



# 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	3906	-0.7%	5.2%	4.0%	4.0%
Dow Jones Industrials Average	31494	0.1%	5.0%	2.9%	2.9%
NASDAQ Composite	13874	-1.6%	6.1%	7.7%	7.7%
MSCI Emerging Markets Index	1430	0.1%	7.6%	10.7%	10.7%
MSCI EAFE Index	2232	0.2%	5.1%	4.0%	4.0%
MSCI All Country World Index	679	-0.4%	5.7%	5.2%	5.2%
MSCI Europe Index	1897	0.4%	4.7%	3.1%	3.1%

	Feb 19, 2021	Jan 29, 2021	Dec 31, 2020
3-Month Treasury Yield	0.04%	0.06%	0.09%
2-Year Treasury Yield	0.11%	0.11%	0.13%
10-Year Treasury Yield	1.34%	1.11%	0.93%
30-Year Treasury Yield	2.14%	1.87%	1.65%
30-Year Fixed Mortgage	2.81%	2.73%	2.67%
German 10-Year Bund Yield	-0.30%	-0.52%	-0.57%

Sector Performance

Index	WTD	MTD	QTD	YTD
Energy	3.1%	16.4%	20.7%	20.7%
Financials	2.8%	11.8%	9.6%	9.6%
Materials	0.9%	5.9%	3.4%	3.4%
Industrials	0.7%	7.2%	2.5%	2.5%
Cons. Disc.	-0.5%	4.1%	4.5%	4.5%
S&P 500	-0.7%	5.2%	4.0%	4.0%
Real Estate	-0.8%	3.5%	4.0%	4.0%
Comm.	-0.9%	7.7%	6.1%	6.1%
Cons. Stap.	-1.1%	1.3%	-4.1%	-4.1%
Technology	-1.9%	5.2%	4.2%	4.2%
Utilities	-2.0%	-1.6%	-2.5%	-2.5%
Healthcare	-2.4%	-0.6%	0.6%	0.6%

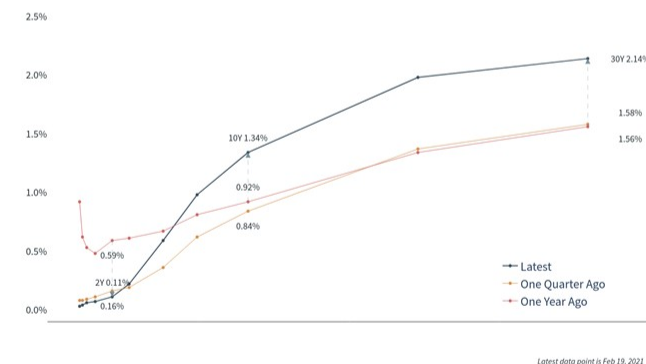
Currencies and Commodities

Index	Level	MTD	QTD	YTD
US Dollar Index	90.36	-0.2%	0.5%	0.5%
Euro	1.21	-0.2%	-0.9%	-0.9%
Chinese RMB	6.46	0.1%	1.3%	1.3%
Japanese Yen	105.63	-0.9%	-2.3%	-2.3%
British Pound	1.40	2.0%	2.5%	2.5%
WTI Oil	60.49	15.6%	25.3%	25.3%
Brent Oil	63.99	14.4%	23.3%	23.3%

