

Monthly Market Commentary

August 2021 Recap

U.S. stocks extended their ascent in listless summer trading in August, with all three major averages notching new record levels. Investors scaled a wall of worry on the back of continued expectations for central bank liquidity and robust corporate profit tallies during second-quarter earnings season. The S&P 500 climbed 2.9% for its seventh consecutive monthly advance, marking its best such winning streak since January 2018. The small-cap Russell 2000 rose 2.1%, but extended its stretch of underperforming the large-cap benchmark to six months (longest in a decade). The Dow gained 1.2%, while the Nasdaq Composite rallied 4%, surpassing the 15,000 milestone. Treasury yields rose for the first since March amid mixed economic data reports. Meanwhile, oil prices experienced their worst monthly performance since October as reemerging COVID-19 concerns and a stronger U.S. dollar weighed on the commodity complex.

The path of least resistance for stocks remained higher in August despite a number of headwinds. The most persistent headline was related to a spike of Delta variant COVID-19 cases. The resurgence sparked renewed restrictions around the world, with the most stringent measures coming from Asia. However, investors seemed to look past concerns as U.S. regulators formally approved **Pfizer's** (PFE \$46.07) vaccine and the domestic rate of inoculations increased. Another pressure point for risk-assets was China's renewed crackdown on its tech-related companies. Notable U.S.-listed Chinese stocks became targets of the crackdowns as Beijing signaled its willingness to tighten its grip on the sector. All the while, a parade of Federal Reserve officials offered perceived hawkish commentary leading up to the highly anticipated Jackson Hole symposium. Policymakers cited the ongoing recovery in the labor market and rising inflation as bolstering the case for tighter monetary policy in the near future. But Fed Chair Jerome Powell pacified concerns as he struck a perceived dovish tone in his speech at the annual meeting. Although he reiterated that the central bank could begin reducing its asset purchases sometime this year, the Fed chief clarified that tapering its bond buying program should not be taken as a direct signal of imminent interest rate hikes. Powell also repeated that officials would remain data dependent when determining the timing of any policy moves.

A robust conclusion to second-quarter corporate earnings season further aided optimism, with profits of S&P 500 constituents jumping more than 90% from the same period last year. The rally was broad in August, with all but the Energy group in the S&P 500 advancing. Progress towards a \$1 trillion bipartisan infrastructure package lifted cyclical-oriented stocks. Tech-related shares also outperformed, with **Alphabet** (GOOGL \$2893.95; GOOG \$2909.24) capping an eighth straight monthly advance (+7.4%), which marked the stock's longest such rally since 2009. The Health Care sector was another bright spot as COVID-19 vaccine makers climbed after officials endorsed a booster shot for fully vaccinated individuals. Meanwhile, the Energy group was the lone laggard as oil prices saw their worst month since October. West Texas Intermediate (WTI) crude slumped more than 7% amid demand concerns and China growth worries. Additionally, oil prices were weighed down by a strengthening U.S. dollar, which gained 0.5% against a basket of its peers.

Treasuries wavered before ending the month slightly lower as investors assessed mixed data reports and updates from the Fed. The yield on the 10-year note added nine basis points to 1.31% (100 basis points equals one percent), rising for the first time in five months. On the data front, the University of Michigan's gauge of consumer sentiment dropped to a near-decade low, while a similar measure from the Conference Board fell to a six-month trough. The latter fared better as it puts a greater emphasis on the labor market, which continued to signal a recovery. The monthly jobs report showed the U.S.

economy added 943,000 payrolls in July, the largest monthly gain in almost a year. Additionally, June's tally was revised up to 938,000 (from 850,000), while the unemployment rate dipped to 5.4% from 5.9%. In other closely-watched data, a release from the Institute for Supply Management (ISM) indicated that U.S. services sector activity accelerated at a record pace in July, though its comparable survey of manufacturing sector growth slowed somewhat amid persistent supply chain issues. Meanwhile, the core consumer price index (CPI ex-food and energy) rose 0.3% in July, the smallest uptick in four months and the first deceleration since February. Still, the headline figure held at 5.4% year-over-year during July, the highest since 2008.

Disclaimers

Pricing as of market close on August 31, 2021 unless indicated otherwise.

