

## Economic and Market Update

Data as of June 30, 2021

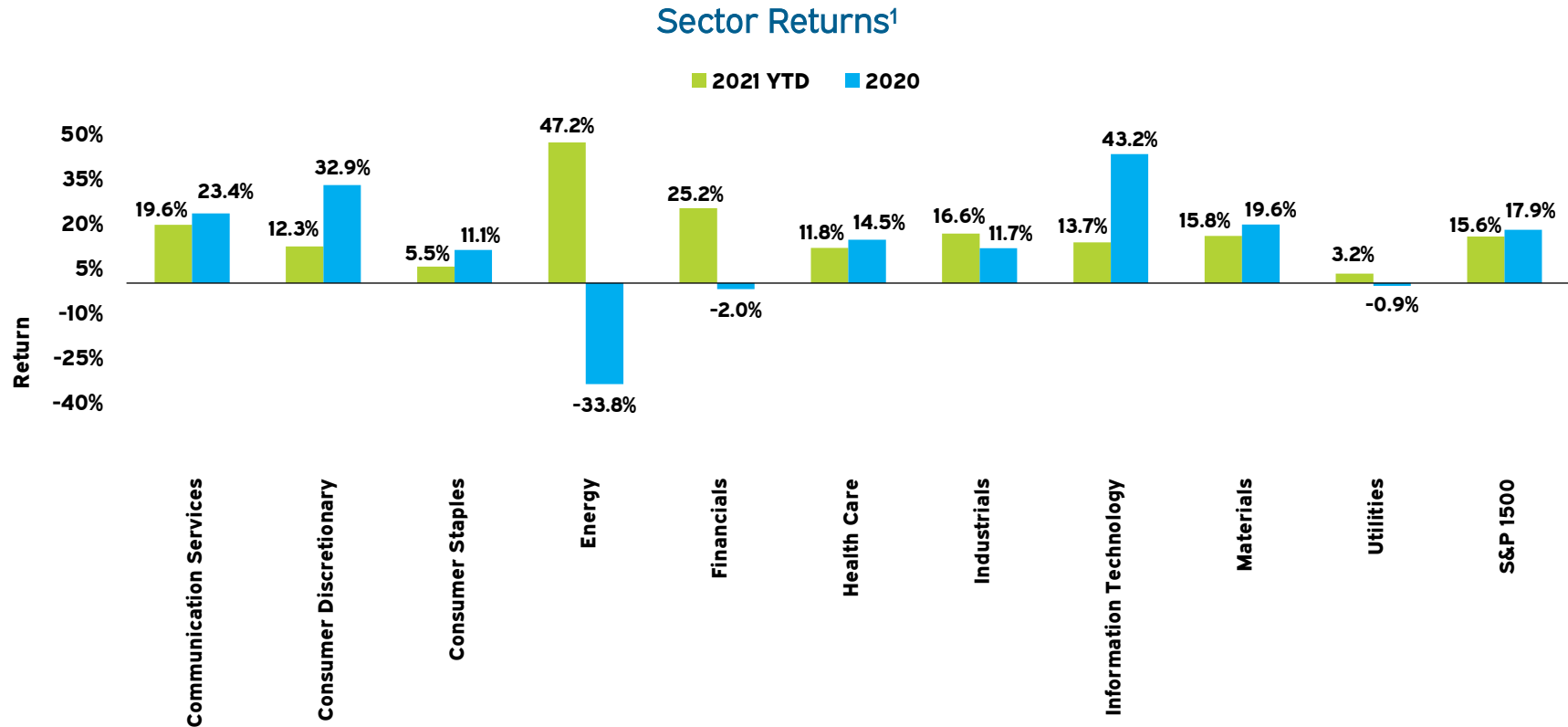


**Market Returns<sup>1</sup>**

Indices	June	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2.3%	15.3%	40.8%	18.7%	17.7%	14.8%
MSCI EAFE	-1.1%	8.8%	32.4%	8.3%	10.3%	5.9%
MSCI Emerging Markets	0.2%	7.5%	40.9%	11.3%	13.0%	4.3%
MSCI China	0.1%	1.8%	27.4%	10.4%	16.6%	7.7%
Bloomberg Barclays Aggregate	0.7%	-1.6%	-0.3%	5.3%	3.0%	3.4%
Bloomberg Barclays TIPS	0.6%	1.7%	6.5%	6.5%	4.2%	3.4%
Bloomberg Barclays High Yield	1.3%	3.6%	15.4%	7.5%	7.5%	6.7%
10-year US Treasury	1.3%	-4.2%	-7.1%	5.9%	1.8%	3.7%
30-year US Treasury	4.3%	-13.0%	-13.8%	8.2%	2.9%	7.0%

- So far this year, global risk assets continue to appreciate, leading to significant gains over the trailing year. This has largely been driven by record fiscal and monetary policy stimulus and positive developments with the COVID-19 vaccine.
- In June, Treasuries continued to recover, particularly longer dated issues, as inflation concerns declined.
- Equity markets had mixed results in June with the US leading the way. A stronger US dollar and continued vaccine rollout struggles weighed on international equity markets.

