

# WEEKLY UPDATE

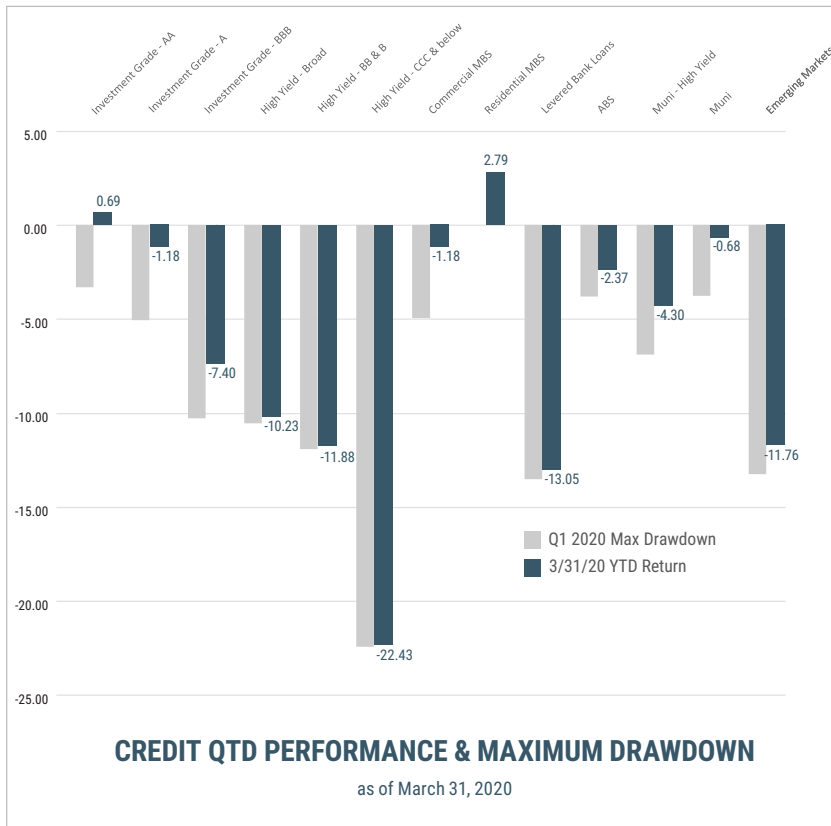
APRIL 6, 2020

## EQUITY MARKETS

Volatility in equity markets remained elevated throughout the week, with the S&P retreating 2% for the week. While volatility as measured by the CBOE Volatility Index (VIX) has subsided to some degree as the initial shock of events has worn off, this measurement is still very elevated. At current levels the VIX indicates average daily price volatility in the 3 ½ to 4% range for the next 30 days. At this writing, the VIX remains in the 99th percentile of volatility. A lot of fear is priced into the markets, but it's important to see a solid move away from that peak fear to move forward. The news flow is likely to remain grim in the near term. Indications of progress on the COVID-19 infection rate is clearly the key ingredient for that news flow to improve, allowing for the market to look through near term economic data, which will remain brutal for at least the first half of the year.

## CREDIT MARKETS

Below is a report card for corporate and mortgage backed fixed income assets through the first quarter. Other than certain mortgage-backed securities, these assets suffered from market liquidity dis-locations and general fear of credit downgrades. Higher credit quality assets began to trade higher later in the quarter as Federal Reserve actions restored liquidity.



Source: Morningstar.

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## WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 4.03.2020
<b>US EQUITY BENCHMARKS</b>	
S&P 500 TR USD	-22.56
DJ US TR USD	-23.73
RUSSELL 1000 TR USD	-23.44
RUSSELL 1000 VALUE TR USD	-29.63
RUSSELL 1000 GROWTH TR USD	-17.61
RUSSELL 2000 TR USD	-36.69
<b>INTERNATIONAL EQUITY BENCHMARKS</b>	
MSCI FV ACWI NR USD	-26.36
MSCI FV ACWI EX USA NR USD	-24.42
<b>US FIXED BENCHMARKS</b>	
BBGBARC US TREASURY BILLS TR USD	0.63
BBGBARC US AGG BOND TR USD	3.42
BBGBARC US CREDIT TR USD	-3.40
ICE BOFA US HIGH YIELD TR USD	-15.24
ICE BOFA US MBS TR USD	2.86
<b>INTERNATIONAL FIXED BENCHMARKS</b>	
BBGBARC GLOBAL AGGREGATE TR USD	-0.70
<b>REAL ASSETS</b>	
FTSE NAREIT ALL EQUITY REITS TR USD	-29.22
<b>ALTERNATIVE</b>	
WILSHIRE FOCUSED LQD ALTERNATIVE TR USD	-7.89

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Investors pulled \$749 million<sup>1</sup> out of municipal bond mutual funds in the latest week, continuing at a slower pace five weeks of withdrawals. Notably in the prior week, \$13.7 billion<sup>1</sup> was redeemed.

Investment-grade bond funds continued the trend of outflows in the latest week as \$8.47 billion<sup>1</sup> was withdrawn.

Conversely, High-Yield bond funds took in \$7.09 billion<sup>1</sup> for the latest week. This is a record for inflows in this asset class and reversed the trend of outflows over last month.

## ECONOMIC NEWS

Initial jobless claims increased by 3.3 million to a total of 6.6 million<sup>2</sup> in the week ending March 28. Lodging, food services, arts, entertainment, recreation, transportation and manufacturing were the hardest hit industries.

March nonfarm payrolls fell 701,000. This drop is comparable to the worst months of the 2008 financial crisis and is expected to get worse in April.<sup>2</sup>

The Federal Reserve reduced leverage requirements for US banks. The Central Bank also launched an overnight repurchase facility for foreign central banks. These two actions will provide further liquidity in the U.S. Treasury market.

<sup>1</sup> Refinitiv Lipper

<sup>2</sup> The Department of Labor

**Past performance is no guarantee of future results.**

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