S&amp;P 500

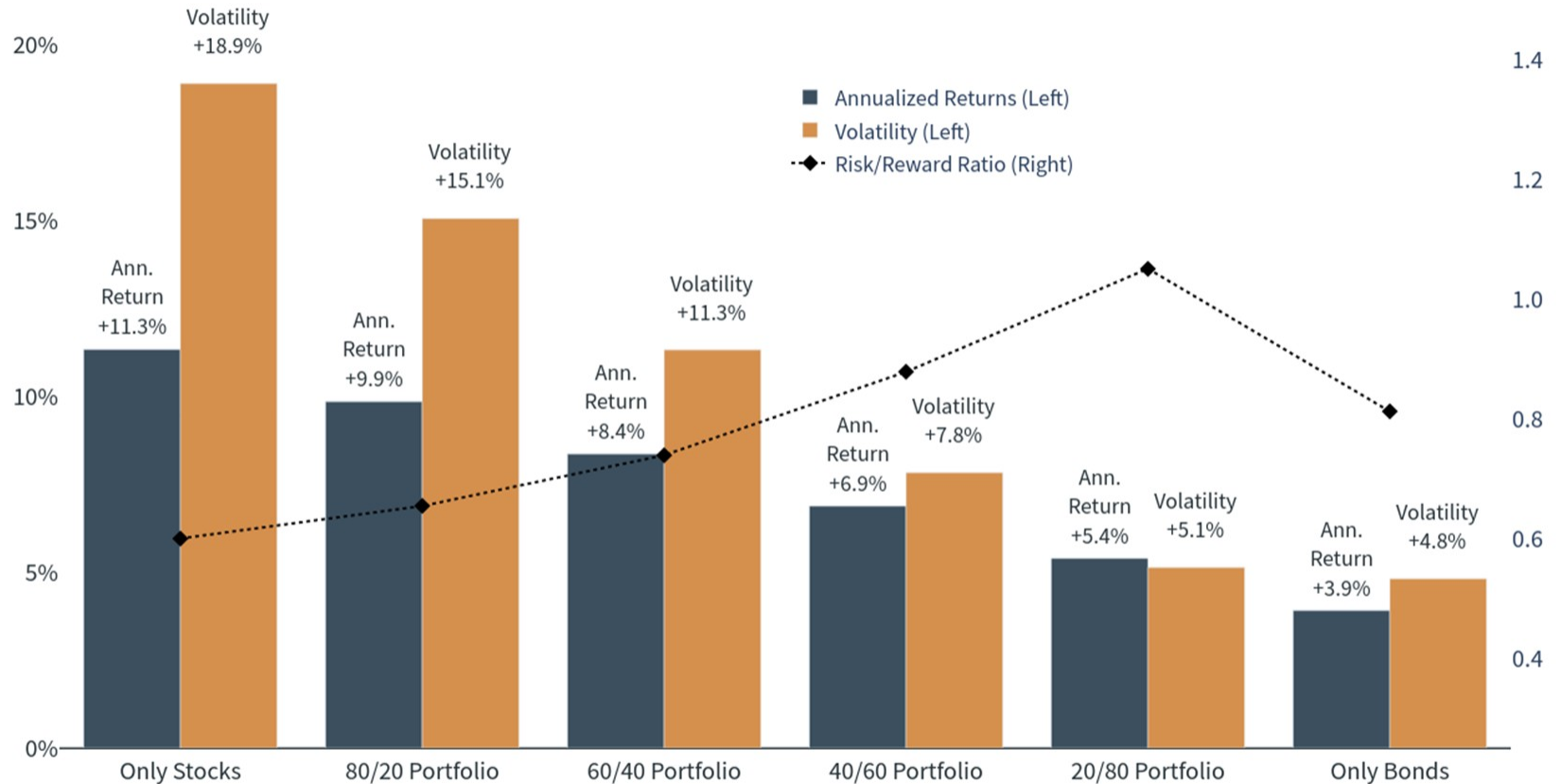


U.S. Treasury Yield Curve



# Portfolio Risk/Reward

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



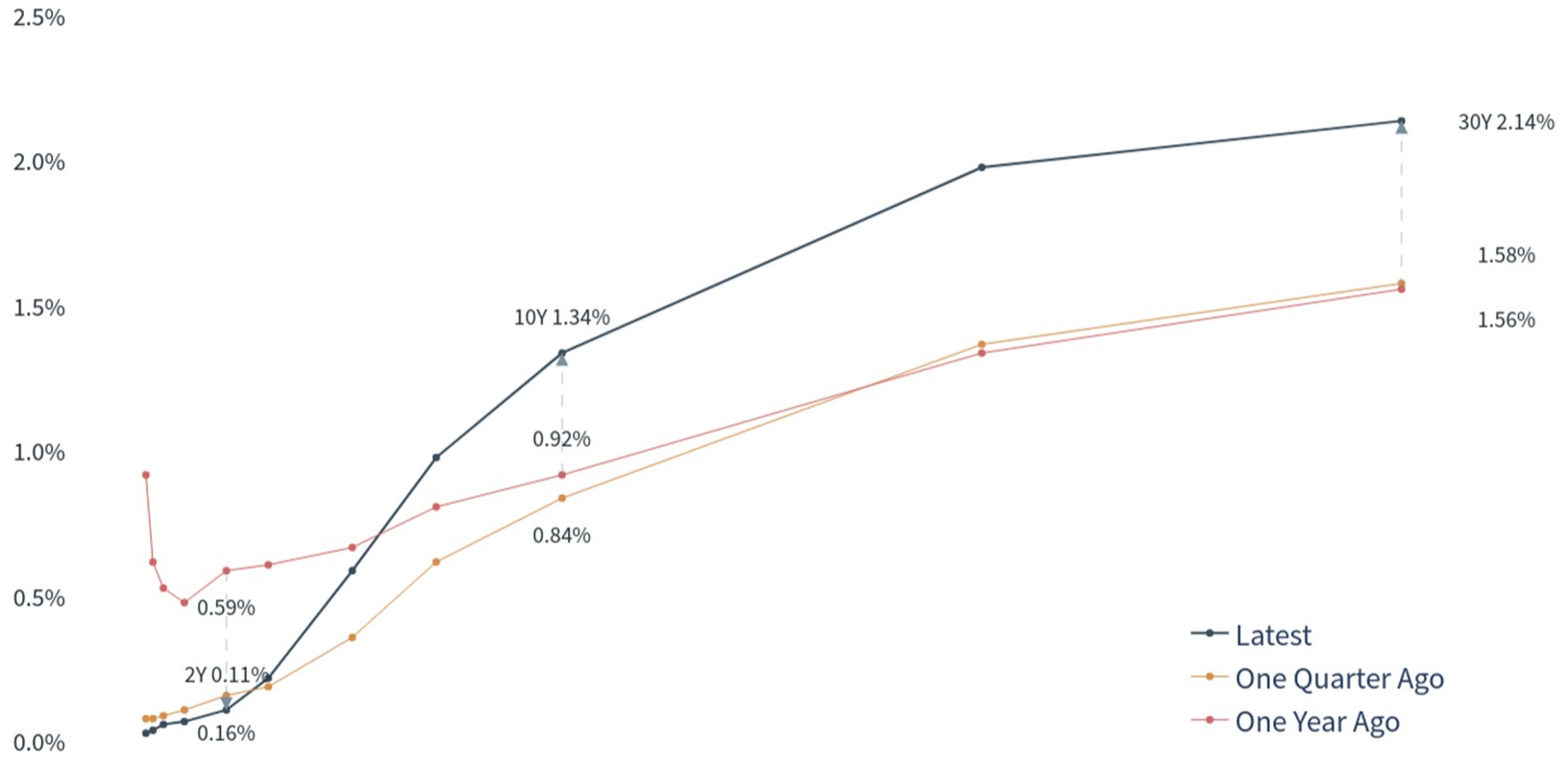
Latest data point is Feb 2021

- 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: Cleareconomics, Refinitiv