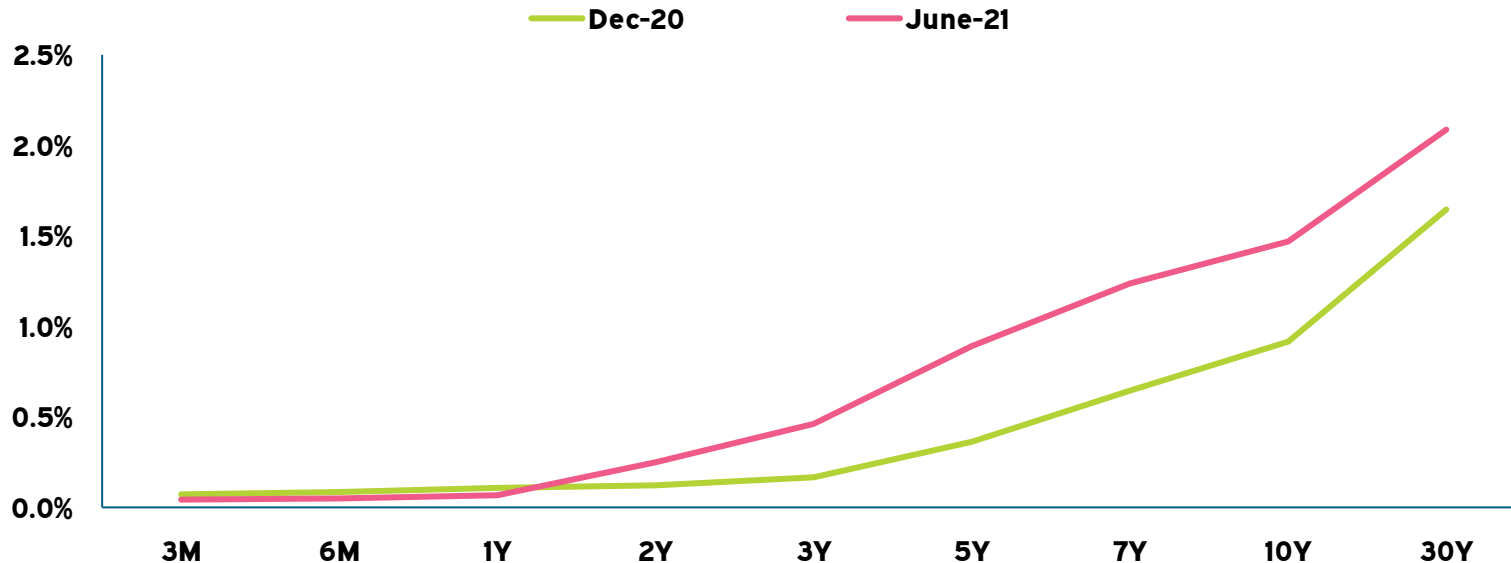
<sup>1</sup> Source: Investment Metrics and Bloomberg. Data is as of June 30, 2021.



- Despite growth's recovery in June, cyclical sectors like energy and financials continue to lead the way in 2021, as some investors rotate out of stay-at-home focused companies in the technology sector as the economy reopens.

<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2021.

