

# Monthly Market Commentary

## July 2021 Recap

U.S. stocks notched robust monthly gains in July, as a strong start to second-quarter earnings season, rebounding economic activity, and liquidity from central banks and governments continued to bolster investor sentiment. The S&P 500 capped a sixth consecutive monthly advance with a 2.3% rally, while the Nasdaq Composite added 1.2%. The Dow Jones Industrial Average (+1.3% in July) briefly closed above the 35,000 milestone during the month, reclaiming record territory for the first time since May. Equity gains were kept in check, however, as worries surrounding peak growth and a flare-up in the Delta COVID-19 variant clouded the outlook. The small-cap Russell 2000 benchmark snapped its nine-month winning streak, with a 3.6% decline. The concerns were also evident in Treasury markets, with the yield on the 10-year note declining for a fourth straight month (-25 basis points), a run that has not occurred since the onset of the pandemic. Meanwhile, oil prices eked out gains during a volatile month as investors weighed tightening near-term demand prospects against a decision from OPEC+ to raise output levels in the coming months.

Upbeat earnings reports provided a tailwind to equities. Overall, with just over half of the S&P 500 reporting profit tallies through the end of July, earnings have more than doubled from the same period last year and remain on track to be the fastest growth rate since the end of 2009. 87% of companies in the index have topped consensus profit projections, according to Bloomberg data, while 83% have bested revenue expectations. Wall Street's largest financial institutions kicked off second-quarter earnings season with largely better-than-expected results. Deal making was a strong point, with **JPMorgan's (JPM \$151.78)** investment banking business experiencing its best quarter on record, while the investment banking arms at both **Goldman Sachs (GS \$374.88)** and **Morgan Stanley (MS \$95.98)** saw their second-highest quarterly revenue figures. However, the Financials group (-0.6%) underperformed their S&P 500 sector peers amid mostly muted upside price reaction to profit tallies. Mega-cap companies also garnered outsized attention, with **Apple (AAPL \$145.86)**, **Microsoft (MSFT \$284.91)**, and **Alphabet (GOOGL \$2694.53)** reporting a cumulative 50% increase in earnings from the second quarter of 2020. But warnings of slowing growth tempered optimism, with **Amazon (AMZN \$3327.59)** notching a 9% drop in July as the e-commerce giant missed Wall Street's revenue estimates and provided forward guidance that was below consensus expectations. Still, corporate confessions from others signaled a rebound in economic recovery. **Delta Air Lines (DAL \$39.90)** and **American Airlines (AAL \$20.38)** both ended a five-consecutive quarterly stretch of losses as travelers returned to the skies, while **McDonald's (MCD \$242.71)** reported that its sales surpassed pre-pandemic levels. Elsewhere, **Moderna (MRNA \$353.60)** surged more than 50% in July after the drug maker became the newest member of the S&P 500.

Key data reports also aided the upward trajectory in July. The Labor Department's monthly non-farm payrolls report revealed the U.S. economy added 850,000 jobs in June, topping expectations of a 720,000 uptick and good for the best reading in 10 months. Solid retail sales figures pointed to the underlying strength of the U.S. consumer, with the headline number unexpectedly increasing in June. Meanwhile, U.S. GDP increased 6.5% in the second quarter, below expectations of an 8.5% expansion but up from the 6.3% annualized growth in the first quarter. Importantly, the report confirmed that U.S. economic activity had finally surpassed its pre-pandemic high, as the expansion was underpinned once again by robust strength in consumer spending. Investors also kept tabs on inflation updates, with the consumer price index (CPI) climbing 5.4% year-over-year in June, once again the highest reading since 2008. Despite the historically elevated figures, market

participants continued to moderate their inflation expectations. Following the conclusion of the July Federal Open Market Committee (FOMC) meeting, the Federal Reserve acknowledged the economy had made progress towards the central bank's employment and inflation goals, but no changes were made to the monetary policy as it noted that officials will continue to monitor economic conditions in the coming months. Fed Chair Jerome Powell reiterated the message of patience in his post-meeting press conference, and indicated that the timing of tapering asset purchases remains uncertain. Market participants also weighed updates from Capitol Hill, with Senate leaders signaling incremental progress on a bipartisan infrastructure bill throughout the month.

