

Global Economy

February markets were dominated by a sharp rise in bond yields and the corresponding fears that those increasing yields will challenge equity valuations. US Treasury yields were pushed higher by the outlook of a heating up economy and a rise in inflation as recent weeks have seen strong gains in retail sales, industrial production, new home sales, and orders for durable goods. Fiscal policy also supports the growth outlook, as the US House passed another virus relief bill at month-end. The measure will now move to the Senate. On the virus front, the FDA approved a third vaccine for distribution, and maker Johnson & Johnson has stated they can provide an additional 20 million doses by the end of March. Covid-19 infections and hospitalization rates fell throughout the month, yet new virus variants continue to circulate, and experts fear these could cause a fourth wave in the coming weeks.

The Federal Open Market Committee did not officially meet in February. Fed officials continued to voice support for dovish policy as rates rose in February, although Chairman Powell also gave no indication that the central bank would take action against rising rates. He stressed patience, noting labor market weakness, and reaffirmed intentions to keep rates at zero until the economy has recovered from the pandemic. The Fed also remains dedicated to its current rate of asset purchases of \$120 billion per month, and the bank's balance sheet expanded to \$7.5 trillion in February.

The second estimate of 4Q-20 real GDP indicated the US GDP expanded at a rate of +4.1% annualized with upward revisions to residential fixed investment, private inventory investment, and government spending. For the calendar year 2020, there was a decrease in real GDP of -3.5%. The Atlanta Fed's quantitative GDP model currently forecasts a robust 8.3% growth for 1Q-21, while analysts' consensus estimates average roughly 3%.

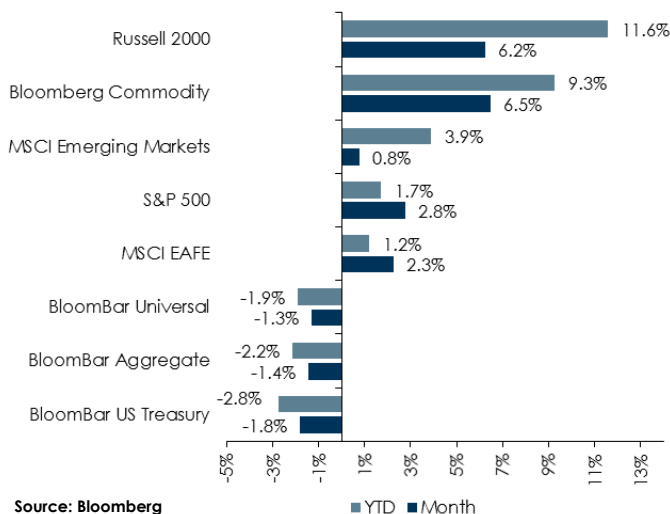
Weekly initial unemployment claims declined in February but remain at a higher weekly level than before the winter surge in virus cases. Monthly employment figures exceeded forecasts as employers added 379,000 jobs in February and unemployment fell to 6.2%. Leisure & hospitality, a sector which has seen volatile employment changes amid the pandemic, saw the largest gains with 355,000 jobs added. The economy is still down 9.5 million jobs since February 2020. Core CPI declined to +1.4% year-over-year, while the FOMC's preferred measure, Core PCE, held steady at +1.5% year-over-year through January.

	Current	Dec-20
US GDP (%)	4.10	4.00
US Unemployment (%)	6.20	6.70
CPI (Core) (%)	1.40	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.41	0.92
S&P 500 Div Yld (%)	1.52	1.57
S&P 500 P/E (Trailing)	30.87	29.92
Gold/oz.	\$1,728.80	\$1,895.10
Oil (Crude)	\$61.50	\$48.52
Gasoline (Natl Avg)	\$2.72	\$2.33
USD/Euro	\$1.21	\$1.22
USD/GBP	\$1.39	\$1.37
Yen/USD	¥106.57	¥103.25

