

# Monthly Market Commentary

## June 2021 Recap

U.S. stocks finished mostly higher in June, with the all three major averages capping a fifth straight quarterly advance. Investors looked past a perceived “hawkish” tilt from the Federal Reserve, as continued reopening optimism supported risk sentiment. The S&P 500 climbed 2.2%, closing at an all-time peak and notching its longest monthly winning streak since August (five). The Nasdaq Composite rallied 5.5%, reclaiming record territory for the first time since April as growth and tech shares regained momentum after trailing their value and cyclical-oriented peers for much of the year. The small-cap Russell 2000 extended its monthly winning streak to nine (+1.8%), its longest such run since 1983. Meanwhile, the Dow Jones Industrial Average narrowly bucked the uptrend with a 0.1% decline.

The Fed meeting garnered outsized attention in June. While no policy changes were made, the so-called “dot plot” showed officials penciling in two rate hikes by the end of 2023, diverging with March’s forecast that suggested rates would be on hold through that year. Fed Chair Jerome Powell’s post-meeting press conference seemed to pacify concerns of imminent policy tightening, which he said would be “premature.” While the central bank’s release indicated policymakers had “talked about talking about tapering,” Powell reiterated that the Fed would remain accommodative until “substantial further progress” had been made towards the central bank’s dual mandates of maximum employment and 2% average inflation. However, commentary from the more “hawkish” leaders made it clear of increasingly differing views within the central bank. Dallas Fed President Kaplan stated his preference to taper asset purchases “sooner rather than later,” while Atlanta Fed President Bostic said that he favored liftoff next year.

A tepid monthly jobs report underscored Powell’s sentiments. The release showed non-farm payrolls increasing by 559,000 in May, disappointing estimates of a 675,000 addition. Meanwhile, inflationary concerns seemed to abate despite the consumer price index (CPI) recording its fastest annualized reading since August 2008 in May (+5.0%), and the 3.8% year-over-year jump in core CPI (ex-food and energy) representing the biggest advance since 1992. The spike was largely attributed to base effects and supply chain pressures, which supported the Fed’s transitory view of price pressures. Longer-dated Treasury yields declined, suggesting that market participants were easing their inflationary expectations. The benchmark 10-year note yield slid 12 basis points (100 basis points equals one percent) to 1.47%, while the increased likelihood of faster Fed liftoff sent the yield on the two-year note surging 11 basis points to 0.25%.

Other economic data demonstrated a robust recovery as global officials began to remove pandemic-related restrictions. The Institute for Supply Management’s (ISM) May reading on U.S. manufacturing activity climbed to 61.2, well above consensus estimates and the 60.7 reading from April. The ISM’s gauge of services activity indicated the sector grew at the fastest pace on record in May. Further fueling risk sentiment was an announcement from President Biden that a group of bipartisan Senators reached a compromise on a highly anticipated infrastructure proposal. The bill would include \$579 billion in new spending aimed at “traditional infrastructure,” like roads and bridges, but passage remained complicated as it faced scrutiny on both sides of the aisle.

Six of 11 S&P 500 sectors ended in positive territory, with the Information Technology group pacing the gains. The oft-cited FAAMG cohort - which includes Facebook (FB \$347.71), Apple (AAPL \$136.96), Amazon (AMZN \$3440.16), Microsoft (MSFT \$270.90), and Google parent Alphabet (GOOGL \$2441.79) - rallied 6.9%, with Microsoft surpassing a market cap value of \$2 trillion for the first time. Facebook briefly closed above the \$1 trillion mark on news that two antitrust lawsuits against the social media platform were dismissed by a federal judge. Financials lagged as a flattening yield curve overshadowed a wave of U.S. banks announcing increased dividends and new share buybacks following passing marks on the Fed's annual stress test. Materials was the worst performing sector (-5.5%), as strength in the U.S. dollar weighed on the commodity complex. COMEX gold slumped nearly 7% for its worst monthly performance since November 2016, while lumber futures sank more than 40%, turning negative for the year on its biggest monthly slide on record. However, Energy was the second best performing group as West Texas Intermediate crude bucked the downtrend in commodities. Prices rose 10.8% as OPEC's gradual approach of increasing output reinforced expectations that global demand would outpace supply this year.

