

MONTHLY RECAP

August 2021 Recap

At-A-Glance

The S&P 500 finished August just 0.12% below its Aug 30 all-time high at 4,528. Its March 23, 2020 bear market low was 2,237.

The Dow Industrials gained 1.50% last month, half the gain of the S&P 500.

The tech-heavy Nasdaq Composite performed best in August, up 4.08%.

The small cap Russell 2000 Index partially rebounded from July losses, recouping 2.24% of its 3.61% prior month loss.

Among major asset classes since the March 23, 2020 bear market low, the S&P 500 has more than doubled (+106.9%), the Bloomberg Barclays U.S. Aggregate Bond Index has gained 5.7% and the Bloomberg Commodities Index has climbed 54.8%.

Market Indices ¹	August	Year-to-Date
S&P 500	3.04%	21.58%
Russell 3000	2.85%	20.39%
Russell 2000	2.24%	15.83%
MSCI EAFE	1.76%	11.58%
MSCI Emerging Markets	2.62%	2.84%
Barclays U.S. Aggregate Bond	-0.19%	-0.69%
Barclays U.S. Municipal Bond	-0.37%	1.53%
Barclays U.S. Corporate High Yield	0.51%	4.55%

¹Morningstar Direct (all equity performance is total return based, which include reinvested dividends)

All three major U.S. equity indices posted strong gains in August, with the S&P 500 posting a seventh straight monthly advance, its longest winning streak since January 2018. Although slipping at month-end, the S&P 500 clinched its 53rd all-time high this year, 12 in August versus 7 in July. The U.S. benchmark index has on average posted a new record every four trading days and closed above 4,500 for the first time on August 27.

Overall, global equities continue to hover near record levels amid continuing recovery optimism driven by strong corporate earnings and supportive monetary policy. Moreover, trade data shows that over 1,000 American corporate insiders bought shares in their own firms in August, the most since May of last year. Even so, investors have recently questioned whether economic and earnings growth may soon peak in the near-term. This on expanding valuations near their highest since 2000 and prospects of less robust stimulus ahead and the spread of the Delta-variant. Fed Chairman Jerome Powell agreed that policymakers should begin tapering monthly bond purchases by the end of this year.

In key August economic data, U.S. Gross Domestic Product (GDP) growth was upwardly revised to 6.6% from 6.5% in the second quarter, again the fourth-highest quarterly GDP reading since 2000 and beyond pre-pandemic levels. Headwinds include the highest annualized increase in home prices in 30 years (+18.6%) and a decline in consumer confidence to a six-month low due to impact concerns over the Delta-variant COVID-19 resurgence.

As shown in the style boxes below, Growth and Value were mixed last month, with large and mid cap Growth stocks outperforming, while small cap Value edged out their Core and Value counterparts. On a YTD basis, small and mid cap Value has outperformed over their Core and Growth counterparts, while in large caps, Growth continues to beat Value although amid continued narrowing differentials. Small cap Value continues to take top honors this year.

August				YTD			
	Value	Core	Growth		Value	Core	Growth
Large	1.98%	2.89%	3.74%	Large	20.32%	20.74%	21.08%
Mid	2.14%	2.54%	3.23%	Mid	22.77%	20.12%	15.18%
Small	2.68%	2.24%	1.82%	Small	25.43%	15.83%	6.92%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In sector performance, all but one of the 11 major sector groups posted gains in August, with Energy down over 2%. Financials and Communication Services led monthly gainers, while Technology (not shown below) gained over 3.5% in August, extending its year-to-date (YTD) advance to 22.36%. Real Estate, Financials were the best performer on a YTD basis, while classic defensive sectors Utilities and Consumer Staples have risen the least this year.

Top Performers – August	Top Performers – YTD ¹
Financials (+5.14%)	Real Estate (+32.64%)
Communication Services (+5.01%)	Financials (+31.57%)
Utilities (+3.98%)	Energy (+30.87%)
Bottom Performers – August	Bottom Performers – YTD ¹
Consumer Staples (+1.40%)	Consumer Discretionary (+13.17%)
Industrials (+1.15%)	Utilities (+11.07%)
Energy (-2.04%)	Consumer Staples (+9.21%)

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

Foreign equity markets underperformed relative to domestic equities in August, with the MSCI EAFE Index, representing developed markets outside of the U.S. and Canada, despite more than doubling its July 0.75% gain to 1.76% and extending YTD gains to double digits (+11.6%). Europe's Stoxx 600 also posted a seventh monthly gain, its longest winning streak since 2013. Emerging markets outperformed the EAFE in August, but YTD gains remain subdued (+2.8%). India had stellar performance, surging nearly 11% in August to extend YTD gains to 25.8% amid meaningful progress in reducing the prevalence of viral infections. Mainland China was flat in August and remains down 12.3% YTD as its economy faced yet another COVID-19 outbreak last month, prompting a decline in services activity for the first time since February.

Turning to fixed income markets, U.S. Treasuries retraced prior month gains, with the Bloomberg Barclays U.S. Government Bond Index falling fractionally (-0.17%) to snap a four-month rally. Longer-term Treasuries also declined, falling 0.21% to extend YTD losses to 4.68%. On a broader basis, investment-grade bonds of all types declined 0.19% while higher-risk, non-investment grade high yield corporate bonds performed best in August (+0.51%) amid continuing support from the Fed's ongoing monthly asset purchases of high-yield bonds. Municipal bonds of all types printed fractionally negative last month on record-low trading volume, its first monthly loss since February and its third-worst August performance in the past decade.

The Bloomberg Barclays Commodity Index also pared July gains, slipping 0.30% last month to its YTD advance to 23.0%. U.S. WTI crude oil declined by 7.4% to \$68.50/barrel for its biggest monthly loss since last October on rising supply prospects. Copper prices, which often serves as an economic bellwether, declined 2% in August, trimming its YTD gain to 22.7%. The U.S. Dollar index climbed 0.49% in August and is up 3% YTD.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on Twitter.



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Glossary

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.