## Disclaimers

Pricing as of market close on July 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	July Price Return (%)	July Total Return (%)	June Total Return (%)	YTD Total Return (%)*
S&P 500	4395.26	2.27	2.38	2.33	17.98
Dow Jones Industrial Average	34935.47	1.25	1.34	0.02	15.31
Nasdaq Composite	14672.68	1.16	1.19	5.55	14.26
S&P 400 Mid Cap	2703.67	0.28	0.35	-1.02	18.00
S&P 600 Small Cap	1341.28	-2.44	-2.39	0.33	20.60

### U.S. Sector Performance

Index	Close	July Price Return (%)	July Total Return (%)	June Total Return (%)	YTD Total Return (%)*
Communications Services	273.30	3.39	3.57	2.72	23.95
Consumer Discretionary	1438.71	0.48	0.50	3.81	10.82
Consumer Staples	738.72	2.37	2.55	-0.18	7.70
Energy	372.99	-8.44	-8.27	4.60	33.57
Financials	606.90	-0.61	-0.44	-2.96	25.04
Health Care	1538.58	4.74	4.90	2.34	17.33
Industrials	873.59	0.85	0.89	-2.21	17.44
Information Technology	2693.55	3.82	3.86	6.95	18.15
Materials	527.35	2.00	2.04	-5.30	16.83
Real Estate	290.04	4.55	4.64	3.19	29.01
Utilities	335.12	4.21	4.33	-2.17	6.82

### International Markets

Index	Close	July Price Return (%)	July Total Return (%)	June Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	7032.30	-0.07	0.06	0.41	10.96
Germany DAX	15544.39	0.09	0.09	0.71	13.31
France CAC 40	6612.76	1.61	1.63	1.23	21.47
Spain IBEX 35	8675.70	-1.65	-1.11	-3.03	9.31
Italy FTSE MIB	25363.02	1.04	1.43	-0.04	16.38
Greece ATHEX	888.26	0.38	0.87	-0.39	11.27
MSCI Emerging Market	1277.80	-7.04	-6.69	0.21	0.28
Shanghai Composite	3397.36	-5.40	-4.56	0.13	-0.33
Japan Nikkei 225	27283.59	-5.24	-5.23	-0.15	0.21
Hong Kong Hang Seng	25961.03	-9.94	-9.58	-0.65	-2.87
Brazil Bovespa	121800.80	-3.94	-3.94	0.46	2.34
Russia Micex	3771.58	-1.83	-0.11	3.55	19.32
India Sensex	52586.84	0.20	0.36	1.29	10.99

## Treasuries

Maturity	July Ask Yields	June Historical Yields	May Historical Yields	April Historical Yields	March Historical Yields
2-Year	0.18	0.25	0.14	0.16	0.16
5-Year	0.69	0.89	0.80	0.85	0.94
10-Year	1.22	1.47	1.59	1.63	1.74
30-Year	1.89	2.09	2.28	2.30	2.41

## Municipal Bonds

Maturity	Close	July Price Return (%)	June Price Return (%)	May Price Return (%)	YTD Price Return (%)*
S&P Municipal Bond Index	280.44	0.70	0.29	0.40	1.95
S&P Muni Bond Long Intermediate	292.60	0.82	0.22	0.31	1.63
S&P Muni Bond Intermediate	276.88	0.75	0.19	0.26	1.46
S&P Muni Bond Short	181.05	0.23	0.00	0.06	0.59
S&P Muni Bond Investment Grade	275.67	0.68	0.22	0.34	1.61
S&P Muni Bond High Yield	359.04	1.00	1.18	1.17	6.56
S&P Muni Bond General Obligation	268.45	0.68	0.17	0.28	1.28

## Commodities

Front Month Futures	Close	July Price Return (%)	June Price Return (%)	May Price Return (%)	YTD Price Return (%)*
CRB Index	218.08	2.20	3.74	2.97	29.97
Oil/bbl	73.95	0.65	10.78	4.31	52.41
Natural Gas	3.91	7.23	22.24	1.88	54.16
Gold	1812.60	2.31	-6.88	7.63	-4.35
Silver	25.55	-2.36	-6.60	8.36	-3.28
Copper	448.25	4.33	-8.15	4.43	27.38
Nickel	19551.00	7.39	0.68	2.45	18.02

## Foreign Exchange

Currency	Close	July Price Return (%)	June Price Return (%)	May Price Return (%)	YTD Price Return (%)*
Dollar Index	92.17	-0.28	2.90	-1.59	2.49
Euro/USD	1.19	0.10	-3.02	1.72	-2.83
USD/Yen	109.72	-1.25	1.40	0.25	6.27
GBPound/USD	1.39	0.53	-2.68	2.82	1.71
USD/CAD	1.25	0.62	2.77	-1.81	-1.96
USD/Krona	8.59	0.47	3.05	-1.97	4.43
USD/Swiss Franc	0.91	-2.06	2.90	-1.56	2.34

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

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