Portfolio Manager Commentary
October 15, 2021

Trustmark Investment Advisors, Inc.

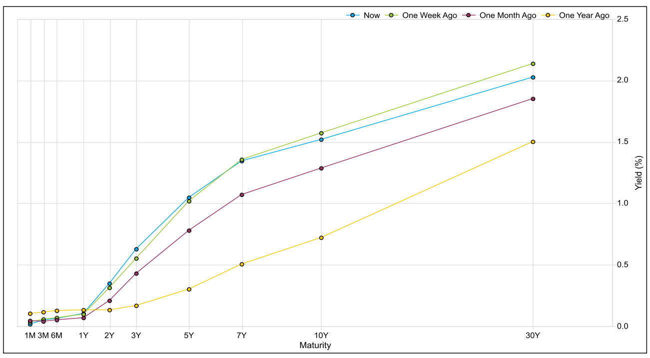
Economic Outlook

U.S. Consumer Prices were up 0.4% for September after having been up 0.3% in August. Overall year-over-year consumer inflation came in at +5.4%. Producer Prices were up 0.5% for September, after having been up 0.7% in August. Retail Sales were up 0.7% in September, similar to the +0.9% increase in August.

Fixed Income

U.S. Treasuries are on the cusp of a major shift in the supply-demand dynamic that has shaped the market for more than a year. First there is the supply side of the equation. Even if Congress passes infrastructure spending, Treasury auctions have grown bigger than they need to be, and cuts to this issuance is expected as soon as next month. As for demand, the Federal Reserve, which has bought nearly $3 trillion of Treasuries since March 2020 to support the economy, is poised to curb its buying program as soon as next month as well. The net impact on how much U.S. government debt the market will have to absorb is only part of the story. The key reason Wall Street sees possible market distortions ahead for traders to take advantage of is that the changes may unfold independently, and with less predictability when it comes to the Treasury's issuance plans. Traders are bracing for this shift as markets globally are dealing with an elevated pace of inflation that is testing the Fed's resolve to keep rates low until the labor-market recovery progresses further. Benchmark ten-year yields traded as high as 1.63% last week, the highest since mid-year. Treasury auctions are at record levels following a surge in 2020 amid an explosion in federal spending aimed at aiding the economy during the pandemic. The monthly five-year note sale, for example, reached $61 billion at the start of the year from $41 billion less than a year earlier. The first round of cuts in Treasury issuance could be as soon as the next quarterly refunding announcement on November 3. In August, an industry advisory board recommended reductions starting in November, with larger drops in the seven- and twenty-year offerings, offset by smaller reductions to the five-, ten-and thirty-year tenors.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.04%	3 mo	-0.06%	3 mo	0.21%	3 mo	0.17%
6 mo	0.05%	6 mo	-0.03%	6 mo	0.24%	6 mo	0.18%
1 yr	0.10%	1 yr	0.08%	1 yr	0.29%	1 yr	0.20%
2 yr	0.40%	2 yr	0.41%	2 yr	0.49%	2 yr	0.24%
5 yr	1.13%	5 yr	0.93%	5 yr	1.31%	5 yr	0.70%
10 yr	1.57%	10 yr	1.65%	10 yr	2.09%	10 yr	1.34%
30 yr	2.04%	30 yr		30 yr	2.83%	30 yr	1.94%

Equity

U.S. Equity finished the week higher as the S&P 500 Index rebounded with a +1.83% gain. There were multiple headlines drivin g the Market this week as FactSet Research Systems notes. These include well-received bank earnings, pullback in yields at the longer end of the curve, dip buying, expectation of monetary policy to remain accommodative even as the Fed moves toward tapering and eventually rate lift off, with this week's September FOMC minutes saying policymakers see a low fed funds rate for several years, and while there are signs infla tion rates are expected to continue well into 2022, analysts have played down stagflation. The main headwind consists of companies calling o ut supply chain challenges and labor shortages.

Communication Services (-0.82%) was the only sector to finish negative. Materials (+3.66%) leads the market with Consumer Discretionary (+3.49%) not far behind. Growth (+2.37%) outperforms Value (1.19%) for the week and leads by around 100 basis points year -to-date. The S&P 500 closed the week around 4471.

Index Returns	Last Week	YTD
Dow Jones Industrials	1.56%	16.82%
S&P 500 (LCap)	1.83%	20.35%
S&P 400 (MCap)	2.16%	19.15%
Russell 2000 (SCap)	1.46%	14.73%
NASDAQ Composite	2.18%	15.59%
MSCI EAFE (Int'l)	2.56%	11.13%
iShares Real Estate	3.72%	26.59%

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 deve loped 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 altern ative to other asset classes.

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

Sources of statistical information are Bloomberg and Ned Davis Research.
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