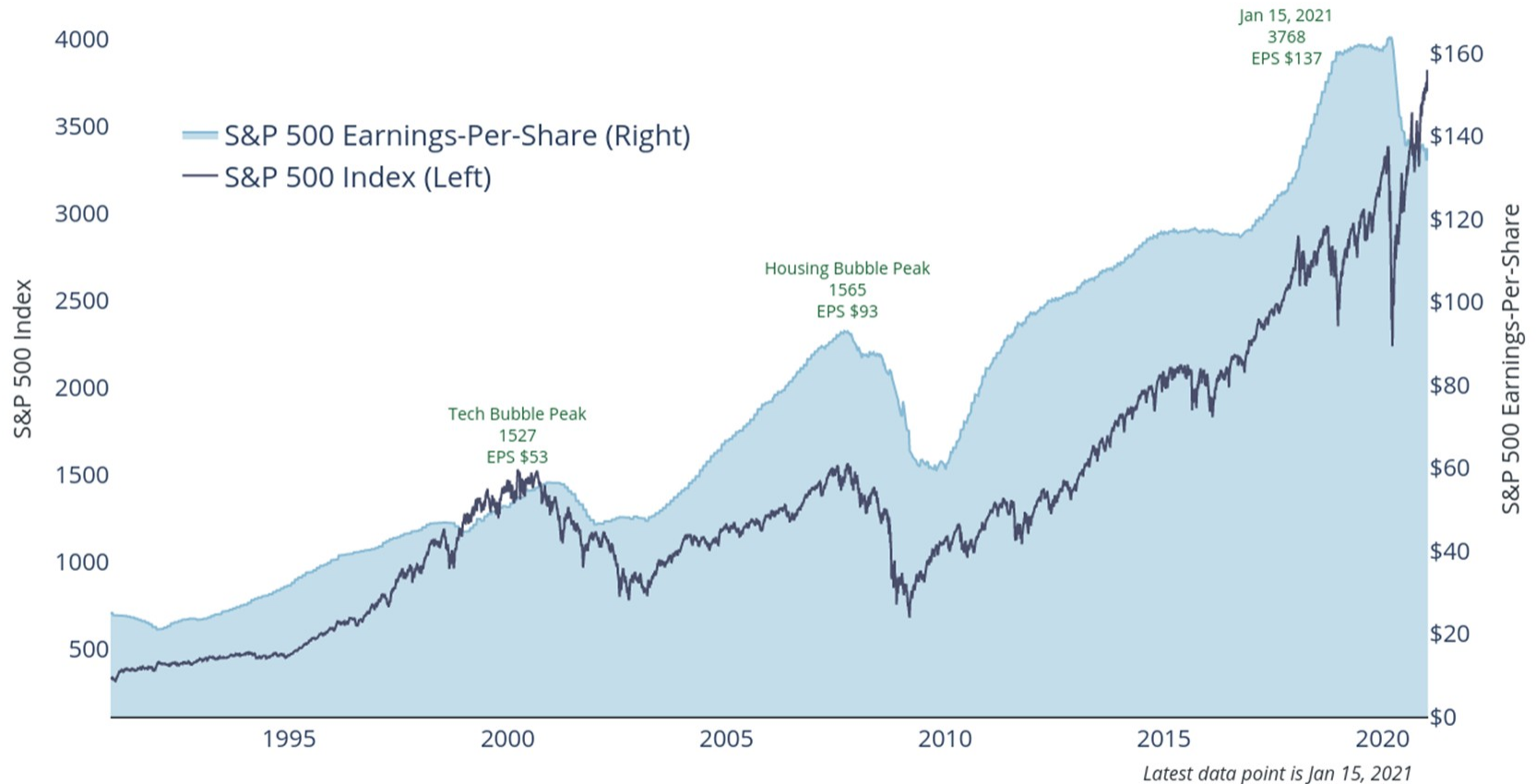
- The stock market rebounded quickly from the pandemic-induced bear market.
- However, uncertainty remains high due to the uneven economic recovery and sectors like tech.
- For long-term investors, it is important to maintain the proper perspective and look past short-term volatility.