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

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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	August Price Return (%)	August Total Return (%)	July Total Return (%)	YTD Total Return (%)*
S&P 500	4522.68	2.90	3.04	2.38	21.57
Dow Jones Industrial Average	35360.73	1.22	1.50	1.34	17.04
Nasdaq Composite	15259.24	4.00	4.09	1.19	18.94
S&P 400 Mid Cap	2753.16	1.83	1.95	0.35	20.30
S&P 600 Small Cap	1366.73	1.90	2.01	-2.39	23.03

U.S. Sector Performance

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	YTD Total Return (%)*
Communications Services	286.95	4.99	5.01	3.57	30.15
Consumer Discretionary	1468.09	2.04	2.12	0.50	13.17
Consumer Staples	748.14	1.28	1.40	2.55	9.21
Energy	362.26	-2.88	-2.04	-8.27	30.84
Financials	637.26	5.00	5.14	-0.44	31.47
Health Care	1573.61	2.28	2.38	4.90	20.12
Industrials	881.64	0.92	1.15	0.89	18.78
Information Technology	2786.10	3.44	3.56	3.86	22.36
Materials	536.52	1.74	1.92	2.04	19.07
Real Estate	297.88	2.70	2.81	4.64	32.64
Utilities	346.86	3.50	3.98	4.33	11.07

International Markets

Index	Close	August Price Return (%)	August Total Return (%)	July Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	7119.70	1.24	2.06	0.06	13.25
Germany DAX	15835.09	1.87	1.87	0.09	15.43
France CAC 40	6680.18	1.02	1.02	1.63	22.72
Spain IBEX 35	8846.60	1.97	1.99	-1.11	11.49
Italy FTSE MIB	26009.29	2.55	2.55	1.43	19.35
Greece ATHEX	923.15	3.93	3.94	0.87	15.65
MSCI Emerging Market	1308.67	2.42	2.63	-6.69	2.92
Shanghai Composite	3543.94	4.31	4.43	-4.56	4.09
Japan Nikkei 225	28089.54	2.95	3.00	-5.23	3.23
Hong Kong Hang Seng	25878.99	-0.32	-0.05	-9.58	-2.92
Brazil Bovespa	118781.00	-2.48	-2.48	-3.94	-0.20
Russia Micex	3918.96	3.91	3.91	-0.11	23.98
India Sensex	57552.39	9.44	9.47	0.36	21.50

Treasuries

Maturity	August Ask Yields	July Historical Yields	June Historical Yields	May Historical Yields	April Historical Yields
2-Year	0.21	0.18	0.25	0.14	0.16
5-Year	0.78	0.69	0.89	0.80	0.85
10-Year	1.31	1.22	1.47	1.59	1.63
30-Year	1.93	1.89	2.09	2.28	2.30

Municipal Bonds

Maturity	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	YTD Price Return (%)*
S&P Municipal Bond Index	279.67	-0.27	0.70	0.29	1.67
S&P Muni Bond Long Intermediate	291.89	-0.24	0.82	0.22	1.38
S&P Muni Bond Intermediate	276.32	-0.20	0.75	0.19	1.25
S&P Muni Bond Short	180.99	-0.03	0.23	0.00	0.56
S&P Muni Bond Investment Grade	274.90	-0.28	0.68	0.22	1.32
S&P Muni Bond High Yield	358.45	-0.16	1.00	1.18	6.38
S&P Muni Bond General Obligation	267.70	-0.28	0.68	0.17	0.99

Commodities

Front Month Futures	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	YTD Price Return (%)*
CRB Index	218.17	0.04	2.20	3.74	30.02
Oil/bbl	68.50	-7.37	0.65	10.78	41.18
Natural Gas	4.38	11.83	7.23	22.24	72.39
Gold	1815.80	0.18	2.31	-6.88	-4.18
Silver	23.96	-6.21	-2.36	-6.60	-9.28
Copper	436.00	-2.73	4.33	-8.15	23.90
Nickel	19567.50	0.08	7.39	0.68	18.11

Foreign Exchange

Currency	Close	August Price Return (%)	July Price Return (%)	June Price Return (%)	YTD Price Return (%)*
Dollar Index	92.63	0.49	-0.28	2.90	2.99
Euro/USD	1.18	-0.51	0.10	-3.02	-3.33
USD/Yen	110.02	0.27	-1.25	1.40	6.56
GBPound/USD	1.38	-1.07	0.53	-2.68	0.62
USD/CAD	1.26	1.13	0.62	2.77	-0.86
USD/Krona	8.62	0.38	0.47	3.05	4.82
USD/Swiss Franc	0.92	1.02	-2.06	2.90	3.38

Source: Bloomberg. *Prices as of the close August 31, 2021

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