

# February 2021 Market Watch

Markets closed higher in February overall despite a dip towards the end of the month. Optimism persisted as Covid infections and hospitalization rates trended lower, the vaccine rollout accelerated, and a third vaccine was approved by the FDA in the U.S. Also, the expected passage of the \$1.9T Covid relief stimulus program in March helped gains. Towards the end of the month however, all of these factors pushed U.S. Treasury yields to new highs on the back of overheating economy and inflation risk concerns.

U.S. economic data was mixed for February with ISM manufacturing stronger than expected at 60.8, beating the 58.8 estimate, and up from 58.7 last month. However, the ADP employment report showed another month of disappointing job gains with private payrolls up 117K versus an expected 200K gain. Gains mostly came from mid-sized firms and service sectors, which benefited from rising consumer confidence and reopenings.

Fourth quarter earnings neared an end with ~96% of the S&P 500 companies having reported, according to FactSet. Close to 80% of reporters have exceeded consensus estimates and those companies reported earnings 15% above expectations.

All eyes are on where yields will be headed, whether inflation concerns will materialize, and whether the Fed will step in to slow the pace of the rise in yields.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	2/28/21	2/21/21	% chg*	1/31/21	% chg*	2/29/20	% chg*	% chg*
<b>DJIA</b>	30,932.4	31,494.3	-1.8%	29,982.6	3.2%	25,409.4	21.7%	1.1%
<b>S&amp;P 500</b>	3,811.2	3,906.7	-2.4%	3,714.2	2.6%	2,954.2	29.0%	1.5%
<b>NYSE Comp Index</b>	15,010.5	15,362.7	-2.3%	14,397.2	4.3%	12,381.0	21.2%	3.3%
<b>NASDAQ Composite</b>	13,192.3	13,874.5	-4.9%	13,070.7	0.9%	8,567.4	54.0%	2.4%
<b>Russell 2000</b>	2,201.1	2,266.7	-2.9%	2,073.6	6.1%	1,476.4	49.1%	11.5%
<b>MSCI EM (Emerging Markets)</b>	1,339.3	1,430.0	-6.3%	1,329.6	0.7%	1,005.5	33.2%	3.7%
<b>MSCI EAFE</b>	2,168.9	2,232.6	-2.9%	2,124.0	2.1%	1,809.7	19.8%	1.0%
<b>Japan Nikkei 225</b>	28,966.0	30,017.9	-3.5%	27,663.4	4.7%	21,143.0	37.0%	5.5%
<b>FTSE 100</b>	6,483.4	6,624.0	-2.1%	6,407.5	1.2%	6,580.6	-1.5%	0.8%
<b>SSE Comp Index</b>	3,509.1	3,696.2	-5.1%	3,483.1	0.7%	2,880.3	21.8%	1.0%

## US Equity Sector Performance

	Feb	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	-0.9%	-0.5%	42.5%
<b>Consumer Staples</b>	-1.4%	-6.5%	12.3%
<b>Energy</b>	22.7%	27.3%	11.1%
<b>Financials</b>	11.5%	9.6%	24.6%
<b>Health Care</b>	-2.1%	-0.7%	24.1%
<b>Industrials</b>	6.9%	2.3%	25.9%
<b>Information Tech</b>	1.2%	0.3%	49.7%
<b>Materials</b>	3.9%	1.4%	42.4%
<b>Communication Services</b>	6.2%	4.8%	37.1%
<b>Utilities</b>	-6.1%	-7.0%	-2.8%
<b>Real Estate</b>	0.9%	1.5%	4.4%

## US Equity Style Performance

	Feb	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	-6.7%	-8.0%	-5.3%
<b>DJ TRANS Avg.</b>	10.5%	6.8%	44.1%
<b>Russell 1000 Value</b>	6.0%	5.1%	22.2%
<b>Russell 1000 Growth</b>	0.0%	-0.8%	44.3%
<b>Russell 2000 Value</b>	9.4%	15.2%	41.1%
<b>Russell 2000 Growth</b>	3.3%	8.3%	58.9%

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## Bond Markets (%)

Major U.S. domestic equity indices were mixed this month. From a sector standpoint Energy (+22.7%), Financials (+11.5%), and Industrials (+6.9%) led the gainers, while Utilities (-6.1%), Health Care (-2.1%) led the laggards.

Developed International Equities (MSCI EAFE) closed up +2.1% as did Emerging Market (MSCI EM) +0.7%. Governments across the globe focused on vaccination logistics and support measures, hoping for positive progress towards the pandemic. On the U.S.-China trade front, the Biden administration planned to restrict sensitive tech exports and Chinese investment in critical industries. The Chinese currency (RMB) further appreciated, supported by the increased growth gap between China and the rest of the world.

U.S. government yields made a surprise move higher at the end of the month. Rising yields often reflect investor expectations of faster growth (in this case, driven by government spending) and an accompanying rise in inflation. The 10-year U.S. Treasury closed at 1.46%, as the 30-year closed at 2.19%. The 2-year note stayed flat at 0.14%. Internationally, the 10-year German Bund yield rose to -0.28% (from -0.52% earlier in the month).

Commodities were at its highest levels in almost eight years on demand strength. The Bloomberg Commodity Index gained +6.5% in the month. WTI Crude oil rallied above the \$60 levels and closed the month up +16.1%. Gold was down -7.1%.

	2/28/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.04	0.06	1.27
US Benchmark Bond – 6 Mth	0.06	0.08	1.14
US Benchmark Bond – 2 Yr	0.14	0.12	0.88
US Benchmark Bond – 5 Yr	0.78	0.44	0.92
US Benchmark Bond – 10 Yr	1.46	1.09	1.14
US Benchmark Bond – 30 Yr	2.19	1.85	1.67

## US Bond Sector Performance

	Feb	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.82%	-1.06%	1.50%

## Exchange Rates (per US dollar)

	2/28/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.266	1.277	1.342
Mexican Peso	20.911	20.224	19.797
Euro	0.824	0.823	0.910
British Pound	0.715	0.728	0.783
Swiss Franc	0.905	0.890	0.968
Chinese Yuan	6.460	6.461	6.990
Indian Rupee	73.485	72.960	72.168
Japanese Yen	106.540	104.695	107.865

## Commodities (In US dollars)

	2/28/21	1 Mth Ago	1 Yr Ago
Gold	1,719.00	1,850.30	1,566.70
Crude Oil	60.58	52.20	44.76
US Dollar Index	91.08	90.57	98.08
Bloomberg Commodity Index	85.28	80.10	70.98

## Interest Rates (%)

	2/28/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	4.75
Federal Funds Rate	0.07	0.09	1.60
Libor Rate 30 Day	0.12	0.12	1.52
Libor Rate 3 Months	0.19	0.20	1.46
30yr Fixed Mortgage	2.97	2.73	3.45

## Economic Sentiment

	2/28/21	1 Yr Ago
Unemployment Rate	6.30%	3.50%
Average Single Family Home	341,200	307,000
Capacity Utilization	75.60%	76.93%

\*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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