# Treasury Yield Curve

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



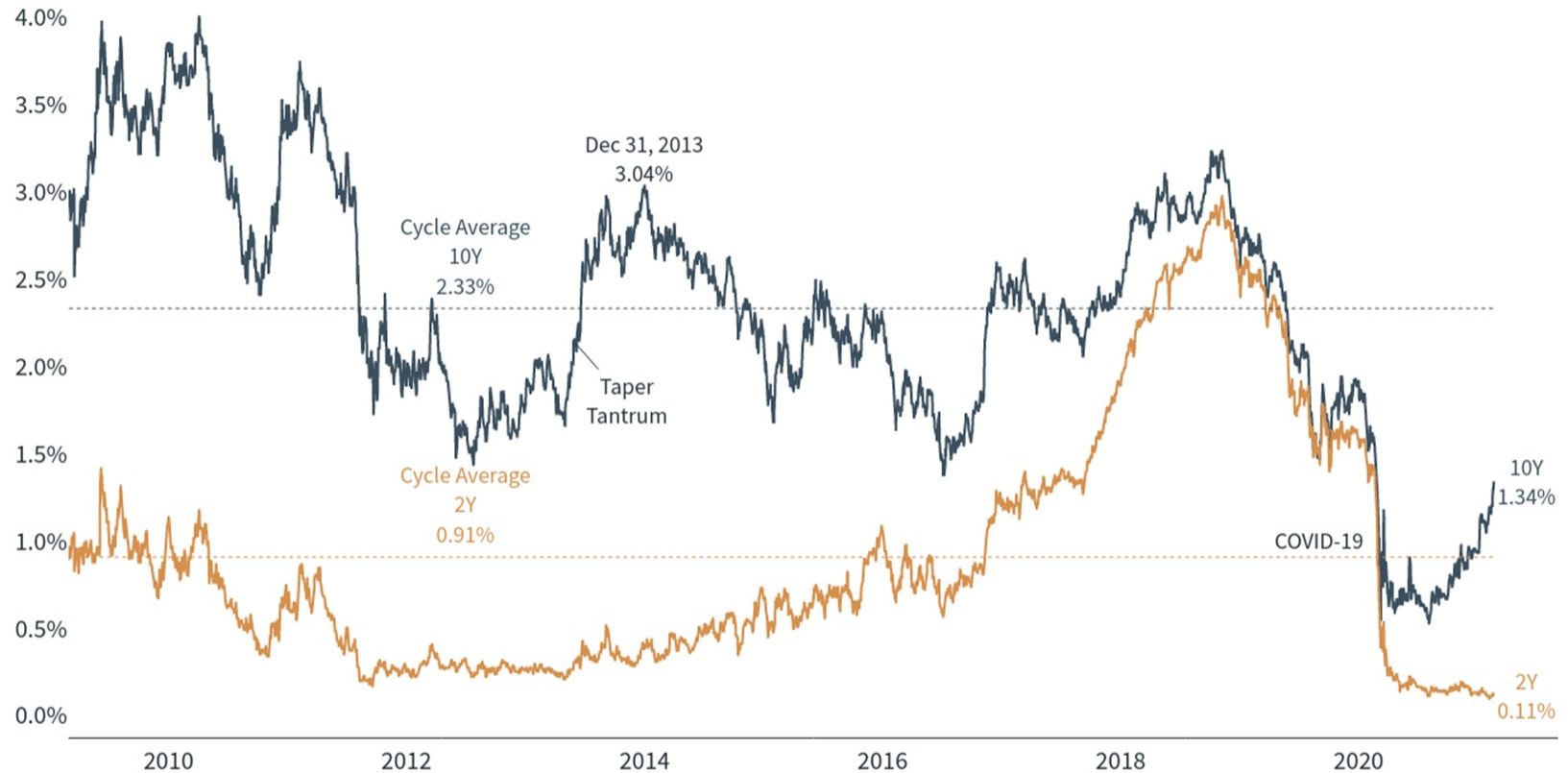
*Latest data point is Feb 19, 2021*

- The yield curve has steepened this year as the recovery continues and political uncertainty is resolved.
- The Fed continues to keep policy rates near zero, pinning down the short end of the yield curve.
- Steepening yield curves are often associated with the early phases of business cycles.

