



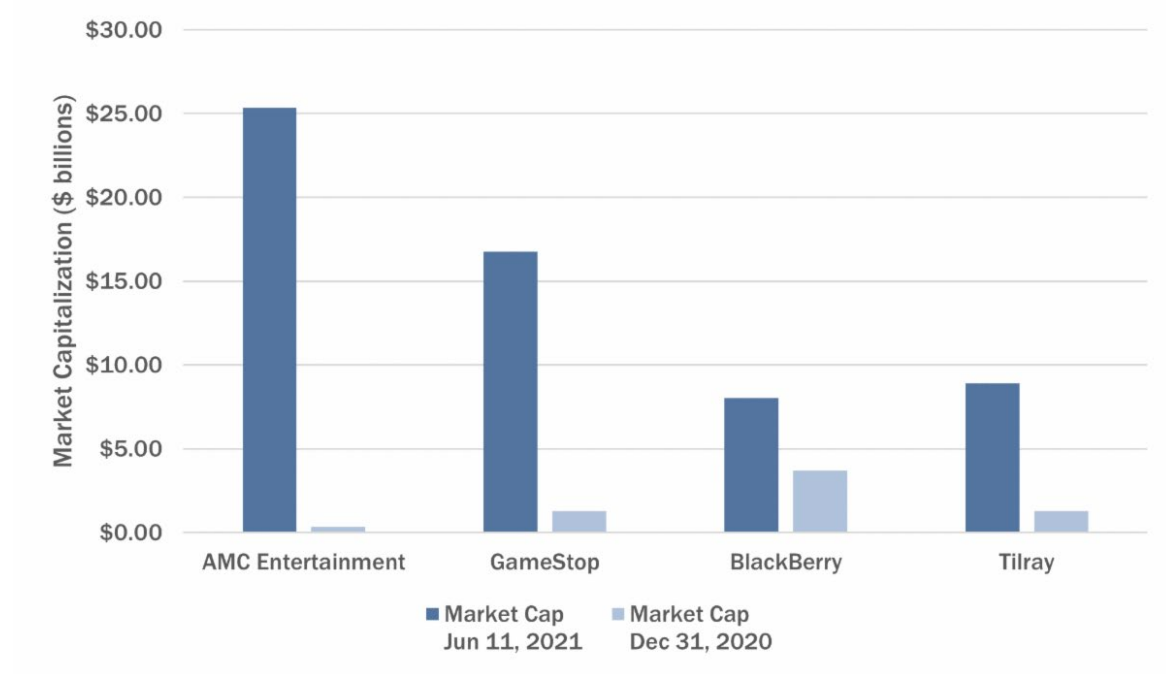
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Market Comment

Similar to individual or institutional investment portfolios, index portfolios are rebalanced periodically. The S&P 500 is rebalanced quarterly while the NASDAQ and Russell indices are rebalanced annually based on the rules set forth for inclusion or exclusion from the index. At the close of the market on June 25th, FTSE Russell will complete its annual reconstitution of its widely followed suite of indices. Some arbitrageurs and traders may try to anticipate potential price action and technical pressure on those stocks being added to or deleted from the large cap and small cap benchmarks. Due to “meme mania,” this year’s reconstitution may be more widely followed than in years past as a handful of meme stocks including AMC Entertainment and GameStop may be in line for promotions following their historic appreciation in just a few months’ time.

While the fundamental case to own either AMC Entertainment or GameStop may be weak at best, the meteoric rise in prices of both companies so far this year has captured the attention of the broader investment community. The cut off for inclusion in the Russell 1000 is expected to be around \$5.2 billion in market cap as of May 7th. Traders may try to anticipate fund manager’s moves as index funds are forced to buy shares of those stocks that have been driven up and sell those that have already fallen. Tesla’s share price has declined 12% since being added to the widely tracked S&P 500 indicating the technical support from index inclusion may not last very long. Whether or not AMC Entertainment or GameStop are added to the Russell 1000 remains to be seen, but the prices have already appreciated +2,230% and +1,138% respectively while the fundamental cases for owning these companies are weak. Long-term investors are best served remaining on the sidelines and avoiding these meme stocks no matter how tempting it might be to try their hand at day trading.

Fig. 1: Change in Market Capitalization (YTD)



Sources: Bloomberg, Mill Creek

Replay Available: Mill Creek Tax & Public Policy Panel

MILL CREEK

Tax & Public Policy Panel

Tuesday, June 8
10 AM ET

Libby Cantrill, CFA
Managing Director,
Head of Public Policy
PIMCO

Michael James
Principal,
Personal Financial Services
PwC

Tom Chapin, CFA
Chief Investment Officer
Mill Creek

Michael Crook, CAIA
Deputy Chief Investment Officer
Mill Creek

A special thank you to all who joined us for our tax and public policy panel last week. In case you missed the event or would like to revisit the content, the replay is now available.

If you have any questions, please contact your Client Service Team.

[Watch replay](#)

Benchmark Performance

Benchmark Performance by Asset Class						
Benchmark Returns	One	Year to				
	Week	Date	1 Year	3 Years	5 Years	10 Years
Global Equities	0.5%	12.1%	41.9%	13.4%	14.5%	10.1%
US Equities	0.7%	13.8%	47.8%	17.4%	17.7%	14.9%
International Equities	0.3%	11.6%	35.2%	8.0%	10.4%	6.3%
Emerging Market Equities	0.1%	7.8%	41.9%	9.2%	13.5%	4.4%
US Taxable Bond Market	0.5%	-1.7%	-0.2%	5.5%	3.2%	3.4%
US Municipal Bond Market	0.2%	0.6%	2.9%	4.0%	2.7%	3.0%
Hedge Fund Index	0.2%	3.9%	13.1%	4.0%	4.2%	1.8%
Diversified Commodities	0.3%	21.7%	48.3%	3.2%	2.5%	-4.8%
Gold	-0.7%	-1.1%	8.7%	13.0%	8.1%	2.1%

Key Rates (as of stated date)	6/14/21	1/1/21	6/14/20	6/14/18	6/14/16	6/14/11
US 10-Year Treasury	1.5%	0.9%	0.7%	2.9%	1.6%	3.1%
Barclays Aggregate Bond Index	1.5%	1.1%	1.3%	3.4%	2.1%	2.8%
BBarc Muni 1-10Yr Blend (1-12) Index	0.6%	0.6%	1.0%	2.2%	1.3%	2.1%

Sources: Bloomberg, Mill Creek. Returns for periods greater than one year are annualized. Benchmark rates are yield-to-worst.

This week's contributor(s): Sam McFall, CFA, CAIA and Michael Crook, CAIA

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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