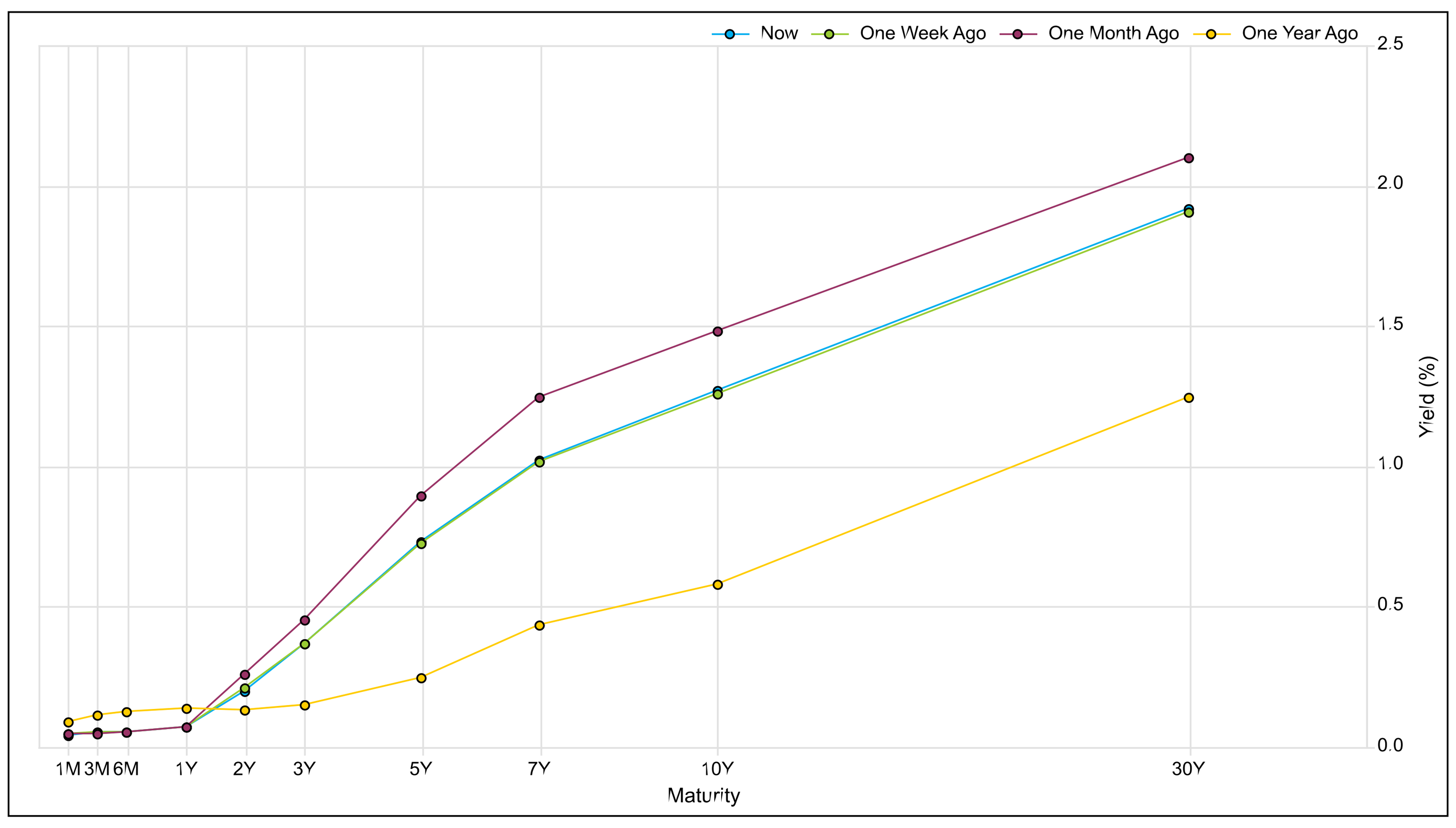
Portfolio Manager Commentary
July 30, 2021

Trustmark Investment Advisors, Inc.

Economic Outlook
New U.S. Single-Family Home Sales were down to an annual rate of 676,000 units in June from 724,000 units in May. The Pending Homes Sales Index was down 1.9% in June versus +8.3% in May. June Durable Goods Orders were up 0.8% versus +3.2% for May. The U.S. Gross Domestic Product (GDP) was up at an annualized rate of 6.5% for the second quarter of 2021, consistent with the first quarter's growth. The U.S. Employment Cost Index was up 0.7% in the second quarter of 2021, consistent with the first quarter's growth. Core Inflation was up 0.5% for June. Finally, the Chicago Purchasing Manager's Index came in at a strong 73.4 for July versus 66.1 for June.