Source: Federal Reserve

# Interest Rates

## 10-year and 2-year yields since 2010

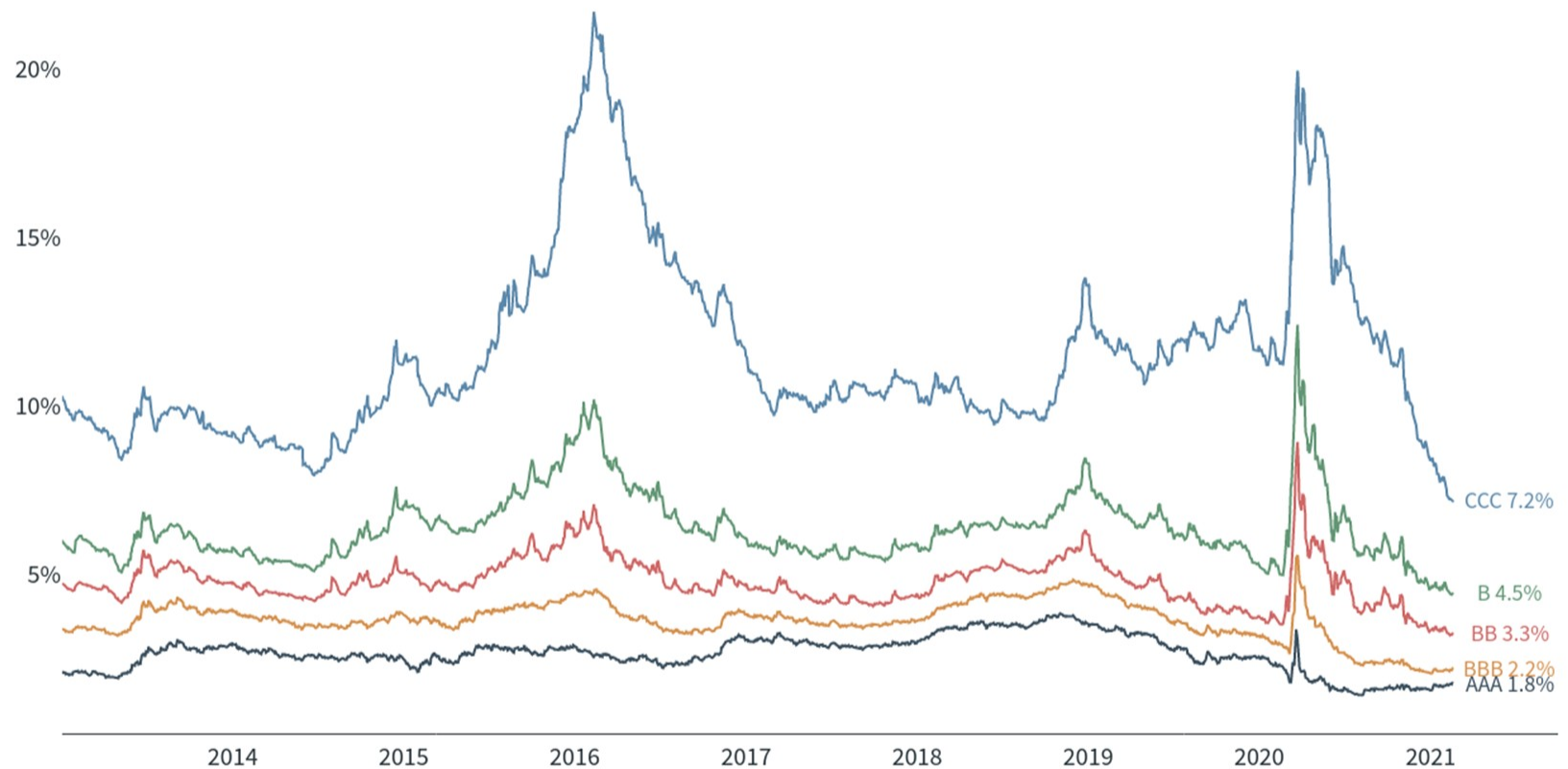


Latest data point is Feb 19, 2021

- Long-term interest rates plummeted during the pandemic and economic shutdown but have begun to rise again.
- The 10-year Treasury yield has risen above 1% recently due to the ongoing recovery and reduced political uncertainty.
- Rising long-term interest rates are often a sign of the early phases of a business cycle.

Source: Federal Reserve

# U.S. Corporate Bond Yields



*Latest data point is Feb 18, 2021*

- Corporate bond spreads briefly widened in 2020 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 Feb 19, 2021*

