WEEKLY UPDATE

MARCH 16, 2020

CARY STREET PARTNERS
A LUXON FINANCIAL COMPANY

EQUITY MARKETS

Equity markets endured a volatile week of performance, with the S&P 500 retreating approximately 7% last week. While certainly unnerving, these events have occurred before. The chart below provides some context for the current drawdown. That said, the current episode has come on with great speed, and is driven by a natural disaster (the coronavirus), with an open- ended nature that lends itself to greater fear. A solid bottom will not be established for equities until downside momentum is broken and the market clears. But the very fear we are referencing is at a maximum, as seen in a host of indicators, and creates a tremendous amount of fuel for a reversal when we get it.

CREDIT MARKETS

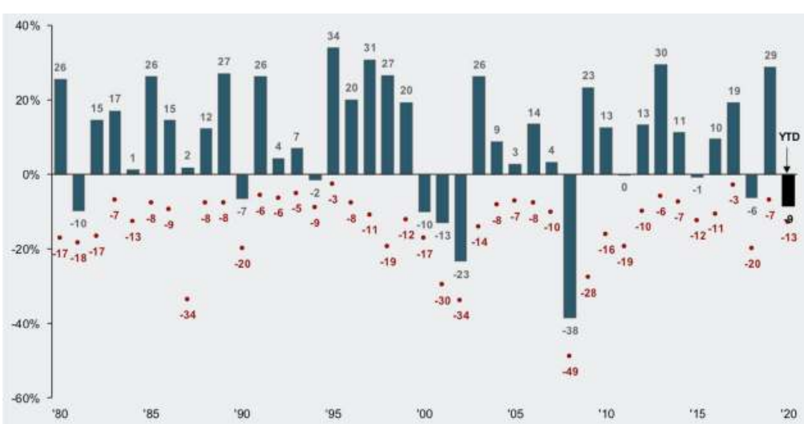
As of Friday, U.S. credit markets yields are falling and prices are rising, after a volatile two-day period of yields widening and prices declining. This is indicative of investors buying more risk assets and taking advantage of the higher yields in all fixed income asset classes. Some of this positive fixed income sentiment is based upon expectations for a federal fiscal package, that might aid industries impacted by the slowdown. U.S. investment-grade debt funds saw a record outflow last week, which resulted in selling across the curve.

ECONOMIC NEWS

The Federal Reserve announced an injection of $1.5 Trillion in the overnight lending market. This is a form of "Quantitative Easing" and is deployed to support the credit markets and provide liquidity. This injection means that the Federal Reserve will no longer be constrained by maturities. The intention of this action to calm equity markets, settle the overnight lending market, and reduce credit market volatility. As a reminder the Federal Reserve Open Market Committee, (FOMC) will meet on Wednesday, March 17, and likely will announce more support for the credit markets at the conclusion of the meeting on Thursday, March 18.

S&P 500 INTRA-YEAR DECLINES VS. CALENDAR YEAR RETURNS

Despite average intra-year drops of 13.8%, annual returns postive in 30 of 40 years.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.
Guide to the Markets – U.S. Data are as of February 29, 2020.

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 3.13.2020
US EQUITY BENCHMARKS	
S&P 500 TR USD	-15.73
DJ US TR USD	-16.53
RUSSELL 1000 TR USD	-16.26
RUSSELL 1000 VALUE TR USD	-21.90
RUSSELL 1000 GROWTH TR USD	-10.96
RUSSELL 2000 TR USD	-27.27
INTERNATIONAL EQUITY BENCHMARKS	
MSCI FV ACWI NR USD	-18.76
MSCI FV ACWI EX USA NR USD	-22.29
US FIXED BENCHMARKS	
BBGBARC US TREASURY BILLS TR USD	0.57
BBGBARC US AGG BOND TR USD	2.36
BBGBARC US TREASURY US TIPS TR USD	-0.55
BBGBARC US CREDIT TR USD	-1.38
ICE BOFA US HIGH YIELD TR USD	-9.14
ICE BOFA US MBS TR USD	1.05
US FIXED MUNI BENCHMARKS	
BBGBARC MUNICIPAL TR USD	-1.03
INTERNATIONAL FIXED BENCHMARKS	
BBGBARC GLOBAL AGGREGATE TR USD	0.47
REAL ASSETS	
FTSE NAREIT ALL EQUITY REITS TR USD	-13.02
ALTERNATIVE	
WILSHIRE FOCUSED LQD ALTERNATIVE TR USD	-4.64