

# Monthly Market Commentary

## September 2021 Recap

U.S. stocks took a breather from the year's rally during a tumultuous September. The month lived up to expectations for a seasonally weak period as Wall Street contended with a litany of headwinds, including Fed tapering jitters, the looming U.S. debt ceiling, disappointing economic data and broadening regulatory crackdowns in China. The S&P 500 fell 4.8% to snap a seven-month winning streak. Still, the broad index managed to eke out a sixth consecutive quarterly gain (+0.2%), albeit the smallest since the pandemic began. The Dow Industrial Average saw its biggest monthly drop since last October (-4.3%), extending its quarterly loss to 1.9%. The Nasdaq Composite slumped 5.3% for its worst showing since September 2020, as a spike in Treasury yields exacerbated the recent underperformance of growth-related shares.

After the S&P 500 hit its 54th record high of the year to start the month, sentiment seemed to shift. Worries that September tends to be a seasonally weak period for stocks incited some Wall Street strategists to turn more cautious on U.S. equities, given current valuation levels. The S&P 500 entered the month without a 5% pullback from a recent peak since October 2020. Additionally, a number of economists reduced global growth forecasts as lingering COVID-19 headwinds clouded the outlook. A survey on China's business activity supported that narrative. The Caixin's manufacturing purchasing managers' index (PMI) dipped into contractionary territory for the first time since April 2020. Disappointing updates on the domestic economy also weighed on sentiment, with the Citi U.S. Economic Surprise Index hitting its most negative reading since June 2020, indicating that data releases had been worse than anticipated. Notably, the September jobs report revealed non-farm payrolls rose by just 235,000 in August, well below estimates of 725,000 and the smallest gain in seven months. Drama in Washington also added to the downbeat mood. While lawmakers passed a bill to narrowly avoid a government shutdown, they made little progress on raising the debt ceiling ahead of the Treasury Department's projected mid-October deadline. Meanwhile, the path for additional fiscal stimulus in the form of the infrastructure package remained in flux.

Prospects of global central banks dialing back monetary stimulus offered another pressure point for equities. At the conclusion of the Federal Reserve's September meeting, the policy statement indicated that a formal announcement to begin moderating the pace of its asset purchases could come as soon as November and continue until mid-2022. The softer-than-anticipated August jobs report did little to derail the timing of tapering, as other reports suggested the labor market was continuing to recover, with weekly unemployment claims touching a fresh pandemic-low. The quarterly update of the so-called "dot plot" indicated a hawkish shift, showing policy makers were evenly split for a rate hike in 2022 versus June's median projection suggesting liftoff would not occur until 2023. However, Fed Chair Powell reiterated that the reduction in the bond buying program did not correlate to the start of interest rate hikes. Meanwhile, the Bank of England set the stage for a potential interest rate increase before year-end to combat mounting price pressures.

On the heels of the more hawkish policy tilt, Treasuries extended their pullback in September. The yield on the 10-year note surged 18 basis points to 1.49%, while the more Fed-sensitive two-year note rate climbed seven basis points to 0.28% (100 basis points equals one percent). The spike in yields particularly weighed on tech-related shares. Growth-related mega-cap stocks, as measured by the NYSE FANG+ Index, posted their biggest monthly slide in a year (-4.6%). Amid the pull-back of the index heavyweights, the S&P 500 broke its 11-month streak of avoiding a 5% drawdown from its most recent record. The Energy sector bucked September's downtrend, with the group posting its best monthly

performance since February as tight global supply conditions sent West Texas Intermediate crude 9% higher. Materials led laggards as the metals complex posted monthly losses. COMEX gold fell more than 3% as the Fed's policy tilt pushed the U.S. dollar to a one-year high. China's regulatory crackdowns also weighed on companies across various sectors, as Beijing looked to expand its oversight into the cryptocurrency space and signaled stricter gaming regulations in Macau.

## Disclaimers

Pricing as of market close on September 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 Citi Economic Surprise measures data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

The NYSE FANG+ Index is an equal-dollar weighted index designed to represent a segment of the technology and consumer discretionary sectors consisting of highly-traded growth stocks of technology and tech-enabled companies.