Source: Standard & Poor's



# The Stock Market and Earnings

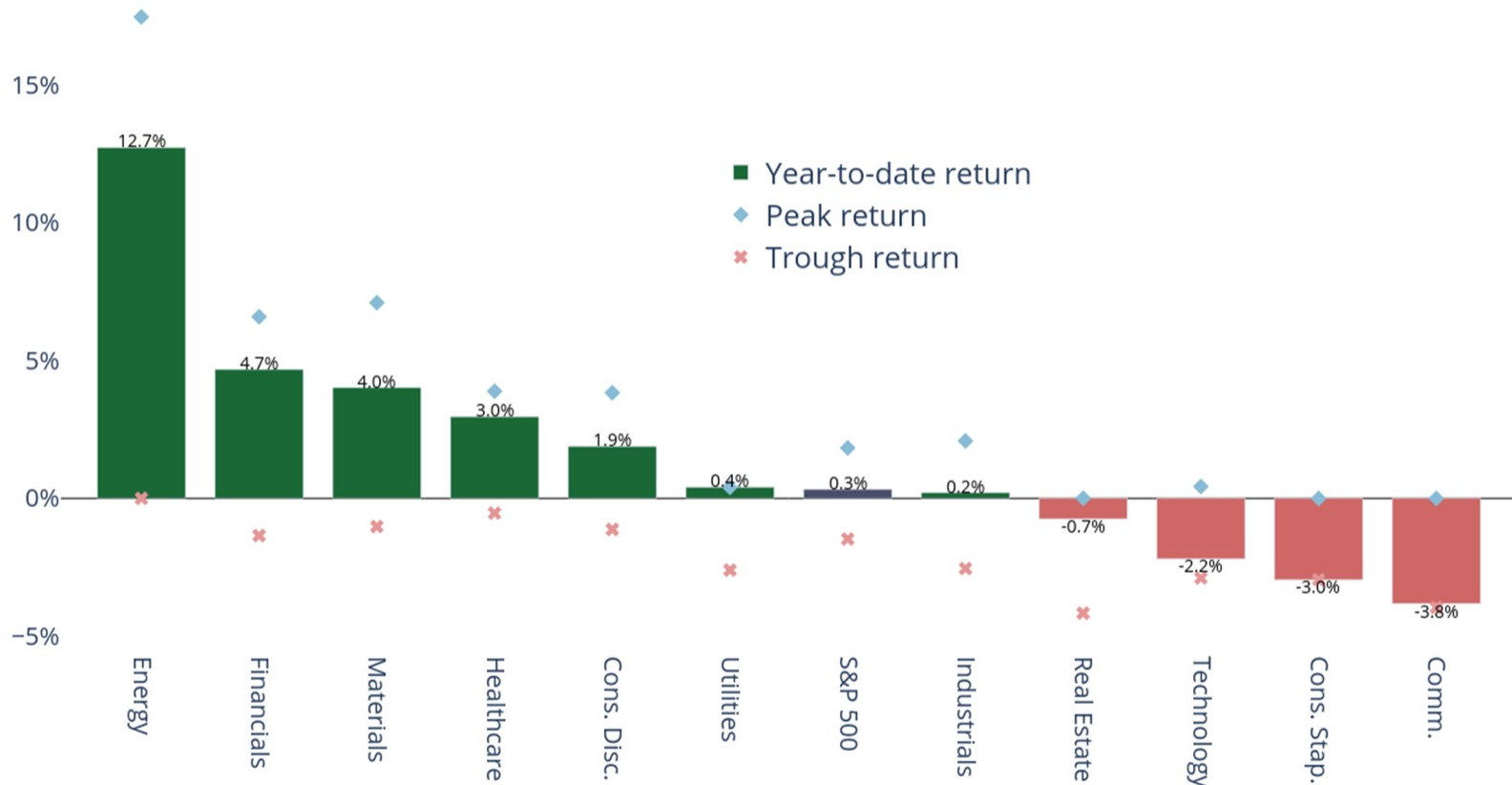
*S&P 500 Index price and trailing earnings-per-share since 1990*



- This chart shows the S&P 500 index alongside its trailing 12 months earnings-per-share.
- Over the long run, the stock market tends to follow earnings. If earnings are rising, investors are willing to pay more per share.
- Earnings, in turn, tend to track economic growth. Thus, a healthy economy tends to result in a rising stock market.

