Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for June 2021

		Month	Quarter YTD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	2.3%	8.4	15.0	40.1	18.0	17.0
	Russell 2000	1.9%	4.2	17.4	61.5	13.1	16.0
Domestic Bonds	Barclays Aggregate	0.7%	1.8	-1.6	-0.3	5.3	3.0
	Barclays High Yield	1.3%	2.7	3.6	15.4	7.4	7.5
Non-US Stocks	MSCI EAFE	-1.1%	5.2	8.8	32.4	8.3	10.3
	MSCI Emerg Mkts	0.2%	5.0	7.4	40.9	11.3	13.0
Global Bonds	Barclays Global Agg	-0.9%	1.3	-3.2	2.6	4.2	2.3

Equities continued their march upward in June as the ongoing vaccine rollout and improving economic data bolstered sentiment. U.S. equities led the way with the S&P 500 Index posting a 2.3% gain for the month. In an about turn from earlier this year, growth stocks outperformed value amid lower rates and waning inflation concerns; the Russell 1000 Growth Index was up 6.3% in June, while the Russell 1000 Value Index fell 1.1% during the same period. Non-U.S. stocks lagged amid a stronger U.S. dollar, with the MSCI EAFE Index falling 1.1% and the MSCI Emerging Markets Index eking out a gain of 0.2%.

In fixed income, global yields fell after rising earlier this year. In the U.S., the curve flattened with 10- and 30-year yields falling 13 and 20 basis points, respectively. As a result, longer-duration assets outperformed, with the Barclays Long Treasury Index up 3.6% for the month. Further, the Fed Open Market Committee (FOMC) met in June and announced it was holding rates steady at 0.00%-0.25%. However, the median policymaker rate-hike forecast estimates two 25-basis point hikes by the end of 2023 – previously the Fed's median forecast indicated no hikes were expected until 2024. The increased pace of expected tightening reflects improvements in economic data and expectations of continued near-term inflationary pressures.

Finally, in real assets, the Bloomberg Commodity Index returned 1.9% for the month. Spot WTI Crude Oil added to recent gains, increasing 10.8% as a result of an improving outlook for global demand and declining inventory levels.

The more robust macroeconomic backdrop has generally resulted in higher growth and inflation expectations in the near term. While the increase in interest rates during 2021 has been notable, we still suggest investors maintain a dedicated allocation to Treasuries to support liquidity levels and cash flow needs in the event of a market dislocation. Further, the ongoing support from monetary and fiscal interventions provides a supportive environment for equities. To that end, we encourage investors to favor equities even in the face of modestly higher interest rates.

Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]