- There is still significant market uncertainty due to the pandemic. However, the stock market has performed well over the past year.
- 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

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# Stock Market Performance

*S&P 500 Index, recent period*



*Latest data point is Feb 19, 2021*

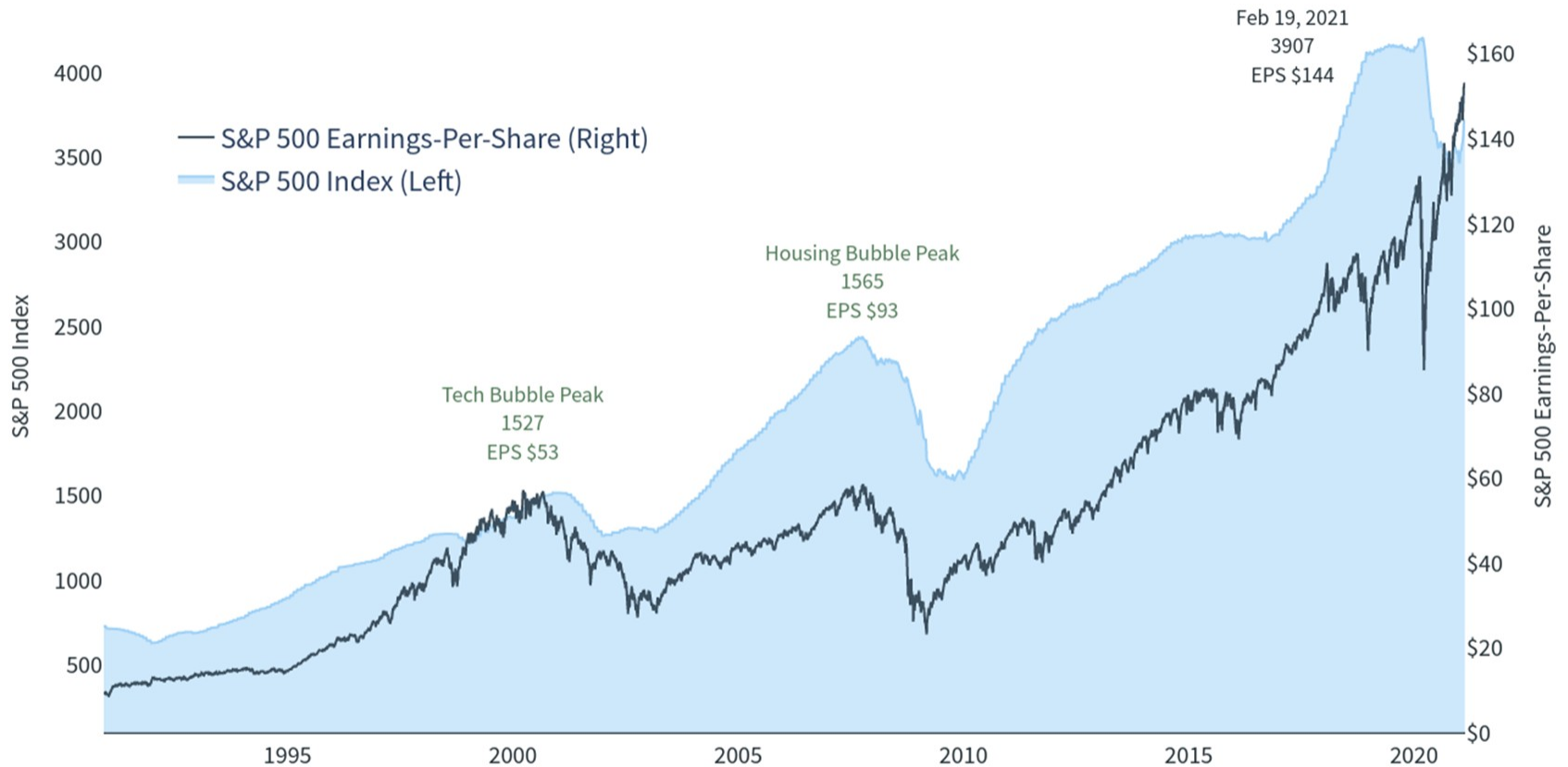
- The stock market rebounded quickly from the pandemic-induced bear market in 2020.
- Despite a rebound to all-time highs, uncertainty remains high due to the uneven recovery and the rollout of vaccines.
- For long-term investors, it is important to maintain the proper perspective and look past short-term volatility.