# Sector Returns – Year-to-Date

*S&P 500 sector year-to-date, peak and trough returns*

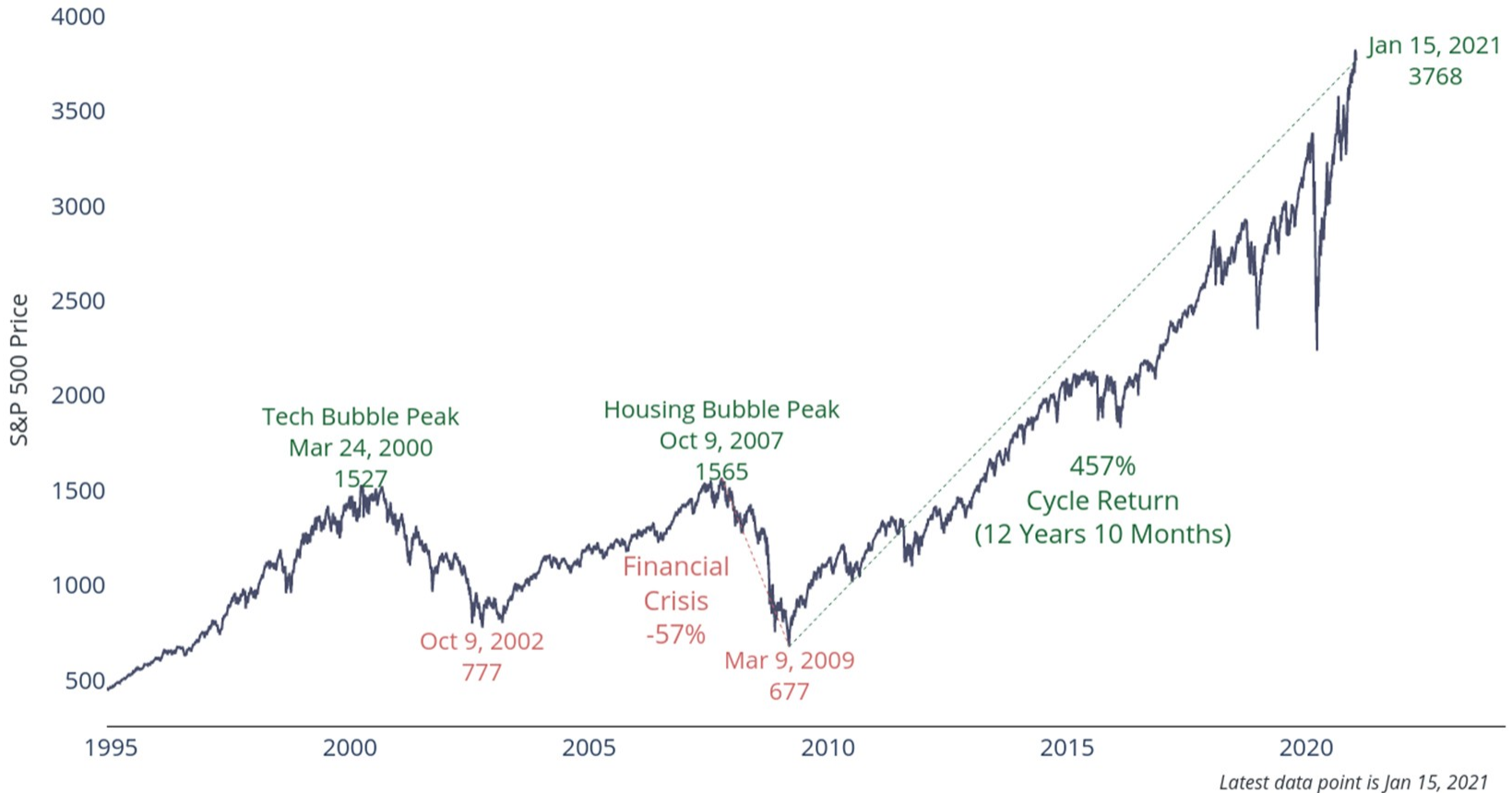


- Stock market sectors have performed differently from one another throughout the pandemic.
- Technology-driven sectors initially led the pack while energy and some consumer sectors trailed.
- Most investors should continue to benefit from broad diversification across sectors and industries.