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for major equity indices were positive in February, lifted by optimism for economic growth. The S&P 500, which represents large US-based entities, returned +2.8% for the month. Rising rates triggered a rotation away from defensive sectors and IT and into sectors which stand to benefit from reopening. Energy (+21.5%) and Financials (+11.4%) were the largest beneficiaries while Utilities (-6.5%) and Health Care (-2.2%) lagged. The Russell 2000, representing small cap stocks, was the top performing broad equity index at +6.2%. Sector performance lined up similar to US Large Caps as Energy (+23.8%) and Financials (+11.7%) outperformed with Health Care (+1.3%) and Utilities (-1.9%) the laggards. Value significantly outperformed growth across the market cap spectrum.

In the broad international developed markets, the MSCI EAFE index returned +2.3% for the month and experienced the same sector rotation as US equities. Energy (+9.9%) and Financials (+8.7%) were the top performers with Utilities (-5.2%), Health Care (-4.1%), and Consumer Staples (-4.0%) trailing. Among developed countries, Italy (+5.7%), Spain (+5.2), and France (+5.0%) were the top performers, with New Zealand (-10.7%) and Portugal (-3.9%) lagging and most others generally in the +1.0% to +4.0% range.

Emerging market stocks, as represented by the MSCI Emerging Markets index, underperformed their large cap developed market counterparts at +0.8%. Argentina (+11.0%), Chile (+8.0%), and Peru (+7.3%) were the best performers in the month while Brazil (-14.0%), Pakistan (-12.0%), and Kuwait (-4.0%) lagged. China, at nearly 40% of the index, returned -1.0% for the month.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, outperformed large cap equities with a +3.9% return. The energy-related Alerian MLP also outperformed other equities at +7.8%. The near-month NYMEX oil continued to rally with a robust +17.8% and has recovered to pre-pandemic levels. Gold was down -6.4% and is off around 20% from August 2020 highs. The diversified Bloomberg Commodity index climbed +6.5% and has a +20.3% trailing one-year return.

Global Markets (continued)

The US Treasury curve steepened as intermediate- and longer-dated maturities rose dramatically on the prospects of future growth and inflation. The 10-year and 30-year treasury yields each closed at their highest level in over a year, and the overall UST complex had a negative return for the month at -1.8%, with trailing one-year returns at -0.1%. Sovereign yields outside of the US were also sharply higher, and the global stock of negative yielding debt fell by over \$4 trillion in January to \$12.7 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on an absolute and duration-matched basis. The benchmark lost -1.4% in February, with 12-month performance of just +1.4%. While supply was heavy, demand was supportive of corporate credit spreads, which tightened 7 bps to fully recover from pandemic-era widening. With higher US Treasury yields offsetting moderately tighter spreads, the benchmark's yield-to-worst rose 25 bps to 1.42%.

The BloomBar 1-15-Year Municipal index returned -1.3% in February for its worst month of performance since March 2020. Demand waned, and municipal/treasury ratios retreated from their recent all-time tight levels. Overall, pandemic-related damage to state and local government budgets has not been as bad as initially feared, and credit ratings have been relatively stable. The stimulus plan before the Senate includes \$350 billion in aid to help state and local governments address budget shortfalls.

The BloomBar US Corporate High Yield index returned +0.4% for the month. Supply was heavy, but strong corporate earnings and higher oil prices were supportive of spreads, which tightened 36 bps. All-in yields declined 7 bps to 4.24%. Bank loans outperformed other bond categories in the month as investors seeking out enhanced income and floating interest rates have led to strong inflows for the category. Emerging market bonds tracked with less-risky fixed income benchmarks to post negative returns for the month amid a global rise in interest rates.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-20
Japan	0.16	0.02
Germany	-0.26	-0.57
France	-0.01	-0.34
United Kingdom	0.82	0.19
Spain	0.42	0.04
United States	1.41	0.92
Italy	0.76	0.54
Mexico	6.23	5.53
Brazil	8.49	6.91

