WEEKLY UPDATE

CARY STREET PARTNERS

APRIL 20, 2020

EQUITY MARKETS

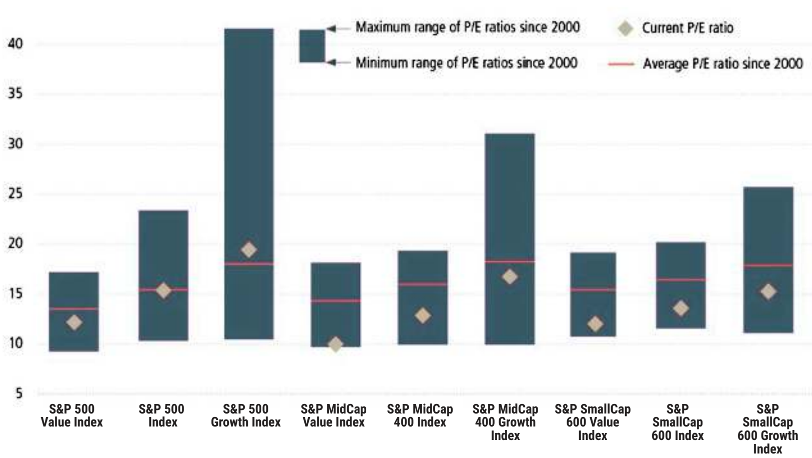
Equities rose slightly this week. In U.S. markets, the S&P 500 gained 3% on the week, following last week's 12% gain, the best week since 1974.[1] This rally came in the face of increased strain on the economy and a fourth straight week of unprecedented U.S. jobless claims. COVID-19 cases continue to rise in the US. However, rates of infection are showing signs of a plateau in hot spots, such as New York. Friday saw encouraging news from Gilead regarding it's potential COVID treatment, Remdesivir. An effective treatment would be more scalable than a vaccine because it is only given to patients needing treatment.

Volatility has moderated, however it remains elevated with the CBOE Volatility Index near 40. Retracement rallies in a bear market, such as the last few weeks, tend to be very sharp. The market clearing bottoming process will solidify around lower volatility. Although we could re-test the March 23 low, lower volatility (as indicated by a lower VIX) will reduce the risk of a re-test. We believe, the best case long-term viewpoint is for equity markets to make higher lows on pullbacks. Continued improvement in COVID infection rates are clearly key.

Based on forward price to earnings ratios, stocks in the S&P 500 have become cheaper as prices have fallen and are now roughly in-line with their 20-year average. However, there are some areas within equities that are showing bigger discounts. The chart below, furnished by one of our industry peers, Boston Partners, shows historical valuation metrics across nine major equity asset classes over the past 20 years. As shown, valuations for most U.S. equity asset classes are below their 20-year average. Of note, the P/E on the S&P 500 has fallen from over 19x forward earnings earlier this year to 15.5x today—exactly in-line with its 20-year average. Looking across the other areas of the U.S. equity market, mid-cap and small- cap stand out from a valuation perspective.

POCKETS OF VALUE COULD LEAD THE EVENTUAL RECOVERY

as of March 31, 2020



Source: John Hancock Investment Management

[1]Bloomberg

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WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 4.17.2020
US EQUITY BENCHMARKS	
S&P 500 TR USD	-10.49
DJ US TR USD	-11.50
RUSSELL 1000 TR USD	-11.16
RUSSELL 1000 GROWTH TR USD	-3.35
RUSSELL 2000 TR USD	-26.00
INTERNATIONAL EQUITY BENCHMARKS	
MSCI FV ACWI EX USA NR USD	-19.34
MSCI FV ACWI NR USD	-14.47
US FIXED BENCHMARKS	
BBGBARC US TREASURY BILLS TR USD	0.63
BBGBARC US AGG BOND TR USD	4.74
BBGBARC US TREASURY US TIPS TR USD	3.56
BBGBARC US CREDIT TR USD	1.08
ICE BOFA US HIGH YIELD TR USD	-8.46
ICE BOFA US MBS TR USD	3.07
INTERNATIONAL FIXED BENCHMARKS	
BBGBARC GLOBAL AGGREGATE TR USD	0.71
US FIXED MUNI BENCHMARKS	
BBGBARC MUNICIPAL TR USD	-0.18
REAL ASSETS	
FTSE NAREIT ALL EQUITY REITS TR USD	-16.59
SPDR® GOLD SHARES	11.00
ALTERNATIVE	
WILSHIRE FOCUSED LQD ALTERNATIVE TR USD	-5.15

CREDIT MARKETS

Money flowed into all types of credit funds this last week as the Federal Reserve expanded its bond buying program to include some high-yield bonds. High yields saw a record inflow of $7.66 billion while investment grade funds reversed several weeks of outflows. Leveraged loan funds also saw their first inflow in three months. 30-year fixed mortgage rates for the week fell to 3.31% from 3.33%, as mortgage rates continue to stay at all-time lows.[2]

ECONOMIC NEWS

U.S. new jobless claims topped 5 million for the week, bringing the total filings for unemployment benefits in the past four weeks to over 22 million. This unprecedented scale and speed is likely to send the unemployment rate soaring. Meanwhile, the White House administration indicated that any relaxation of lockdown measures would be "phased and deliberate" as U.S. virus cases approached 668,000.

China's GDP fell nearly 7% in Q1, marking the first time the economy shrank in 40 years.[3] Serving as the most recent indication of the collapse in economic activity across the global economy, China experienced stark declines in everything from fixed asset investment to retail sales of consumer goods.

[2]Bloomberg

[3]Bloomberg

Past performance is no guarantee of future results.