Source: Clearnomics, Standard & Poor's, Refinitiv

# Stock Market Cycles

S&P 500 Index since 1995



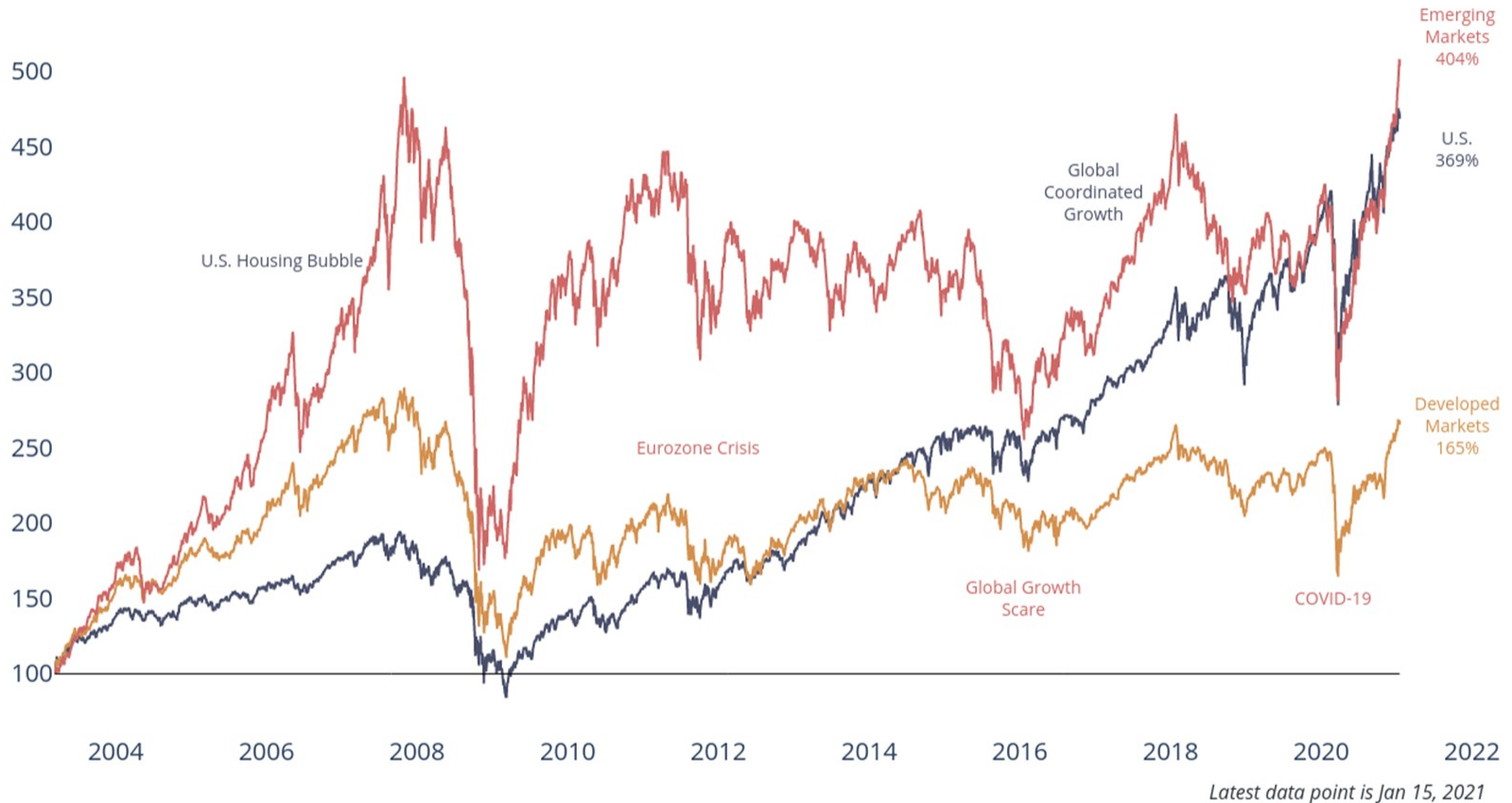
- The bull market that began in 2009 lasted 11 years until the COVID-19 pandemic.
- The bull market was driven by slow and steady economic growth, rising corporate earnings, and low interest rates.
- While uncertainty has increased, overcoming emotions and staying invested is one of the most important principles of investing.