Source: Standard & Poor's



# The Stock Market and Earnings

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



*Latest data point is Feb 19, 2021*

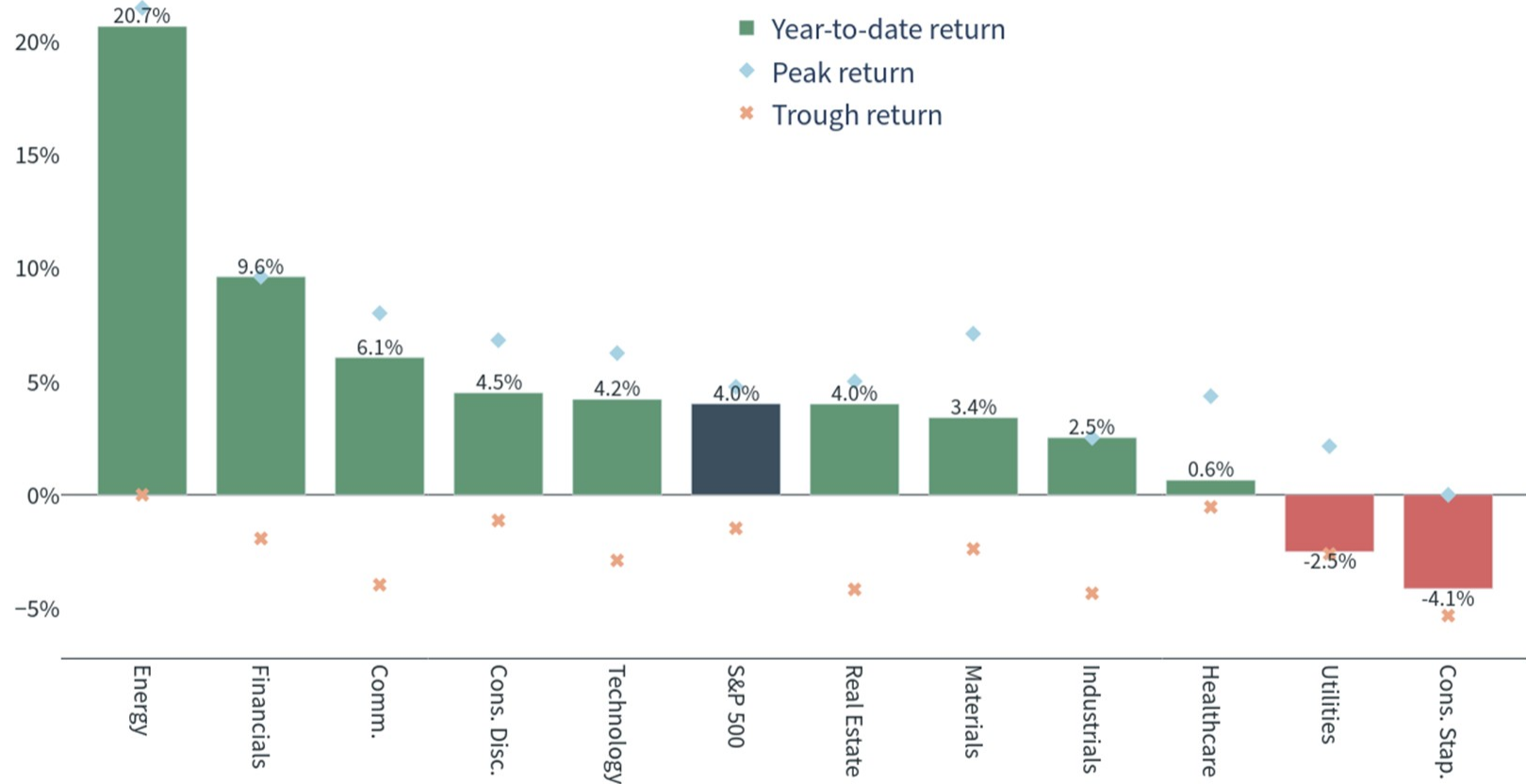
- This chart shows the S&P 500 index alongside its trailing 12 months earnings-per-share.
- Over the long run, the stock market tends to follow earnings. If earnings are rising, investors are willing to pay more per share.
- Earnings, in turn, tend to track economic growth. Thus, a healthy economy tends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

