

WEEKLY UPDATE

JUNE 1, 2020

CARY STREET
PARTNERS

EQUITY MARKETS

Equity markets continued to improve in the latest week, with the S&P 500 Index posting a 3.01% gain.¹ The S&P has now cleared both a highly watched resistance level of approximately 2935 and its 200-day moving average. Market breadth has widened over the last two weeks as the market has rotated, at least for the time being, to lagging value stocks. While not at exhaustion, our short-term overbought internal measurements of S&P stocks have been moving up.

Forward volatility as indicated by the CBOE Volatility Index (VIX) has continued to trend downward, with the latest readings in the high twenties. The ten-week average for the VIX is approximately 38. These figures are still elevated, for context a normal VIX is in the 15 to 20 range. But they are trending downward, lowering the probability of large pullbacks. Optimism regarding economic re-openings of countries and various states has fueled an improved equity market. Investors will be very focused on the results of these re-openings and further announcements related to COVID treatments and vaccines in the coming weeks. Tensions surrounding China's tightening grip on Hong Kong are problematic, but they are taking a back seat to potential COVID progress or setbacks.

CREDIT MARKETS

Fixed-income securities have largely recovered from the lows set in March. Yields for corporates, municipals, high yield, mortgages, asset-backed and agencies approximate pre-pandemic levels. The Federal Reserve Bank pledged to shore up frozen markets in March, using an alphabet soup of liquidity programs. Fixed-income markets began recovering prior to the announced lending facilities launch. The speed and messaging by the Federal Reserve has been outstanding compared to historical standards.

ECONOMIC NEWS

- **NEW HOME SALES** unexpectedly climbed 0.6% in April to 623,000, exceeding forecasts of 480,000. Mortgage rates near historic lows have allowed consumers to continue to buy through the pandemic.
- **MORTGAGE APPLICATIONS** increased by 2.7% in the week ending May 22. The national average for a 30-year mortgage is 3.58% and a 15-year mortgage is 2.88%.
- **GDP** for the 1st quarter was revised from -4.8% to -5.0%. Consumption was revised up, from -7.6% to -6.8%. Inventories rose less than originally reported and final sales were higher than originally reported.
- **JOBLESS CLAIMS** rose 2.123 million. Continuing claims fell from 24.912 million to 21.052 million. The fall in continuing claims may indicate that workers are returning as states begin to open.
- **DURABLE GOODS** orders were -7.4% in April beating expectations of -15.0%. The significant improvement over consensus is another indicator that the economy may be reopening.²

¹ MarketWatch

² All Economic News data sourced from Bloomberg

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 5.29.2020
US EQUITY BENCHMARKS	
S&P 500 TR USD	-4.97
DJ US TR USD	-5.23
RUSSELL 1000 TR USD	-4.91
RUSSELL 1000 VALUE TR USD	-15.70
RUSSELL 1000 GROWTH TR USD	5.23
RUSSELL 2000 TR USD	-15.95
INTERNATIONAL EQUITY BENCHMARKS	
MSCI FV ACWI EX USA NR USD	-14.29
MSCI FV ACWI NR USD	-8.90
US FIXED BENCHMARKS	
BBGBARC US TREASURY BILLS TR USD	.64
BBGBARC US AGG BOND TR USD	5.47
BBGBARC US TREASURY US TIPS TR USD	4.84
BBGBARC US CREDIT TR USD	2.94
ICE BOFA US HIGH YIELD TR USD	-5.71
ICE BOFA US MBS TR USD	3.73
INTERNATIONAL FIXED BENCHMARKS	
BBGBARC GLOBAL AGGREGATE TR USD	2.08
US FIXED MUNI BENCHMARKS	
BBGBARC MUNICIPAL TR USD	1.24
REAL ASSETS	
FTSE NAREIT ALL EQUITY REITS TR USD	-15.26
SPDR® GOLD SHARES	13.32
ALTERNATIVE	
WILSHIRE FOCUSED LQD ALTERNATIVE TR USD	-3.35

Source: Morningstar

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