## Disclaimers

Pricing as of market close on June 30, 2021 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

Additional information available upon request. Past performance is not a guide to future performance. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee as to its accuracy or completeness. This material is published solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or investment product. Opinions and estimates are as of a certain date and subject to change without notice.

## Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

## Price and Total Returns

### U.S. Markets

| Index                        | Close    | June Price Return (%) | June Total Return (%) | Q2 Total Return (%) | YTD Total Return (%) * |
|------------------------------|----------|-----------------------|-----------------------|---------------------|------------------------|
| S&P 500                      | 4297.50  | 2.22                  | 2.33                  | 8.55                | 15.24                  |
| Dow Jones Industrial Average | 34502.51 | -0.08                 | 0.02                  | 5.08                | 13.79                  |
| Nasdaq Composite             | 14503.95 | 5.49                  | 5.55                  | 9.68                | 12.92                  |
| S&P 400 Mid Cap              | 2696.12  | -1.15                 | -1.02                 | 3.64                | 17.59                  |
| S&P 600 Small Cap            | 1374.84  | 0.21                  | 0.33                  | 4.50                | 23.55                  |

### U.S. Sector Performance

| Index                   | Close   | June Price Return (%) | June Total Return (%) | Q2 Total Return (%) | YTD Total Return (%) * |
|-------------------------|---------|-----------------------|-----------------------|---------------------|------------------------|
| Communications Services | 264.35  | 2.71                  | 2.72                  | 10.72               | 19.67                  |
| Consumer Discretionary  | 1431.82 | 3.75                  | 3.81                  | 6.95                | 10.27                  |
| Consumer Staples        | 721.62  | -0.53                 | -0.18                 | 3.83                | 5.02                   |
| Energy                  | 407.37  | 4.50                  | 4.60                  | 11.29               | 45.61                  |
| Financials              | 610.60  | -3.10                 | -2.96                 | 8.36                | 25.60                  |
| Health Care             | 1468.94 | 2.19                  | 2.34                  | 8.40                | 11.85                  |
| Industrials             | 866.24  | -2.28                 | -2.21                 | 4.48                | 16.40                  |
| Information Technology  | 2594.48 | 6.90                  | 6.95                  | 11.56               | 13.76                  |
| Materials               | 517.02  | -5.54                 | -5.30                 | 4.97                | 14.50                  |
| Real Estate             | 277.41  | 2.75                  | 3.19                  | 13.09               | 23.30                  |
| Utilities               | 321.58  | -2.43                 | -2.17                 | -0.37               | 2.47                   |

### International Markets

| Index                | Close     | June Price Return (%) | June Total Return (%) | Q2 Total Return (%) | YTD Total Return (%) * |
|----------------------|-----------|-----------------------|-----------------------|---------------------|------------------------|
| U.K. FTSE 100        | 7037.47   | 0.21                  | 0.41                  | 5.63                | 10.88                  |
| Germany DAX          | 15531.04  | 0.71                  | 0.71                  | 3.48                | 13.21                  |
| France CAC 40        | 6507.83   | 0.94                  | 1.23                  | 9.07                | 19.52                  |
| Spain IBEX 35        | 8821.20   | -3.58                 | -3.03                 | 3.63                | 10.54                  |
| Italy FTSE MIB       | 25102.04  | -0.27                 | -0.04                 | 3.11                | 14.74                  |
| Greece ATHEX         | 884.89    | -1.11                 | -0.39                 | 3.17                | 10.32                  |
| MSCI Emerging Market | 1374.64   | -0.11                 | 0.17                  | 5.08                | 7.43                   |
| Shanghai Composite   | 3591.20   | -0.67                 | 0.13                  | 5.37                | 4.43                   |
| Japan Nikkei 225     | 28791.53  | -0.24                 | -0.15                 | -1.24               | 5.75                   |
| Hong Kong Hang Seng  | 28827.95  | -1.11                 | -0.65                 | 2.75                | 7.42                   |
| Brazil Bovespa       | 126801.70 | 0.46                  | 0.46                  | 8.72                | 6.54                   |
| Russia Micex         | 3841.85   | 3.23                  | 3.55                  | 10.77               | 19.44                  |
| India Sensex         | 52482.71  | 1.05                  | 1.29                  | 6.49                | 10.59                  |

