Weekly Insight

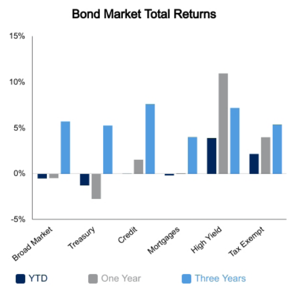
July 29, 2021

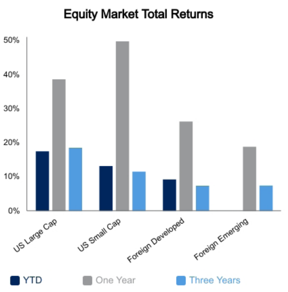
The S&P 500 rallied back this week to again set another high. The index was up 1.0% on the week as large cap domestic equities remain the source of outperformance. The Russell 2000 was down 0.4%. The big news of the week was the crackdown in China regarding several sectors. The market was reminded of the fact that investments in the region are not without risks. The S&P/BNY Mellon China ADR Index was down 9.6% on the week. This dragged down the MSCI Emerging Market Index 3.3%. Thus far the U.S. equity market has remained resilient, potentially aided by a bounce in Chinese stocks late in the week that helped limit the damage.

The Bloomberg Barclays Aggregate Bond Index was up 0.4% as yields remain near their recent lows. The 10-year Treasury ended the week at 1.23%. Despite the surprise by many to this low level it remains one of the highest in the developed world. Germany remains the lowest at -0.43%. Should an investor seek maximum yield, they can get over 9% in local currency government bonds in Pakistan, Brazil, and South Africa.

The economic data was a bit behind expectations this week. New home sales were shy of expectations and fell 6.6% versus the prior month. Durable goods core capex orders also missed expectations. Consumer confidence was slightly ahead of expectations, but the real story is the dropping of future expectations versus the present situation. The gap has widened out to levels more emblematic of a mid-to-late cycle economy. It has tended to coincide with negative real wages and bond yields tend to fall going forward.

The Federal Reserve (Fed) convened this week to reiterate their transitory inflation view. The meeting and press release hinted at discussions on tapering but offered more in the way of a dovish tilt with employment goals being a long way off. The market reaction was muted versus historical standards. The increase in virus counts gave the Fed cover to maintain their course despite current high inflation readings. This was anticipated by the market and the Fed did not disappoint. The market is currently pricing in the first Fed Funds hike in 20 months. The last time we came down to these levels in 2013, it took 30 months before the Fed hiked. But it was at this time that the yield curve started flattening in a significant manner.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	0.25	0.25	2.00
3-Month T-Bill	0.05	0.10	1.98
10-Year Treasury	1.23	0.57	2.95
30-Year Treasury	1.88	1.24	3.08
10-Year Corporate AA	1.87	1.44	3.86
10-Year High Yield Corp.	3.96	4.47	6.09
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	1,807.11	1,970.79	1,224.22
Oil (WTI, $/barrel)	72.39	43.55	58.73
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	92.32	93.45	94.67
USD/EUR	0.84	0.85	0.86
USD/JPY	109.91	104.92	111.05

Jim Dombek, JD, CTFA
Director of Trust Services
& Counsel
(815) 748-5011

Stacia Little
Trust Officer
(815) 748-1609

Thomas Hogan, CTFA
Trust Officer
(815) 748-5012

Mary Phelan, CTFA
Trust Officer &
Operations Supervisor
(815) 748-1607