Source: Refinitiv,  
Standard & Poor's

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# Sector Returns – Year-to-Date

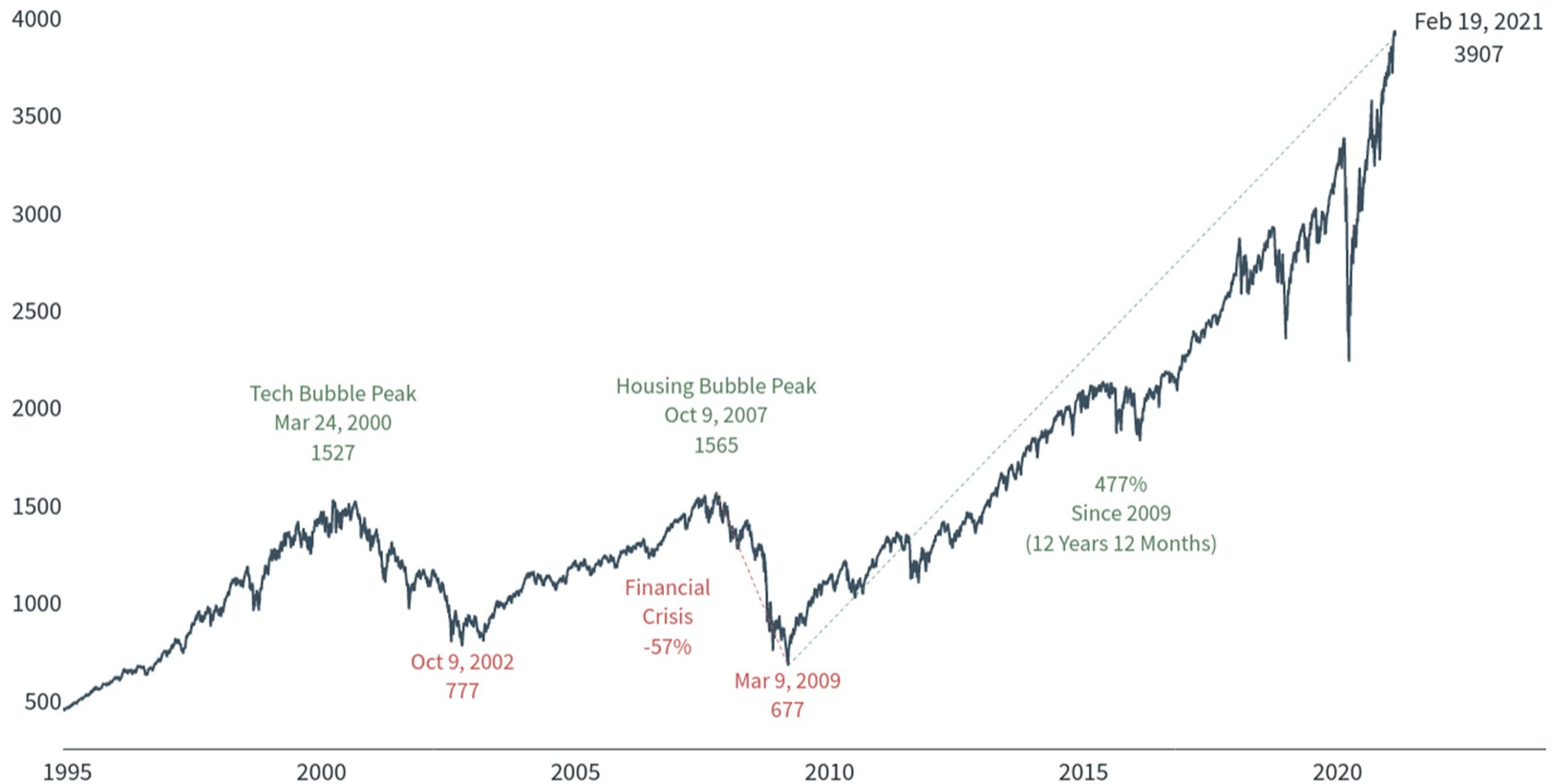
*S&P 500 sector year-to-date, peak and trough returns*



- 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.

