

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.

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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	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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