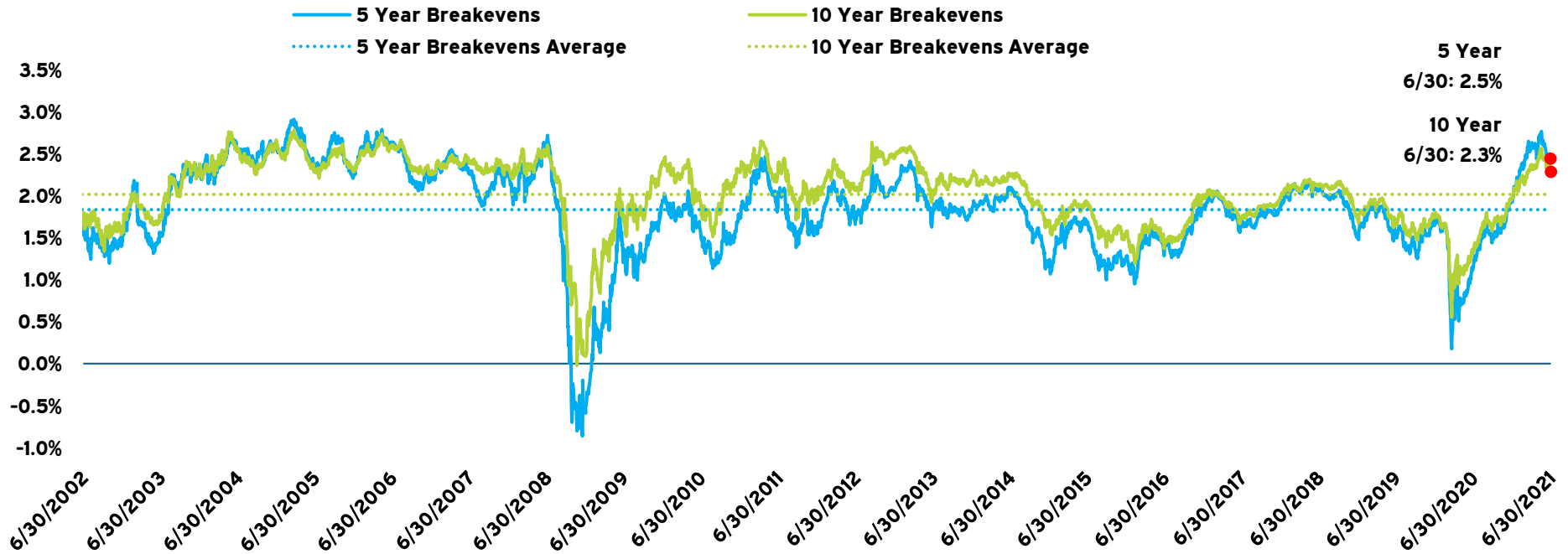
### US Yield Curve Steepens<sup>1</sup>



- Overall for 2021, the yield curve steepened on inflation fears related to gradual signs of economic improvement given the vaccine rollout.
- Shorter-dated rates have been largely unmoved given Fed policy, while longer-dated rates recently declined from their peak as investors consider whether inflationary pressures have topped.
- Looking ahead, the yield curve could resume its steepening if growth and inflation pressures build beyond current expectations. Alternatively, if the economy weakens, or if economic progress is simply accelerated versus the prior expectations, the flattening trend could continue.

<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2021.

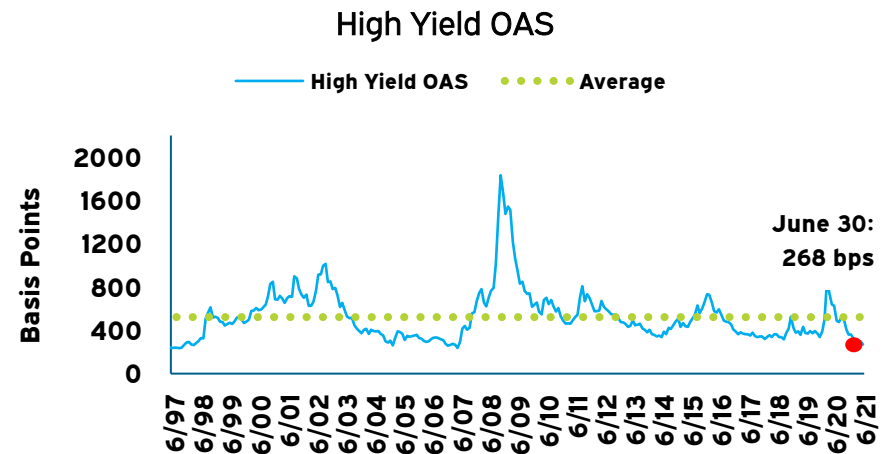
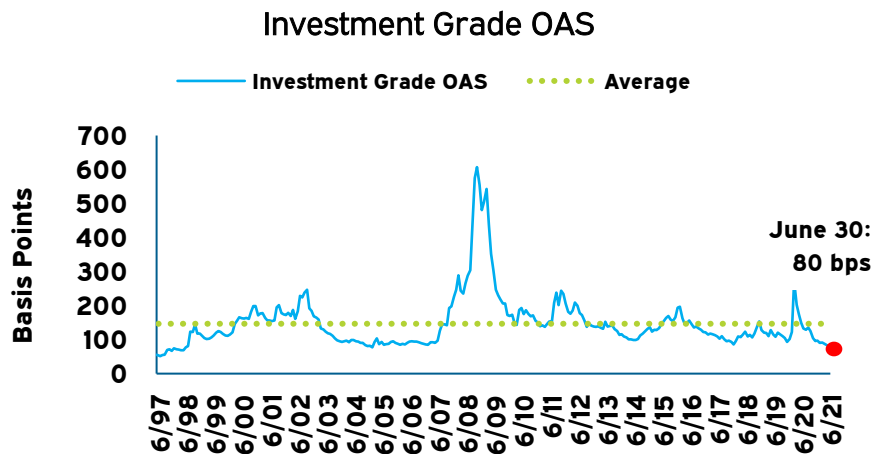
### Breakeven Inflation<sup>1</sup>