## Price and Total Returns

### U.S. Markets

Index	Close	September Price Return (%)	September Total Return (%)	Third Quarter Total Return (%)	YTD Total Return (%)*
S&P 500	4307.54	-4.76	-4.65	0.58	15.91
Dow Jones Industrial Average	33843.92	-4.29	-4.20	-1.46	12.12
Nasdaq Composite	14448.58	-5.31	-5.27	-0.22	12.67
S&P 400 Mid Cap	2640.54	-4.09	-3.97	-1.76	15.52
S&P 600 Small Cap	1331.69	-2.56	-2.43	-2.85	20.03

### U.S. Sector Performance

Index	Close	September Price Return (%)	September Total Return (%)	Third Quarter Total Return (%)	YTD Total Return (%)*
Communications Services	268.04	-6.59	-6.58	1.60	21.59
Consumer Discretionary	1429.69	-2.62	-2.56	0.01	10.28
Consumer Staples	714.58	-4.49	-4.14	-0.31	4.69
Energy	395.88	9.28	9.37	-1.72	43.10
Financials	624.60	-1.99	-1.85	2.74	29.04
Health Care	1483.99	-5.70	-5.55	1.43	13.45
Industrials	826.83	-6.22	-6.15	-4.22	11.48
Information Technology	2623.83	-5.82	-5.78	1.34	15.28
Materials	496.64	-7.43	-7.21	-3.51	10.49
Real Estate	278.09	-6.64	-6.23	0.88	24.38
Utilities	324.58	-6.42	-6.18	1.78	4.20

### International Markets

Index	Close	September Price Return (%)	September Total Return (%)	Third Quarter Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	7086.42	-0.47	-0.19	1.94	13.03
Germany DAX	15260.69	-3.63	-3.63	-1.74	11.24
France CAC 40	6520.01	-2.40	-2.18	0.44	20.05
Spain IBEX 35	8796.30	-0.57	-0.54	0.31	10.89
Italy FTSE MIB	25683.81	-1.25	-0.98	2.99	18.18
Greece ATHEX	865.34	-6.26	-6.21	-1.67	8.47
MSCI Emerging Market	1253.10	-4.25	-3.96	-8.03	-1.16
Shanghai Composite	3568.17	0.68	0.77	0.44	4.89
Japan Nikkei 225	29452.66	4.85	5.41	2.90	8.82
Hong Kong Hang Seng	24575.64	-5.04	-4.71	-13.88	-7.49
Brazil Bovespa	110979.10	-6.57	-6.57	-12.48	-6.75
Russia Micex	4079.46	4.10	4.42	8.38	29.46
India Sensex	59126.36	2.73	2.78	12.91	24.87

Treasuries

Maturity	September Ask Yields	August Historical Yields	July Historical Yields	June Historical Yields	May Historical Yields
2-Year	0.28	0.21	0.18	0.25	0.14
5-Year	0.96	0.78	0.69	0.89	0.80
10-Year	1.49	1.31	1.22	1.47	1.59
30-Year	2.04	1.93	1.89	2.09	2.28

Municipal Bonds

Maturity	Close	September Price Return (%)	August Price Return (%)	July Price Return (%)	YTD Price Return (%) *
S&P Municipal Bond Index	277.77	-0.68	-0.27	0.70	0.98
S&P Muni Bond Long Intermediate	289.62	-0.77	-0.24	0.82	0.60
S&P Muni Bond Intermediate	274.39	-0.70	-0.20	0.75	0.55
S&P Muni Bond Short	180.66	-0.18	-0.03	0.23	0.38
S&P Muni Bond Investment Grade	273.06	-0.67	-0.28	0.68	0.65
S&P Muni Bond High Yield	355.34	-0.87	-0.16	1.00	5.46
S&P Muni Bond General Obligation	265.87	-0.68	-0.28	0.68	0.30

Commodities

Front Month Futures	Close	September Price Return (%)	August Price Return (%)	July Price Return (%)	YTD Price Return (%) *
CRB Index	228.92	4.93	0.04	2.20	36.43
Oil/bbl	75.03	9.53	-7.37	0.65	54.64
Natural Gas	5.87	34.04	11.83	7.23	131.08
Gold	1755.30	-3.33	0.18	2.31	-7.38
Silver	22.05	-7.98	-6.21	-2.36	-16.53
Copper	408.90	-6.22	-2.73	4.33	16.20
Nickel	17945.50	-8.29	0.08	7.39	8.32

Foreign Exchange

Currency	Close	September Price Return (%)	August Price Return (%)	July Price Return (%)	YTD Price Return (%) *
Dollar Index	94.23	1.73	0.49	-0.28	4.77
Euro/USD	1.16	-1.94	-0.51	0.10	-5.21
USD/Yen	111.29	1.15	0.27	-1.25	7.79
GBPound/USD	1.35	-2.04	-1.07	0.53	-1.43
USD/CAD	1.27	0.51	1.13	0.62	-0.35
USD/Krona	8.76	1.60	0.38	0.47	6.50
USD/Swiss Franc	0.93	1.81	1.02	-2.06	5.25

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

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