



MONTHLY MARKET UPDATE

AUGUST 2021

Keith A. Rhodus

Founder/Managing Member

Alan Haworth

Director/Senior Financial Advisor

Deborah Good, CFP®

Director of Financial Planning

Priya N. Intwala

Client Service & Operations
Manager

Market Summary

- The S&P 500 Index of large cap stocks returned +2.4% during July, while the Russell 2000 Index of small cap stocks returned -3.6%.
- Defensive sectors, such as Health Care, Real Estate, and Utilities, outperformed cyclical sectors, such as Energy, Financials, and Industrials, as the delta variant weighed on the economic outlook.
- Treasury yields fell as investors rotated into bonds. Investment grade bonds produced a 1.4% total return compared to high yield bonds' 0.1% total return.
- Oil prices initially traded lower as the delta variant weighed on oil demand and OPEC prepared to raise oil production before finishing the month higher.

Delta Variant Pressures Economic Outlook

Investors began to question the economic outlook during July as the delta variant spread and Covid-19 case counts spiked. The rise in cases marked a dramatic shift from earlier in 2021 when rising vaccinations helped push case counts lower. The key question is when will delta variant cases peak. The outlook is uncertain, but there is encouraging news as U.K. cases trend lower from their recent peak.

The emerging delta variant and rising Covid-19 cases impacted stock market performance. While officials have not resorted to wide-scale lockdowns thus far, investors are concerned it will delay the economic recovery. The uncertain outlook increased market volatility during July, and riskier asset classes underperformed early in the month as investors trimmed bets on a rapid recovery. On a positive note, returns improved in the second half of July as fears diminished slightly.

Second Quarter 2021 Earnings Season Kicks Off

According to FactSet's *Earnings Insight*, 59% of S&P 500 companies have reported Q2 2021 earnings as of July 30th. Of the companies reporting results, 88% have reported earnings above Wall Street estimates (vs the 5-year average of 75%), with an aggregate positive earnings surprise of 17.2% (vs the 5-year average surprise of 7.8%). The blended year-over-year earnings growth rate (i.e., actual results for companies that reported plus estimates for companies that have not reported) for the S&P 500 is 85.1%, which would be the S&P 500's highest earnings growth rate since Q4 2009. The data indicates corporate earnings are recovering nicely as the economy reopens.

A look across earnings call transcripts highlights multiple themes. Most importantly, management teams are generally positive on the economic recovery. Consumer demand is returning as restrictions are relaxed and the economy reopens. However, companies have highlighted multiple friction points, such as staffing shortages and shipping delays, created by the accelerated reopening. The issues are increasing costs, which is being passed through to consumers via higher prices. The friction points may slow the recovery near-term, but the long-term outlook remains positive.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

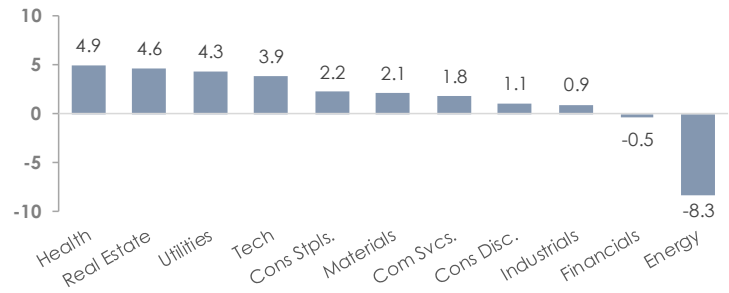
THIS MONTH IN NUMBERS

FIGURE 1
U.S. Style Returns (July in %)

	Value	Blend	Growth
Large	0.9	2.4	3.4
Mid	0.6	0.8	1.0
Small	-3.5	-3.6	-3.7

Data Reflects Most Recently Available As of 7/31/2021

FIGURE 2
U.S. Sector Returns (July in %)



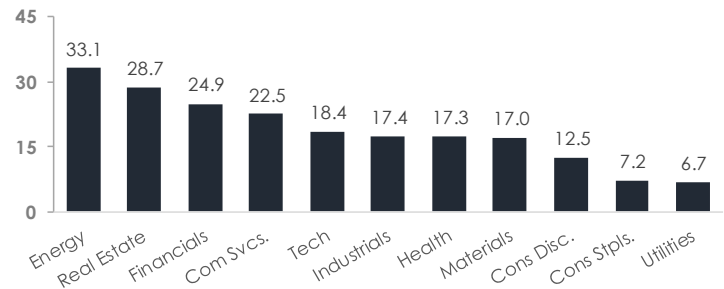
Data Reflects Most Recently Available As of 7/31/2021