## Treasuries

| Maturity | June Ask Yields | May Historical Yields | April Historical Yields | March Historical Yields | February Historical Yields |
|----------|-----------------|-----------------------|-------------------------|-------------------------|----------------------------|
| 2-Year   | 0.25            | 0.14                  | 0.16                    | 0.16                    | 0.13                       |
| 5-Year   | 0.89            | 0.80                  | 0.85                    | 0.94                    | 0.73                       |
| 10-Year  | 1.47            | 1.59                  | 1.63                    | 1.74                    | 1.40                       |
| 30-Year  | 2.09            | 2.28                  | 2.30                    | 2.41                    | 2.15                       |

## Municipal Bonds

| Maturity                         | Close  | June Price Return (%) | May Price Return (%) | Q2 Price Return (%) | YTD Price Return (%) * |
|----------------------------------|--------|-----------------------|----------------------|---------------------|------------------------|
| S&P Municipal Bond Index         | 278.48 | 0.29                  | 0.40                 | 1.50                | 1.24                   |
| S&P Muni Bond Long Intermediate  | 290.21 | 0.22                  | 0.31                 | 1.34                | 0.80                   |
| S&P Muni Bond Intermediate       | 274.82 | 0.19                  | 0.26                 | 1.16                | 0.70                   |
| S&P Muni Bond Short              | 180.64 | 0.00                  | 0.06                 | 0.23                | 0.36                   |
| S&P Muni Bond Investment Grade   | 273.81 | 0.22                  | 0.34                 | 1.34                | 0.92                   |
| S&P Muni Bond High Yield         | 355.47 | 1.18                  | 1.17                 | 3.66                | 5.50                   |
| S&P Muni Bond General Obligation | 266.64 | 0.17                  | 0.28                 | 1.18                | 0.59                   |

## Commodities

| Front Month Futures | Close    | June Price Return (%) | May Price Return (%) | Q2 Price Return (%) | YTD Price Return (%) * |
|---------------------|----------|-----------------------|----------------------|---------------------|------------------------|
| CRB Index           | 213.39   | 3.74                  | 2.97                 | 15.37               | 27.17                  |
| Oil/bbl             | 73.47    | 10.78                 | 4.31                 | 24.19               | 51.42                  |
| Natural Gas         | 3.65     | 22.24                 | 1.88                 | 39.95               | 43.76                  |
| Gold                | 1771.60  | -6.88                 | 7.63                 | 3.37                | -6.52                  |
| Silver              | 26.17    | -6.60                 | 8.36                 | 6.66                | -0.94                  |
| Copper              | 429.65   | -8.15                 | 4.43                 | 7.53                | 22.09                  |
| Nickel              | 18206.00 | 0.68                  | 2.45                 | 13.57               | 9.90                   |

## Foreign Exchange

| Currency        | Close  | June Price Return (%) | May Price Return (%) | Q2 Price Return (%) | YTD Price Return (%) * |
|-----------------|--------|-----------------------|----------------------|---------------------|------------------------|
| Dollar Index    | 92.44  | 2.90                  | -1.59                | -0.85               | 2.78                   |
| Euro/USD        | 1.19   | -3.02                 | 1.72                 | 1.09                | -2.93                  |
| USD/Yen         | 111.11 | 1.40                  | 0.25                 | 0.35                | 7.61                   |
| GBPound/USD     | 1.38   | -2.68                 | 2.82                 | 0.35                | 1.18                   |
| USD/CAD         | 1.24   | 2.77                  | -1.81                | -1.31               | -2.57                  |
| USD/Krona       | 8.55   | 3.05                  | -1.97                | -2.05               | 3.93                   |
| USD/Swiss Franc | 0.93   | 2.90                  | -1.56                | -1.97               | 4.50                   |

Source: Bloomberg. \*Prices as of the close June 30, 2021

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