

# WEEKLY UPDATE

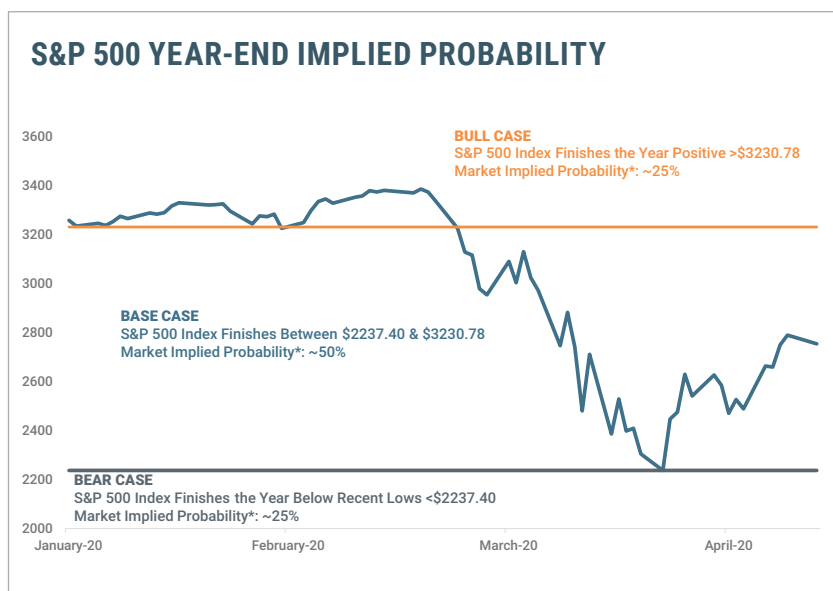
CARY STREET  
PARTNERS

MAY 18, 2020

## EQUITY MARKETS

Equity markets retreated last week, with the S&P 500 Index falling 2.26%.<sup>1</sup> The S&P has tested the level around 2935 multiple times over the last few weeks and failed to overcome that highly watched resistance point. With earnings season now behind us, the markets will be in a void for positive news other than potential progress on the COVID front. How much progress various countries and states make with re-opening economies is likely to be front and center for the next few weeks. News related to the most immediate COVID treatment, Remdesivir from Gilead, should be hitting the media around the end of May.

Volatility remains elevated, with the CBOE Volatility Index (VIX) floating in the high thirties. That is roughly double the normal forward volatility reading from that index. The good news is that the current level of volatility has diminished from historic readings in March, making a re-test of the March 23rd low less likely. The December S&P Index options market currently forecasts an implied probability of the S&P 500 finishing this year in positive territory at about 25%. The market implied probability of finishing within a range that falls between the March 23rd low, 2237, and 3230, the starting point for 2020, is approximately 50%. And the market implied probability of the S&P finishing below the March 23rd low is approximately 25%. The year-end probability of a lower low has come down over the last couple of months as volatility has diminished.<sup>2</sup> The larger point is that this is yet another indication that there remains a very wide range of potential outcomes for 2020. Hedging strategies offer a solution for investors concerned about near term uncertainty.



All data as of 4.13.20, unless otherwise noted; data has been reconfirmed as of 5.15.20

Sources: Glenmede Investment Management LP and Bloomberg

<sup>1</sup>MarketWatch.com

<sup>2</sup>Glenmede Investment Management LP provided all data and calculations for this paragraph.

## WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 5.15.2020
<b>US EQUITY BENCHMARKS</b>	
S&P 500 TR USD	-10.69
DJ US TR USD	-11.32
RUSSELL 1000 TR USD	-10.94
RUSSELL 1000 VALUE TR USD	-22.44
RUSSELL 1000 GROWTH TR USD	-0.14
RUSSELL 2000 TR USD	-24.25
<b>INTERNATIONAL EQUITY BENCHMARKS</b>	
MSCI FV ACWI EX USA NR USD	-19.94
MSCI FV ACWI NR USD	-14.65
<b>US FIXED BENCHMARKS</b>	
BBGBARC US TREASURY BILLS TR USD	0.64
BBGBARC US AGG BOND TR USD	4.86
BBGBARC US TREASURY US TIPS TR USD	4.66
BBGBARC US CREDIT TR USD	0.76
ICE BOFA US HIGH YIELD TR USD	-9.86
ICE BOFA US MBS TR USD	3.61
<b>INTERNATIONAL FIXED BENCHMARKS</b>	
BBGBARC GLOBAL AGGREGATE TR USD	0.73
<b>US FIXED MUNI BENCHMARKS</b>	
BBGBARC MUNICIPAL TR USD	-0.01
<b>REAL ASSETS</b>	
FTSE NAREIT ALL EQUITY REITS TR USD	-24.60
SPDR® GOLD SHARES	13.78

Source: Morningstar

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## CREDIT MARKETS

The Federal Reserve bought \$305 million of fixed income ETF's Tuesday, on the first day of launching the Secondary Market Corporate Credit Facility.<sup>3</sup> While the weekly balance sheet data did not disclose which ETF's the Fed bought, the Fed said it will disclose the names of the borrowers participating in the program at least once a month.

“The recovery may take some time to gather momentum, and the passage of time can turn liquidity problems into solvency problems.”

—Federal Reserve Chairman Jerome Powell

## ECONOMIC NEWS

The Consumer Price Index decreased by 0.8%, in line with market forecasts. Core CPI fell by 0.4% Mom below market estimates of -0.2%. Excluding food and energy, core inflation had the largest monthly decline in the history of the data release, which dates to 1957. Energy, transportation and clothing costs declined, while food and medical services costs increased.

The Producer Price Index fell 1.3%. PPI excluding food and energy fell 0.9%. Year over year basis, the PPI fell 1.2% which was the most since 2015, the last time oil prices collapsed.

Initial jobless claims for the week ending May 9, were 2.981 million above expectations of 2.5 million. Continuing jobless claims were 22.833 million, below estimates of 25.120 million.

Retail Sales declined by 16.4% in April, below market estimates of -12%. Eleven out of 13 expenditure categories declined, with only online sellers posting a gain. Clothing, electronics, and furniture experienced the largest percentage drop in April.<sup>4</sup>

<sup>3</sup>Bloomberg

<sup>4</sup>All Economic News data sourced from Bloomberg

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

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