



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 5.64% in July. They were fueled by generally better than expected earnings from the largest U.S. companies and hopes that a coronavirus vaccine will be available by the end of the year.
- Within the S&P, 10 of 11 sectors posted positive returns. Consumer Discretionary did best, returning 9.00%, as labor surged and consumer spending rebounded. Utilities followed, returning 7.81%. The Energy sector was the worst performer of the month and returned -5.13%.
- By market capitalization, small-caps (Russell 2000 Index) returned 2.77%, large-caps (Russell 1000 Index) returned 5.86% and mid-caps (Russell Mid Cap Index) returned 5.87%. Growth stocks outperformed value stocks across all capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 4.46%, as world economies continued to bounce back. Developed markets ex-U.S., represented by the MSCI EAFE Index, returned 2.33%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 8.94% in July.
- Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Information Technology did best, returning 10.89%, followed by Materials, returning 8.35%. The Energy sector was the worst performer, returning 0.56%, followed by Real Estate with a return of 1.11%.
- Within the ACWI ex-U.S. Index, EM Latin America performed best during the month, returning 10.95%. Japan was the worst-performing region during the month, returning -1.59%.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned 1.49% in July. During the month, credit spreads continued to tighten. Meanwhile, rates, particularly 10 years and shorter, moved lower as the market started pricing in a deflationary environment. Federal Reserve (Fed) Chair Jerome Powell mentioned that, while overall financial conditions have improved, it "will take a while to get back to the levels of economic activity and employment that prevailed at the beginning of this year."
- Investment-grade (IG) credit within the Aggregate returned 3.08%. Within the IG credit spectrum, AAA-rated bonds returned 1.10%, AA-rated bonds returned 2.65%, A-rated bonds returned 3.07% and BBB-rated bonds returned 3.52%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 4.69%.
- U.S. Treasury yields were primarily down, flattening the yield curve this month.

Alternatives and Other Asset Classes

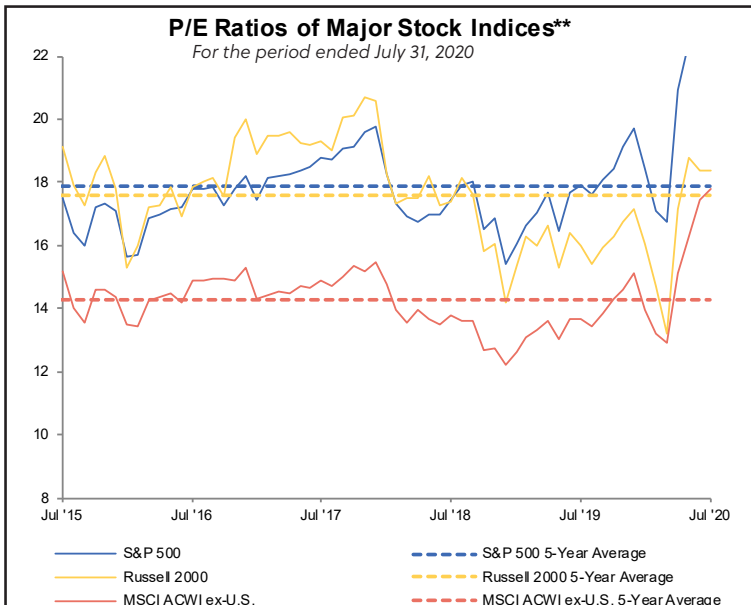
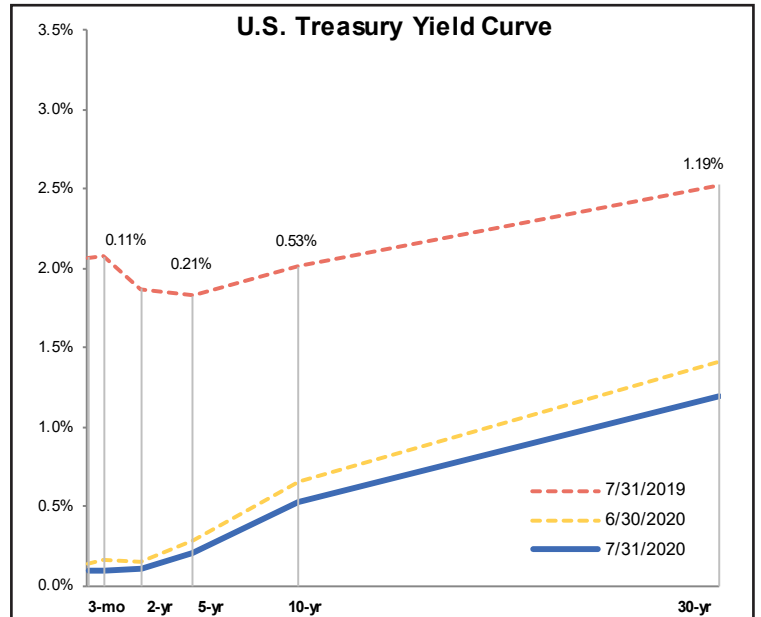
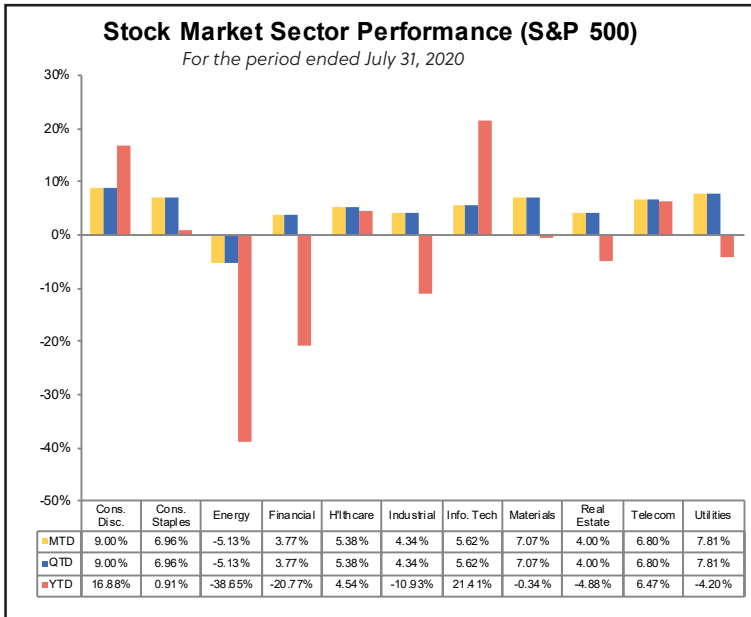
- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, rose 4.05%. Performance was positive in six of nine real estate sectors. Industrial performed best, returning 12.43%. The worst performing REIT sector of the month was Lodging/Resorts, returning -8.62%.
- The active contract for West Texas Intermediate (WTI) crude increased to \$40.27/barrel in July from \$39.27/barrel at the end of June. Investors weighed an uncertain demand outlook and an expected rise in supplies as major producers relax output curbs.