Source: Standard & Poor's

# Global Stock Market Cycles

*S&P 500, MSCI EAFE, and MSCI EME. Prior 2 cycles, since 2003*

Global Markets

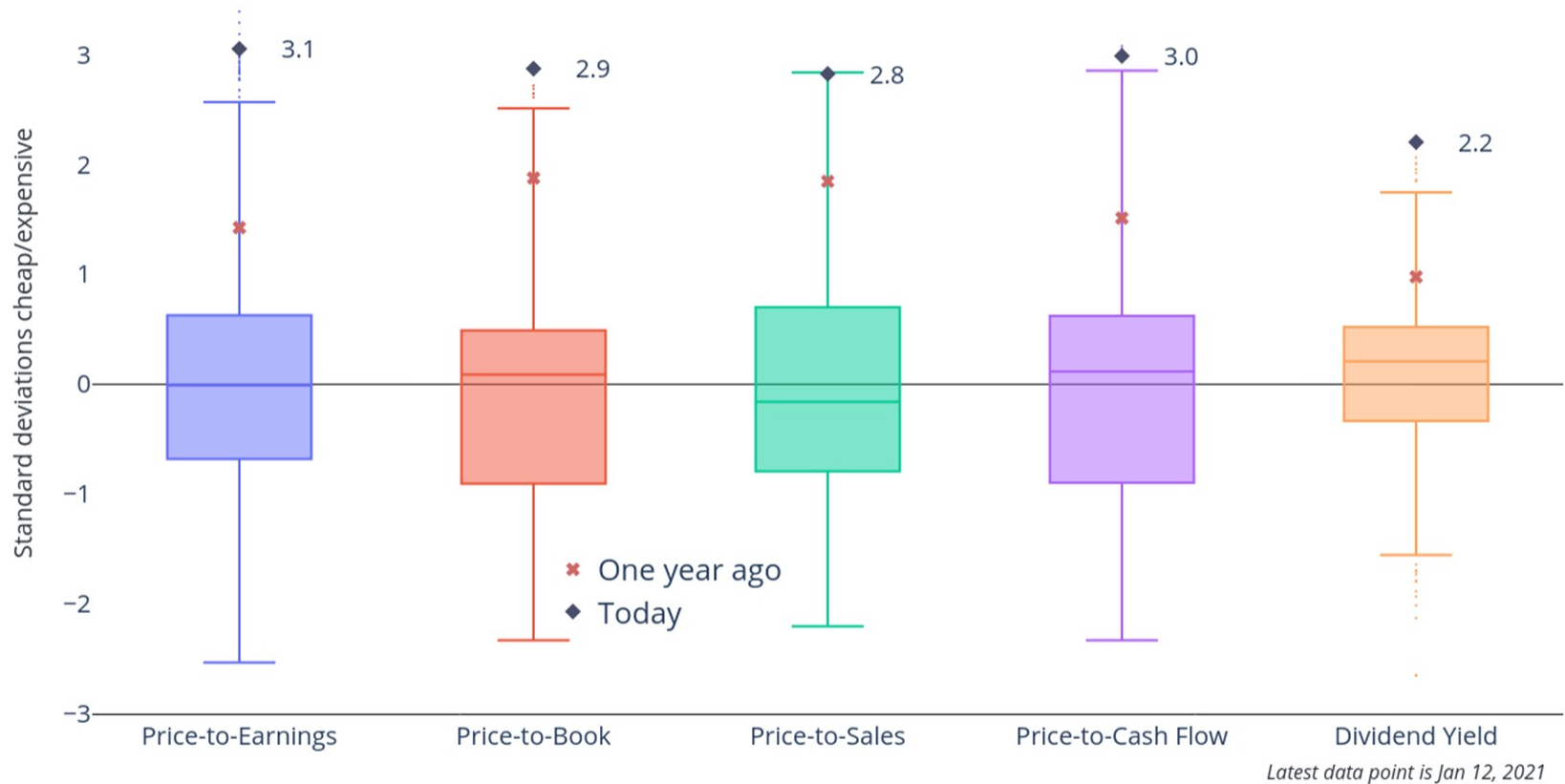


- Global markets have performed well over the past two market cycles, despite recent volatility.
- However, it is clear that each market behaves in unique ways. EM is historically the most volatile of the three regions.
- Investors who stay disciplined have historically been rewarded over the long run.

Source: MSCI, Standard and Poor's, Refinitiv

# Stock Market Valuations

*S&P 500 Index valuations today, one year ago, and ranges since 2003*



- U.S. stock valuations have become expensive as earnings estimates have fallen due to COVID-19.
- Valuations are at their most expensive level in years. However, earnings are expected to recover by the end of the year.
- Investors should remain properly diversified both in the U.S. and abroad.

Source: Refinitiv

# Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

**MSCI EME** is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

**Consumer sentiment** indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

## **Asset Class Performance and Asset Classes Relative to U.S.**

**Stocks charts:** The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

**Portfolio Risk/Reward and Portfolio Drift Since 2009** charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.



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