FIGURE 3
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	17.9	18.0	16.7
Mid	20.0	17.0	11.4
Small	22.0	13.1	4.8

Data Reflects Most Recently Available As of 7/31/2021

FIGURE 4
U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 7/31/2021

FIGURE 5
Market Data Center

Stocks	Level	1 month	3 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B	
S&P 500	4,395	2.4%	5.4%	18.0%	36.0%	61.8%	1.27%	21.1x	4.3x	
Dow Jones	34,935	1.4%	3.5%	15.2%	34.3%	44.2%	1.59%	18.9x	4.8x	
Russell 2000	5,533	-3.6%	-1.6%	13.1%	51.3%	36.8%	0.86%	26.8x	2.5x	
Russell 1000 Growth	1,865	3.4%	8.2%	16.7%	36.4%	93.5%	0.52%	30.5x	12.3x	
Russell 1000 Value	972	0.9%	1.9%	17.9%	38.7%	34.8%	1.57%	16.5x	2.5x	
M SCI EAFE	1,310	0.8%	3.2%	10.5%	31.0%	23.3%	2.26%	15.9x	1.8x	
M SCI EM	71,753	-6.4%	-4.0%	0.3%	21.0%	21.3%	1.47%	12.9x	1.9x	
NASDAQ	14,673	2.9%	8.0%	16.5%	37.8%	109.4%	0.48%	28.0x	8.3x	
Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years	Commodities	Level	1 month	YTD
U.S. Aggregate	1.87%	1.1%	2.2%	-0.6%	-0.8%	17.4%	Oil (WTI)	73.81	0.5%	52.1%
U.S. Corporates	2.41%	1.4%	4.3%	-0.4%	0.7%	27.5%	Gasoline	2.24	3.0%	63.8%
Municipals (10 yr)	1.93%	0.5%	1.2%	1.2%	2.5%	15.0%	Natural Gas	3.91	7.2%	54.9%
High Yield	4.43%	0.1%	1.5%	2.7%	7.4%	16.8%	Propane	1.09	12.7%	69.5%
							Ethanol	2.13	-3.4%	70.0%
Key Rates	7/31/2021	6/30/2021	4/30/2021	1/31/2021	7/31/2020	7/31/2018	Gold	1,817	2.6%	-4.1%
3 yr Treasury	0.35%	0.45%	0.34%	0.19%	0.11%	2.76%	Silver	25.55	-2.5%	-3.3%
10 yr Treasury	1.23%	1.45%	1.63%	1.09%	0.54%	2.97%	Copper	4.48	4.3%	27.5%
30 yr Treasury	1.89%	2.06%	2.30%	1.85%	1.20%	3.08%	Steel	1,878	2.1%	95.0%
30 yr Fixed Mortgage	3.02%	3.13%	3.11%	2.88%	3.09%	4.43%	Corn	5.45	-7.5%	12.5%
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	5.00%	Soybeans	14.74	0.6%	12.5%

Data Reflects Most Recently Available As of 7/31/2021

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS

IMPORTANT DISCLOSURES

Clare Market Investments, LLC is a Registered Investment Advisor. This material is for informational purposes only. It is not intended as and should not be used to provide investment advice and is not an offer to sell a security or a recommendation to buy a security. This summary is based exclusively on an analysis of general market conditions and does not speak to the suitability of any specific proposed securities transaction or investment strategy. Judgement or recommendations found in this report may differ materially from what may be presented in a long-term investment plan and are subject to change at any time. This report's authors will not advise you as to any changes in figures or views found in this report. Investors should consult with their investment advisor to determine the appropriate investment strategy and investment vehicle. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance. Except for the historical information contained in this report, certain matters are forward-looking statements or projections that are dependent upon risks and uncertainties, including but not limited to such factors and considerations such as general market volatility, global economic risk, geopolitical risk, currency risk and other country-specific factors, fiscal and monetary policy, the level of interest rates, security-specific risks, and historical market segment or sector performance relationships as they relate to the business and economic cycle. See claremarket.com for additional information and disclosures. © 2021 Clare Market Investments, LLC

“The investor’s chief problem – and even worst enemy – is likely to be himself.”

- Benjamin Graham

CLARE MARKET INVESTMENTS, LLC

4311 W. LOVERS LANE | SUITE 101

DALLAS, TX 75209

MAIN: 866.659.1019 | FAX: 469.210.8366 | ClareMarket.com