Source: Bloomberg

Indices Report (Periods Ending February 28, 2021)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	2.76	1.72	31.29	14.14	16.82	13.43	9.79
Russell 1000	2.90	2.05	34.28	14.98	17.37	13.58	10.00
Russell 1000 Growth	-0.02	-0.76	44.26	20.97	22.22	16.45	12.36
Russell 1000 Value	6.04	5.07	22.22	8.23	12.02	10.40	7.38
Russell 2500	6.52	9.13	45.90	15.08	17.42	12.27	9.69
Russell 2000	6.23	11.58	51.00	14.87	17.92	11.86	9.10
Russell 2000 Growth	3.30	8.28	58.88	18.95	21.15	13.80	10.63
Russell 2000 Value	9.39	15.15	41.06	10.14	14.22	9.65	7.36
Wilshire 5000 Cap Wtd	3.05	2.71	35.16	14.96	17.46	13.45	9.98
MSCI ACWI	2.35	1.91	30.87	10.87	14.84	9.43	7.56
MSCI ACWI ex US	1.99	2.23	26.73	5.94	11.73	5.25	5.07
MSCI EAFE	2.26	1.18	22.98	5.10	10.26	5.53	4.65
MSCI EAFE Local Currency	2.63	2.24	14.02	4.98	8.86	7.14	4.42
MSCI EAFE Growth	-0.34	-1.69	28.41	9.39	12.39	7.35	6.06
MSCI EAFE Value	4.79	3.99	16.62	0.52	7.86	3.56	3.10
MSCI Emerging Markets	0.77	3.89	36.51	6.74	15.66	4.78	6.47
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	-0.08	-0.07	1.59	2.83	1.74	1.28	2.23
BloomBar US Aggregate	-1.44	-2.15	1.38	5.32	3.55	3.58	4.31
BloomBar Gov't Bond	-1.77	-2.68	-0.04	4.95	2.60	2.99	3.80
BloomBar US Credit	-1.74	-2.90	2.36	6.62	5.53	5.00	5.37
BloomBar 10 Yr Municipal	-1.69	-1.13	1.26	5.17	3.48	4.52	4.67
BloomBar US Corp High Yield	0.37	0.70	9.38	6.57	8.97	6.50	7.39
FTSE World Govt Bond	-2.42	-3.67	3.36	3.33	3.12	1.90	3.57
BloomBar Global Aggregate	-1.72	-2.59	4.33	3.84	3.61	2.48	3.85
BloomBar Multiverse	-1.65	-2.50	4.50	3.85	3.87	2.64	3.98
Real Assets							
NCREIF Property	0.00	0.00	1.61	4.89	5.91	9.00	7.14
NFI ODCE Net	0.00	0.00	0.35	3.99	5.27	8.87	5.46
FTSE NAREIT US Real Estate	4.01	4.12	2.88	9.19	6.43	7.91	6.18
Bloomberg Commodity	6.47	9.27	20.32	0.32	3.52	-5.88	-3.14
Cash and Equivalents							
US T-Bills 90 Day	0.01	0.02	0.40	1.54	1.20	0.63	1.20

Definitions

Bloomberg Barclays Capital Aggregate

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Capital Global Aggregate Index

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

Bloomberg Barclays Capital Muni 5 Yr

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

Bloomberg Barclays Capital U.S. Credit Index

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Bloomberg Barclays U.S. Treasury Index

This index is the U.S. Treasury component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

The Bloomberg Barclays Capital U.S. Universal Index

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

BofA ML High-Yield Index Master II

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Bloomberg Commodity Index

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

CITI World Government Bond Index

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

FTSE EPRA/NAREIT Developed Index

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

HFRI Fund of Funds (FOF) Strategic Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

MSCI ACWI Index (exU.S.)

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

MSCI EAFE Growth Index

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI EAFE Value Index

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Ncreif® Property Index

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000® Growth 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 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Value Index

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 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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