- In 2021, inflation expectations remain well above long-term averages, with the vaccine roll-out, high raw material prices, and expected additional fiscal stimulus as key drivers.
- Recently though, inflation expectations declined from their highs as base effects wane, growth forecasts moderate, and cost pressures slow.
- Looking forward, the track of economic growth and the inflationary effects of the unprecedented US fiscal response will be key issues. Additionally, changes to Fed policy focused on an average inflation target may play a role in the inflation market dynamics.

<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2021.

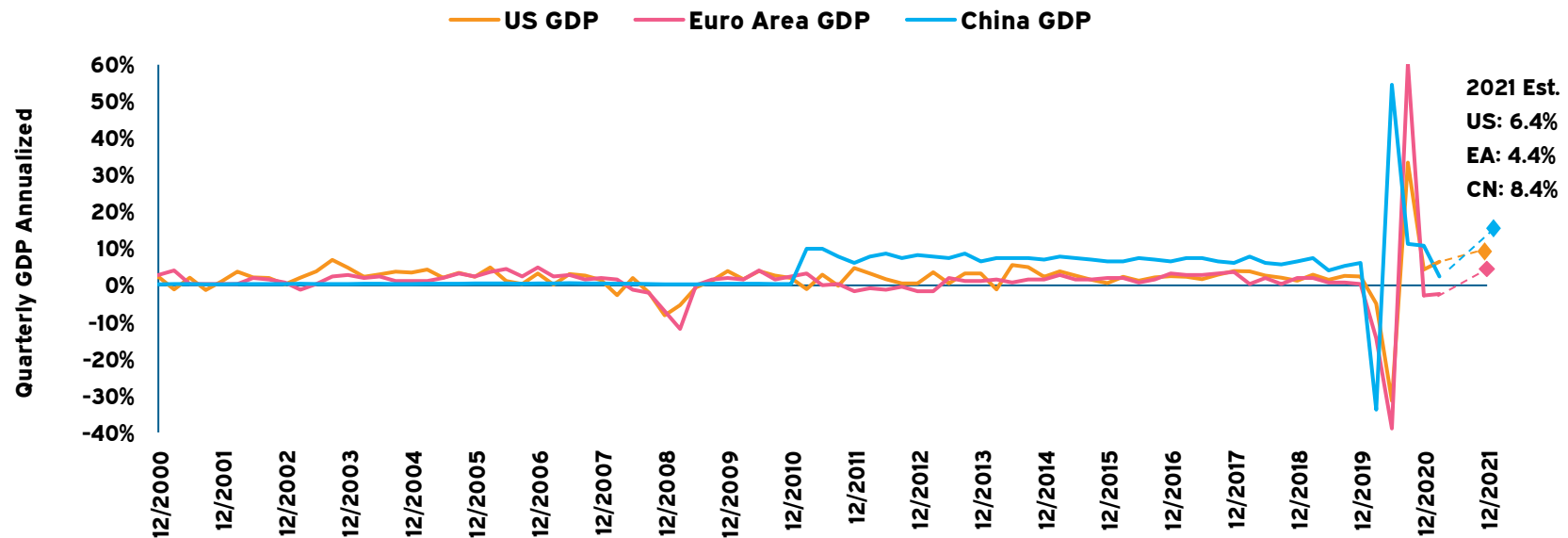
### Credit Spreads (High Yield & Investment Grade)<sup>1</sup>



- Credit spreads (the spread above a comparable maturity Treasury) for investment-grade and high yield corporate debt continued to compress in June.
- Policy support and the search for yield in a low, and in some cases negative, rate environment have been key drivers in the decline in US credit spreads to below long-term averages, particularly for high yield.