Fixed Income
The timing of major upcoming shifts in Treasury supply and demand will be crucial in determining if the recent downward trend in yields continues or finally reverses. The ten-year yield dropped 25 basis points in July, its biggest one month fall since the pandemic panic rocked markets back in March 2020, and a fourth straight month of declines. Commentary from the Federal Reserve accompanying its most recent policy decision last week helped reinforce the idea among some observers that it's in no big hurry to withdraw policy support, adding to downward pressure on yields even as inflation moves higher. This week should see traders turn their attention to the Treasury's upcoming refunding announcement -- which could give some clues to the supply side of the argument for which direction rates will be moving -- and how that's likely to balance against any move by the Fed to dial back its asset-buying at some point down the road. Economic data such as the upcoming monthly jobs report, as always, will be key to shaping the monetary policy outlook, but the read through to the markets might not be so simple. Treasury supply is expected to fall as the U.S. government eventually pares back the size of its debt auctions, and officials may give indications about the timing of that in the quarterly refunding announcement. If it's sooner than the market is banking on, investors will face a more rapidly shrinking pile of securities, putting more downward pressure on rates. Conversely, if the Treasury doesn't seem in a hurry to reduce market supply, then the opposite effect could be seen on rates. But even if the government is contemplating that strategy, there's no guarantee that the Treasury will give much visibility of their plans to investors beyond the upcoming three months. Also, one of the big sources of demand in the Treasury market is uncertain, with the Fed expected to inch away from its $120 billion-a-month asset-purchase program at some point. A dovish tone from Fed Chair Jerome Powell last week helped weigh on yields, but any sign that the Fed is moving faster, or that trends in inflation might force their hand on policy, could be a catalyst for a renewed uptick in rates.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.04%	3 mo	-0.04%	3 mo	0.14%	3 mo	0.14%
6 mo	0.05%	6 mo	-0.04%	6 mo	0.16%	6 mo	0.14%
1 yr	0.06%	1 yr	0.01%	1 yr	0.19%	1 yr	0.15%
2 yr	0.18%	2 yr	0.17%	2 yr	0.28%	2 yr	0.16%
5 yr	0.69%	5 yr	0.58%	5 yr	0.97%	5 yr	0.52%
10 yr	1.22%	10 yr	1.31%	10 yr	1.79%	10 yr	1.07%
30 yr	1.89%	30 yr		30 yr	2.70%	30 yr	1.71%

Equity
U.S. Equity finished the week lower as the S&P 500 closed -0.33%. Amazon's earnings miss and the continued Delta variant uncertainty seem to be the main drivers. Materials led the sector group while Consumer Discretionary (-1.55%) and Communication Services (-1.32%) were the main laggards. The S&P 500 closed ~4395.

As stated by FactSet Research Systems "With earnings season more than halfway over and nearly 59% of S&P 500 companies having now reported, Q2 earnings beat rates remain very elevated. Blended earnings growth rate of ~85% up from -US~74% as of last Friday, ahead of estimated Q2 earnings growth rate of 52.1% as of 31-Mar before upward revisions. The 85% would mark highest y/y earnings growth rate since Q4'09. Around 87% of companies have posted positive EPS surprises, which would mark highest since FactSet began tracking in 2008. Earnings strength tabbed to factors including outsized estimate cuts early in the pandemic, resilient macro backdrop given stimulus and still-strong consumer spending, and favorable operating leverage dynamics."

Index Returns	Last Week	YTD
Dow Jones Industrials	-0.31%	15.24%
S&P 500 (LCap)	-0.33%	18.00%
S&P 400 (MCap)	1.16%	17.21%
Russell 2000 (SCap)	0.75%	12.73%
NASDAQ Composite	-1.11%	13.85%
MSCI EAFE (Int'l)	0.34%	10.46%
iShares Real Estate	0.44%	25.73%

Source: FactSet Research Systems

Asset Allocation
Current Sentiment

Cash	Favorable
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Neutral
High Yield FI	Unfavorable
International FI	Unfavorable
Equity Income	Neutral
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Unfavorable
International Equity	Unfavorable
Emerging Markets Equity	Unfavorable
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.

Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.

Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.

Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.

High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.

International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.

Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.

Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should continue to be overweighed versus Value.

Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.

Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of recovery ensues.

International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight is recommended.

Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.

Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong alternative to other asset classes.

Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.

Sources of statistical information are Bloomberg and Ned Davis Research.