

QUARTERLY RECAP

Second Quarter 2021 Recap

At-A-Glance

The S&P 500 ended the second quarter with its best first half (YTD) performance since 2019. Stocks are now in the second year of a bull market.

In June, the Dow Industrials crept just 0.02% higher and the Nasdaq Composite gained 5.55%.

For the quarter, the Dow Industrials added 1,521 points (+5.08%) and the Nasdaq Composite surged 9.68%.

Since plunging to the pandemic bear market low last year in March, the S&P 500 has risen 96.7%, the Dow Industrials rebounded 91%, and the Nasdaq Composite (+113.5%) has more than doubled.

U.S. crude oil futures posted their best half-year performance since 2009, up 51.4% to close out the quarter at \$73.47/barrel.

Apart from escalating housing prices, lumber prices have proven to be transitory, falling 40% in June for its largest pullback on record dating back to 1978.

Market Indices ¹	June	2Q 2021	Year-to-Date
S&P 500	2.33%	8.55%	15.25%
Russell 3000	2.47%	8.24%	15.11%
Russell 2000	1.94%	4.29%	17.54%
MSCI EAFE	-1.13%	5.17%	8.83%
MSCI Emerging Markets	0.17%	5.05%	7.45%
Barclays U.S. Aggregate Bond	0.70%	1.83%	-1.60%
Barclays U.S. Municipal Bond	0.27%	1.42%	1.06%
Barclays U.S. Corporate High Yield	1.34%	2.74%	3.62%

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

The S&P 500 closed June at its 34th all-time high of 2021, capping a fifth straight daily gain. Moreover, the index also registered its fifth consecutive monthly and quarterly gains, its longest winning streak since the end of 2017. The gains were largely driven by broad based vaccination rates, reaching nearly 60% of American adults, which has allowed large swaths of the economy to re-open.

Amid the strong quarterly performance, investors have been debating whether the acceleration in inflation will be transitory or the start of a longer-term trend that might prompt the Federal Reserve to quicken its outlook for tapering monthly asset purchases and interest rate increases. In June, the back and forth inflation debate triggered stocks to log both their worst week since October and their best week since February.

Referencing the table above, the small cap-focused Russell 2000 Index underperformed against large and mid caps last month and the second quarter, yet for the first half of the year (YTD) has solidly outperformed. The Russell Mid Cap Index gained 1.47%, 7.50% and 16.25% respectively in the three time periods. As shown below in the style box performance, growth widely outperformed over value-oriented companies in both June and the second quarter, while for the first half of the year the opposite has prevailed. Small cap value stocks retain its top performer status for a third straight quarter. For the year, its outperformance over the large cap S&P 500 has narrowed (+26.69% vs. +15.25%) from +21.17% vs. +6.17% at the end of the first quarter.

In the sector performance tables below, gains during a choppy June were led by Technology (+6.95%) and Energy (+4.61%), while Materials (-5.30%) and Financials (-2.96%) notably lagged. Overall, the second quarter was more broad-based, again dominated by gains in Technology (+11.56%) and Energy (+13.09%). On a year-to-date basis, all 11 major sector groups have posted gains with Energy (+45.6%) and Financials (+25.69%) the top performers. The most defensive-oriented sectors, Consumer Staples (+5.02%) and Utilities (+2.38%), are up the least so far this year.

Internationally, hampered by increased incidence of the Delta COVID-19 variant that threatens to delay localized recoveries, EAFE developed markets starkly underperformed relative to the U.S. benchmark by differentials of over 3.3% in June and for the quarter. Emerging markets (+0.17%) fared somewhat better in June. An entirely different picture emerges however, as EAFE value stocks continue to outperform on a

YTD basis, up 10.68% versus EAFE growth (+6.81%). Globally, the MSCI All-Country World Index gained 1.32% last quarter, while world stocks excluding U.S. performance declined 0.65%.

U.S. Treasurys, as measured by the Bloomberg Barclays U.S. Government Bond Index, rebounded 0.62% in June to extend a 1.71% gain during the second quarter. This as yields retreated. The 10-year Treasury note declined 0.149 basis points for its sharpest monthly decline since March 2020 and ended the second quarter at 1.45%. The Bloomberg Barclays U.S. Government Long-term Bond Index surged 3.56% in June, extending its second quarter gain to 6.44%.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) also rebounded last quarter, rising 1.83%. Municipal bonds trailed other investment-grade bonds last quarter, gaining 1.42% during the second quarter. Risk appetite expanded for non-investment grade high-yield debt as the Bloomberg Barclays U.S. Corporate High Yield Index rose 2.74% in the second quarter. Its fifth straight quarterly rally has been underpinned by the Fed's ongoing asset purchases of high-yield bonds.

Top Sector Performers – June ¹		Bottom Sector Performers – June ¹	
Technology (+6.95%)		Industrials (-2.21%)	
Energy (+4.61%)		Financials (-2.96%)	
Consumer Discretionary (+3.81%)		Materials (-5.30%)	
Top Performers – Second Quarter ¹		Bottom Performers – Second Quarter ¹	
Real Estate (+13.09%)		Industrials (+4.48%)	
Technology (+11.56%)		Consumer Staples (+3.83%)	
Energy (+11.30%)		Utilities (-0.41%)	
Top Performers – YTD 2021 ¹		Bottom Performers – YTD 2021 ¹	
Energy (+45.64%)		Consumer Discretionary (+10.27%)	
Financials (+25.69%)		Consumer Staples (+5.02%)	
Real Estate (+23.30%)		Utilities (+2.38%)	

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

	June			Second Quarter			YTD 2021		
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth
Large	-1.15%	2.51%	6.27%	5.21%	8.54%	11.93%	17.05%	14.95%	12.99%
Mid	-1.16%	1.47%	6.80%	5.66%	7.50%	11.07%	19.45%	16.25%	10.44%
Small	-0.61%	1.94%	4.69%	4.56%	4.29%	3.92%	26.69%	17.54%	8.98%

Morningstar Direct 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.

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 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.

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.

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.

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 **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 **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

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.