# Stock Market Cycles

## *S&P 500 Index since 1995*



*Latest data point is Feb 19, 2021*

- The last bull market lasted 11 years until the COVID-19 pandemic. The market has recovered quickly since March 2020 as well.
- Bull markets are often driven by economic growth, rising corporate earnings and interest rates.
- Overcoming emotions and staying invested is one of the most important principles of investing across all cycles.

Source: Standard & Poor's

# Global Stock Market Cycles

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



*Latest data point is Feb 19, 2021*

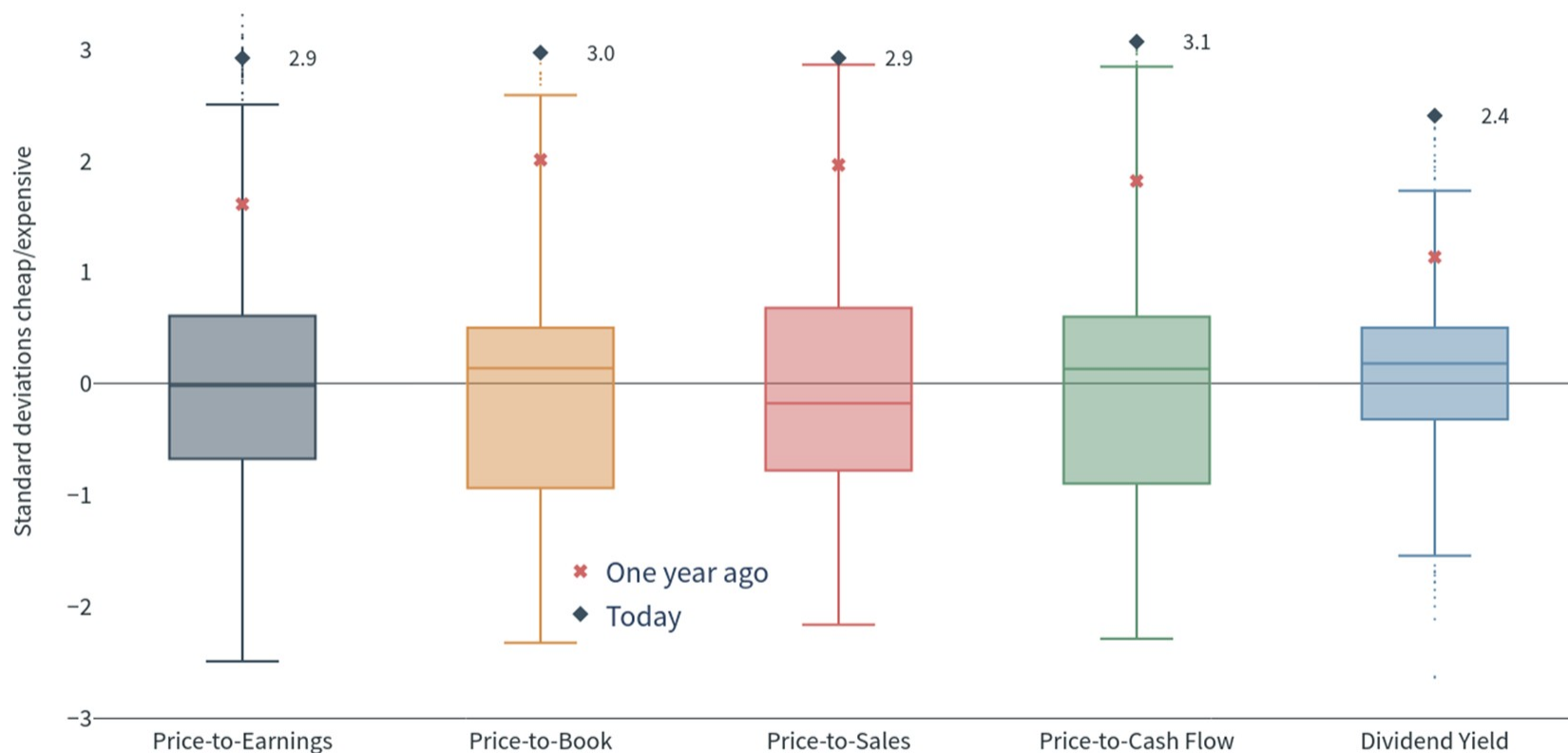
- Global markets have performed well over the past two market cycles, despite recent volatility.
- However, it is clear that each market behaves in unique ways. EM is historically the most volatile of the three regions.
- Investors who stay disciplined have historically been rewarded over the long run.

Source: MSCI, Standard and Poor's,  
Refinitiv

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# Stock Market Valuations

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



*Latest data point is Feb 16, 2021*

- U.S. stock valuations have become expensive as earnings estimates have fallen due to the pandemic.
- Valuations are at their most expensive level in years. However, earnings are expected to recover by the end of 2021.
- Investors should remain properly diversified both in the U.S. and abroad due to valuation differences.

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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