Items to Watch

- The U.S. recorded more than 1.9 million new COVID-19 infections in July, nearly 42% of the more than 4.5 million cases reported nationwide since the pandemic began and more than double the number documented in any other month. The virus is picking up dangerous speed in much of the Midwest – and in states from Mississippi to Florida to California that thought they had already seen the worst of it.
- The second wave of infections has shifted more attention toward fiscal stimulus programs expected later in August. Talks continue in Washington D.C. on the next coronavirus relief bill as the outbreak continues to spread and the enhanced unemployment benefits have expired. The aid for jobless Americans, liability protections for businesses, and relief for state and local governments remain major sticking points.
- The economy added nearly 1.8 million jobs in July, better than the 1.48 million expected. The unemployment rate fell more than expected to 10.2% from 11.1%. Much of the recovery in jobs in July was in the leisure and hospitality and retail sectors, two areas that were immediately impacted by the March shutdowns and could be hit again by reclosings.
- U.S. gross domestic product decreased at a record-shattering rate of 32.9% in the second quarter. The decline reflected the response to COVID-19, as "stay-at-home" orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. ISM manufacturing PMI showed improvement in July at 54.2, while consumer confidence decreased to 92.6 as coronavirus cases surged around the country. Shuttering bars and other businesses are raising concerns about the future of the economy.

Total Return of Major Indices as of 07/31/2020				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	5.64%	5.64%	2.38%	11.94%
Russell 3000	5.68%	5.68%	2.00%	10.92%
Russell 2000	2.77%	2.77%	-10.58%	-4.61%
Russell 1000	5.86%	5.86%	2.88%	12.02%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	4.46%	4.46%	-7.03%	0.66%
MSCI EAFE	2.33%	2.33%	-9.28%	-1.67%
MSCI Emerging Markets	8.94%	8.94%	-1.72%	6.55%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	1.49%	1.49%	7.72%	10.12%
Bloomberg Barclays Global Agg	3.19%	3.19%	6.27%	7.85%
Bloomberg Barclays U.S. HY	4.69%	4.69%	0.71%	4.14%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	4.05%	4.05%	-15.42%	-10.66%
Bloomberg Commodity	5.70%	5.70%	-15.10%	-13.03%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	10.2%	11.1%
Initial Jobless Claims (4 week average)	1337.8 K	1368.8 K
CB Leading Economic Indicators	2.0	3.2
Capacity Utilization	68.6%	65.1%
GDP (annual growth rate)	-32.9%	-5.0%
University of Michigan Consumer Confidence	72.5	78.1
New Home Starts	776 K	682 K
Existing Home Sales	4.7 MM	3.9 MM
Retail Sales (YoY)	-0.5%	-6.9%
U.S. Durable Goods (MoM)	7.6%	15.0%
Consumer Price Index (YoY)	0.6%	0.1%
Producer Price Index (MoM)	0.0%	2.3%
Developed International*	3/31/2020	12/31/2019
Market GDP (annual rate)	-1.3%	1.6%
Market Unemployment	6.4%	6.2%



Source: Bloomberg. Data as of July 31, 2020, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of March 31, 2020 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

The views expressed constitute the perspective of PFM's asset management business at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. Investment advisory services are provided by PFM Asset Management LLC, which is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. For more information regarding PFM's services or entities, please visit www.pfm.com.

