

# WEEKLY UPDATE

JUNE 22, 2020

CARY STREET  
PARTNERS

## EQUITY MARKETS

Equity markets inched along this week, with the S&P 500 Index turning in a 1.86%<sup>1</sup> return. Monday saw the most dramatic activity as prices reversed mid-day from a substantial decline to finish positive. The catalyst for this reversal was the announcement of additional Federal Reserve liquidity support, as the central bank continues to expand the money supply. Tuesday witnessed further market advances fueled by positive news from The University of Oxford indicating good results from steroid use in combatting severe cases of COVID. This is a step forward given that the steroid is already widely available and inexpensive. Treatments such as this will likely be combined with others creating a drug cocktail comparable to the ones used to successfully treat AIDS. Vaccine solutions are being pursued on a parallel track. The remainder of the week saw markets weaken somewhat as concerns over rising infection rates in certain states weighed on investors. Progress or setbacks on COVID remain front and center as everything turns on developments in that battle. Infection rates remain the data point to watch. Equity markets will continue to look forward through current economic and earnings news if re-opening progress continues and medical solutions are brought to bear.

## ECONOMIC NEWS

The Federal Reserve Chairman Jerome Powell gave two updates last week to congress on the state of the economy and the Central Bank response to the COVID pandemic. Congressional testimony was followed by questions from congress, touching upon current programs as well as future economic expectations.

A key takeaway was the testimony that interest rates will remain low through at least the end of 2021. Powell reiterated, "levels of output and employment remain far below their pre-pandemic levels, and significant uncertainty remains about the timing and strength of the recovery."

In further testimony, Powell commented that the Central Bank will move away from ETF purchases over time and purchase corporate bonds directly, reiterating that they intend to hold most bonds to maturity. The Federal Reserve has not decided to adopt yield curve control, and negative rates are not appropriate for the U.S.

## CREDIT MARKETS

Related to the above announcements from the Federal Reserve, risk spreads compressed. Consequently, the High Yield Index rallied almost 1%. Fixed income markets broadly rallied on the week.

## WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 6.19.2020
<b>US EQUITY BENCHMARKS</b>	
S&P 500 TR USD	-3.19
DJ US TR USD	-3.25
RUSSELL 1000 TR USD	-2.91
RUSSELL 1000 VALUE TR USD	-15.23
RUSSELL 1000 GROWTH TR USD	8.67
RUSSELL 2000 TR USD	-14.40
<b>INTERNATIONAL EQUITY BENCHMARKS</b>	
MSCI FV ACWI EX USA NR USD	-10.49
MSCI FV ACWI NR USD	-6.10
<b>US FIXED BENCHMARKS</b>	
BBGBARC US TREASURY BILLS TR USD	0.64
BBGBARC US AGG BOND TR USD	5.92
BBGBARC US TREASURY US TIPS TR USD	5.58
BBGBARC US CREDIT TR USD	4.72
ICE BOFA US HIGH YIELD TR USD	-3.22
ICE BOFA US MBS TR USD	3.52
<b>INTERNATIONAL FIXED BENCHMARKS</b>	
BBGBARC GLOBAL AGGREGATE TR USD	2.81
<b>US FIXED MUNI BENCHMARKS</b>	
BBGBARC MUNICIPAL TR USD	1.88
<b>REAL ASSETS</b>	
FTSE NAREIT ALL EQUITY REITS TR USD	-12.42
SPDR® GOLD SHARES	13.69

<sup>1</sup> MarketWatch

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Source: Morningstar

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## ECONOMIC RELEASES

- **EMPIRE STATE MANUFACTURING SURVEY** increased by 48.3 points to -0.2, above market expectations of 29.6. This survey remains just below zero, indicating that economic conditions have stabilized, but growth has not returned in an area of the country that was one of the slowest in the U.S. to reopen the economy.<sup>2</sup>
- **RETAIL SALES** increased 17.7% in May according to the Commerce Department.<sup>3</sup> Expectations were for a rise of 8.4%. This is the largest surge on record, following a very steep decline in April.
- **HOUSING STARTS** increased by 4.3% in May to 974,000, below market expectations of 13.5%.<sup>4</sup> Building permits increased by 14.4% to 1,220,000, below expectations of an increase of 16.8%.<sup>5</sup> June should be a stronger month for housing as starts lag building permits and permits increased by 14.4%.
- 1.505 million people filed **UNEMPLOYMENT CLAIMS** last week, which was slightly higher than expected. Continuing claims were 20.544 million, also higher than estimates of 19.850 million.<sup>6</sup>

<sup>2</sup>Federal Reserve Bank of New York

<sup>3</sup>U.S. Census Bureau

<sup>4</sup>U.S. Census Bureau

<sup>5</sup>U.S. Census Bureau

<sup>6</sup>Department of Labor

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

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