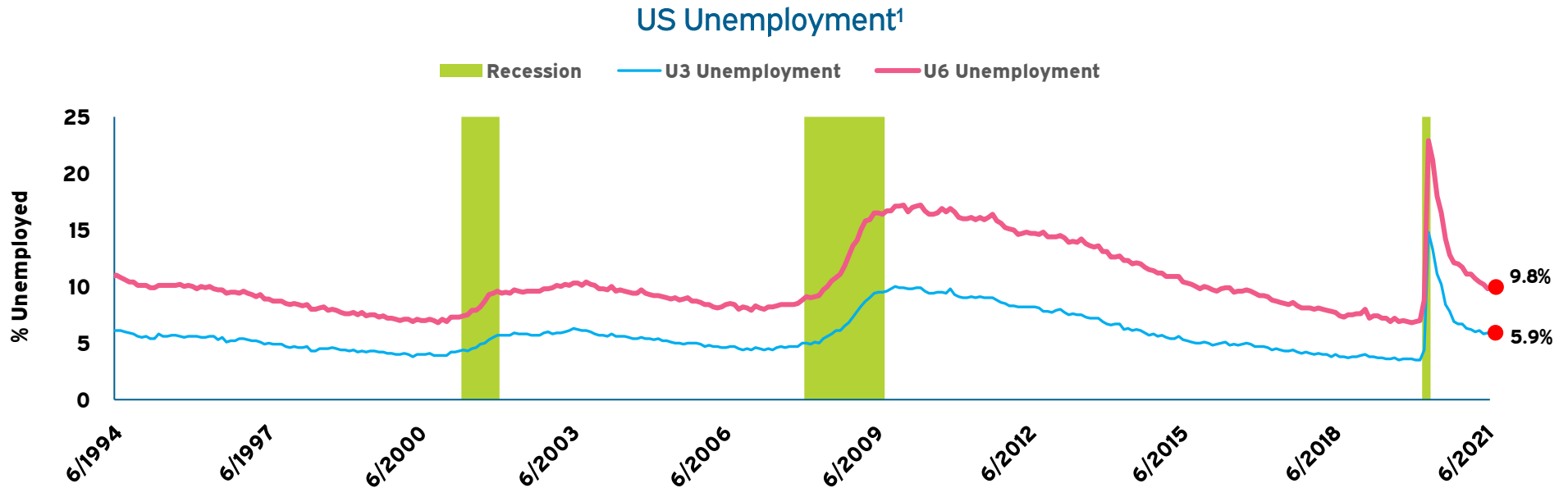
<sup>1</sup> Source: Barclays Live. Data represents OAS and is as of June 30, 2021.

### GDP Data Shows Projected Improvements in 2021<sup>1</sup>



- Major economies experienced historic declines in growth during the second quarter of 2020, followed by record increases in the third quarter driven by pent-up demand from the lockdown measures earlier in the year.
- Looking forward, strong growth is expected in 2021 particularly for China, projected to grow at an impressive 8.4%, due in part to their ability to quickly control the virus and reopen their economy.
- The US is expected to grow faster than the euro area this year, with some growth pulled forward due to the success in distributing the vaccine.

<sup>1</sup> Source: Bloomberg, and IMF; Euro Area and China figures annualized by Meketa. Projections via April 2021 IMF World Economic Outlook and represent annual numbers.



- The unemployment rate (U3) rose slightly in June from 5.8% to 5.9% and remains well above pre-pandemic levels, but far below the pandemic peak.
- The broader measure of unemployment (U6) that includes discouraged and underemployed workers continues to decline, but remains much higher at 9.8%.
- Pandemic related concerns, childcare issues, and a mismatch of skills and available jobs have all contributed to slack in the labor market.

<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2021. Bars represent recessions as observed by the National Bureau of Economic Research.



### Disclaimers

These materials are intended solely for the recipient and may contain information that is not suitable for all investors. This presentation is provided by Meketa Investment Group (“Meketa”) for informational purposes only and no statement is to be construed as a solicitation or offer to buy or sell a security, or the rendering of personalized investment advice. There is no agreement or understanding that Meketa will provide individual advice to any advisory client in receipt of this document. There can be no assurance the views and opinions expressed herein will come to pass. Any data and/or graphics presented herein is obtained from what are considered reliable sources; however, its delivery does not warrant that the information contained is correct. Any reference to a market index is included for illustrative purposes only, as an index is not a security in which an investment can be made and are provided for informational purposes only. For additional information about Meketa, please consult the Firm’s Form ADV disclosure documents, the most recent versions of which are available on the SEC’s Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and may otherwise be made available upon written request.