

July 2021 Market Watch

U.S. markets closed higher in July for the sixth consecutive month, as a strong rebound in demand continues to push corporate profits higher. Roughly half of the S&P 500 companies have reported results and companies continue to top estimates at record levels. About 90% of the companies that have reported have exceeded estimates. Given the strong results, earnings expectations continue to rise at a fast pace. 2021 earnings estimates have risen 18% since the beginning of the year and 2022 earnings by 11%. These rising expectations have caused investors to look past the uncertainty surrounding the increased spread of the Delta variant.

While many companies have been able to pass on cost increases to consumers, inflation continues to be front of mind for investors as US inflation surprised to the upside for the 4th month in a row, with headline CPI increasing 5.4% year-over-year in June.

Despite the S&P 500 hitting new all-time highs, bond markets told a different story as US Treasury yields sharply fell to lows last seen in February. The 10-Yr fell below 1.2% during the month and ended the month down 22 bps to 1.23%. This was likely driven by both fundamental factors such as the Delta variant and the Fed's more hawkish tone as well as technical factors such as overwhelming demand for bonds due to Fed purchasing and rebalancing by institutional investors.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	7/31/21	7/24/21	% chg*	6/30/21	% chg*	% chg*	7/31/20	% chg*
DJIA	34,935.5	35,061.6	-0.4%	34,502.5	1.3%	14.1%	26,428.3	32.2%
S&P 500	4,395.3	4,411.8	-0.4%	4,297.5	2.3%	17.0%	3,271.1	34.4%
NYSE Comp Index	16,602.3	16,552.4	0.3%	16,555.4	0.3%	14.3%	12,465.1	33.2%
NASDAQ Composite	14,672.7	14,837.0	-1.1%	14,504.0	1.2%	13.8%	10,745.3	36.6%
Russell 2000	2,226.2	2,209.6	0.8%	2,310.5	-3.6%	12.7%	1,480.4	50.4%
MSCI EM (Emerging Markets)	1,277.8	1,311.3	-2.6%	1,374.6	-7.0%	-1.0%	1,078.9	18.4%
MSCI EAFE	2,321.1	2,307.1	0.6%	2,304.9	0.7%	8.1%	1,820.2	27.5%
Japan Nikkei 225	27,283.6	27,548.0	-1.0%	28,791.5	-5.2%	-0.6%	21,710.0	25.7%
FTSE 100	7,032.3	7,027.6	0.1%	7,037.5	-0.1%	11.0%	5,897.8	19.2%
SSE Comp Index	3,397.4	3,550.4	-4.3%	3,591.2	-5.4%	-2.2%	3,310.0	2.6%

US Equity Sector Performance

	July	YTD	1 Yr Ret.
Consumer Discretionary	0.5%	10.8%	26.4%
Consumer Staples	2.6%	7.7%	18.2%
Energy	-8.3%	33.6%	44.4%
Financials	-0.4%	25.1%	55.2%
Health Care	4.9%	17.3%	27.3%
Industrials	0.9%	17.4%	46.4%
Information Tech	3.9%	18.2%	40.0%
Materials	2.0%	16.8%	41.5%
Communication Services	3.6%	23.9%	43.9%
Utilities	4.3%	6.8%	12.0%
Real Estate	4.4%	28.3%	30.9%

US Equity Style Performance

	July	YTD	1 Yr Ret.
Dow Jones Utilities	3.6%	4.9%	9.2%
DJ TRANS Avg.	-2.8%	16.3%	46.5%
Russell 1000 Value	0.8%	18.0%	39.3%
Russell 1000 Growth	3.3%	16.7%	36.7%
Russell 2000 Value	-3.6%	22.2%	63.7%
Russell 2000 Growth	-3.6%	5.0%	41.0%

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Bond Markets (%)

	7/31/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.05	0.05	0.10
US Benchmark Bond – 6 Mth	0.06	0.06	0.11
US Benchmark Bond – 2 Yr	0.18	0.25	0.10
US Benchmark Bond – 5 Yr	0.70	0.88	0.21
US Benchmark Bond – 10 Yr	1.23	1.45	0.54
US Benchmark Bond – 30 Yr	1.89	2.06	1.20

US Bond Sector Performance

	July	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	0.77%	-0.36%	-0.69%

Exchange Rates (per US dollar)

	7/31/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.248	1.238	1.340
Mexican Peso	19.860	19.911	22.192
Euro	0.843	0.843	0.846
British Pound	0.719	0.724	0.762
Swiss Franc	0.906	0.924	0.910
Chinese Yuan	6.456	6.461	6.980
Indian Rupee	74.415	74.330	74.813
Japanese Yen	109.750	110.990	105.730

Commodities (In US dollars)

	7/31/21	1 Mth Ago	1 Yr Ago
Gold	1,817.20	1,771.60	1,985.90
Crude Oil	73.95	73.47	40.27
US Dollar Index	92.19	92.43	93.32
Bloomberg Commodity Index	96.28	94.54	68.68

Interest Rates (%)

	7/31/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.10	0.10	0.09
Labor Rate 30 Day	0.09	0.10	0.15
Labor Rate 3 Months	0.12	0.15	0.25
30yr Fixed Mortgage	2.80	2.98	2.99

Economic Sentiment

	7/31/21	1 Yr Ago
Unemployment Rate	5.90%	10.20%
Average Single Family Home	386,600	340,900
Capacity Utilization	75.40%	71.50%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

Growth stocks benefited from the decline in yields and delivered 3.3% in the month, while Value stocks only grew 0.8%. Healthcare +4.9%, Real Estate +4.4%, and Utilities +4.3% were the strongest performers in the month. The Financials -0.4% and Energy -8.3% sectors fell in the month but still remain among the best performers year-to-date.

Developed International Equities (MSCI EAFE) finished slightly higher +0.7%. Emerging Markets (MSCI EM) fell sharply by -7.0%. In Europe, the focus continues to be on fiscal policy in order to help get the Eurozone out of the low-growth, low-inflation environment they have been stuck in. With little room to cut rates and asset purchase programs already in place, policymakers hope that an €800B fiscal stimulus package will boost the recovery. Emerging markets (EM) fell due to weakness in the Chinese stock market. A ban on profit making in the for-profit tutoring industry sparked concern that Tech and other industries could face regulatory issues as well. China currently makes up roughly 40% of the MSCI EM index.

Commodity prices continued to rise for the 4th consecutive month. The Bloomberg Commodity Index gained +1.8% in July, as Coffee, Tin, Natural Gas, Nickel, Cotton, Wheat, and Gold futures prices pushed higher in the month. The index is up 40% over the past year as cyclical commodities have benefited from the economic recovery. Crude oil prices stayed flat in July but still remain up 80% in the past year as demand has improved.

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