

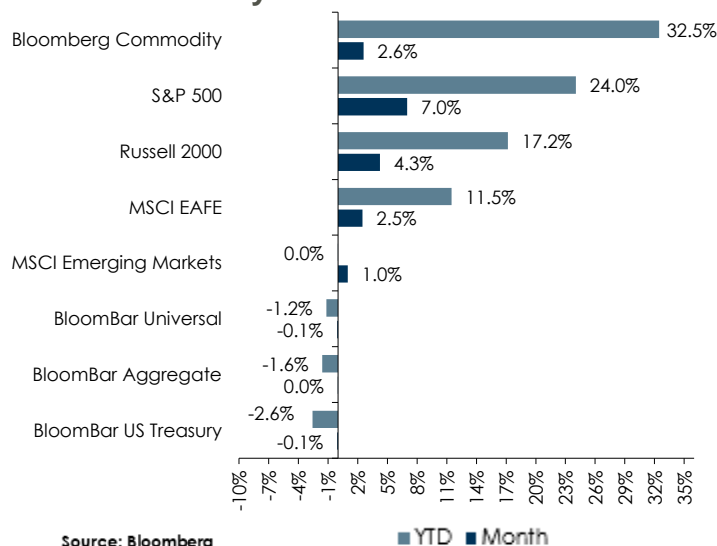
## Global Economy

The rally in global equity markets resumed this month after stalling in September, fueled by a healthy earnings season and softening but still resilient economic data. US unemployment fell to 4.8% in the month, and consumer confidence ticked up as concerns over the delta variant eased. US GDP underwhelmed with 3<sup>rd</sup> quarter growth of 2% as inflation and the Delta surge curbed demand, but most analysts expect a rebound in growth to end the year. Wages have jumped 4.2% year-over-year, bolstering the consumer but also stoking inflation fears. With energy prices soaring and supply shortages persistent, inflation remains a key concern for investors and policymakers, and market expectations for central bank tightening have been pulled forward in response. Stalemate in the US Congress adds to policy uncertainty, as debate continues on the Democrat's "Build Back Better" plan, which has shrunk from \$3.5 trillion to \$1.8 Trillion, with the long-discussed infrastructure plan also sitting in limbo as the larger plan is discussed.

## Global Markets

- Global Equity** – Equity indices saw widespread gains in October following a down September. US Large Cap stocks led the rebound while Emerging Markets lagged other regions but were still positive for the month. Returns were buoyed by strong earnings, with 82% of S&P 500 companies reporting so far having beat analysts EPS estimates. Index level P/E multiples on forward earnings remain elevated but have declined recently amid supportive earnings growth, and valuations currently favor non-US equities. Continued supply disruption, peaking growth momentum, uncertain fiscal policy, and a more hawkish Fed could produce headwinds for equities, but near-term support remains. Strong earnings growth is expected to continue, and relative valuations favor equities over credit given low interest rates and tight credit spreads.
- Global Fixed Income** – Global fixed income indices were generally flat or negative for the month as developed market yield curves flattened. The US Treasury 10's-2's curve flattened 15 bps, with shorter-term rates rising as investors pull forward the date of Fed rate hikes amid elevated inflation. Credit spreads were little changed, with investment grade 3 bps wider and high yield 2 bps tighter, and lower-rated credit outperformed treasuries on a duration-adjusted basis. Core fixed income investing remains a challenge with nominal yields trailing current inflation across the entire treasury curve and most grades of corporate credit. Although credit spreads remain tight, a robust economy and demand for income should continue to support spread sectors. ACG continues to value Absolute Return strategies that often benefit from volatility and can offer downside protection, while a marginally higher cash allocation provides portfolio flexibility.
- Global Real Assets & Private Markets** – US Core Real Estate had its best quarter since 2005, with all property sectors improving. Industrial properties continued to lead with apartment returns also strong while office, hotel and retail lagged. Global PE activity has been on a record-setting pace in 2021, and measures for private equity purchase price multiples remain elevated as managers look to deploy dry powder. The broad commodities index was positive as oil prices reached multiyear highs and gold, copper and other commodities rebounded after a Q3 pullback. Measures of inflation expectations hit multiyear highs with the 10-year inflation breakeven surging 21 bps to 2.59% and the 5-year rising 40 bps to 2.93%.

### Key Market Indices



	Current	20-Dec
US GDP (%)	2.00	4.30
US Unemployment (%) *	4.80	6.70
CPI (Core) (%)	4.00	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.56	0.92
S&P 500 Div Yld (%)	1.30	1.57
S&P 500 P/E (Trailing)	25.91	29.92
Gold/oz.	\$ 1,783.90	\$ 1,895.10
Oil (Crude)	\$ 83.57	\$ 48.52
Gasoline (Nat'l Avg)	\$ 3.48	\$ 2.33
USD/Euro	\$ 1.16	\$ 1.22
USD/GBP	\$ 1.37	\$ 1.37
Yen/USD	¥113.95	¥103.25

\* Data as of October 31, 2021

Source: Bloomberg

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