WEEKLY UPDATE

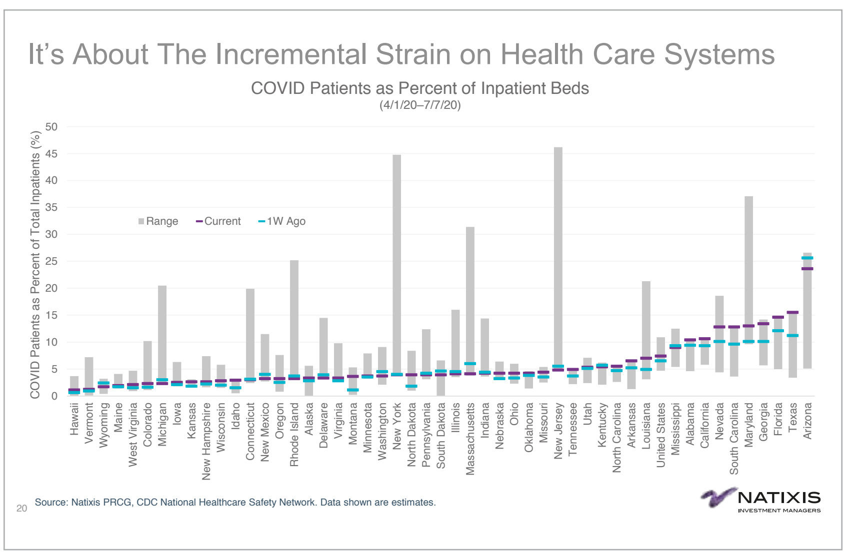
CARY STREET PARTNERS

JULY 27, 2020

EQUITY MARKETS

Equity markets were largely quiet last week, with the S&P 500 Index dipping .28%.[1] As the market hovers near breakeven for 2020, stocks are searching for direction. An important indicator that we continue to highlight is the CBOE Volatility Index (VIX).[1] This indicator of forward implied volatility has trended lower since the market bottom in late March. The ten-week average has reached the high twenties, after hitting spot prices in the high eighties in March. A normal reading on the VIX is 15 to 20, so volatility is still elevated, but trending lower. This is an important data point as a lower reading indicates a narrower range of market movements, and consequently a lower probability of large pullbacks.

COVID developments will continue to drive markets for the remainder of the year. One should think of these developments in two ways. First, the current situation as it pertains to infection rates. The bulk of the developed world has made enormous progress on infection rates with strong emphasis on mitigation protocols — masking and testing. The U.S., after some early success, has gone backward on infection rates due to a lack of emphasis on the same mitigation protocols. There is currently a surge of COVID infection among a group of sunbelt states. Fortunately, that surge has yet to overwhelm hospital capacity as seen below, and hopefully will not, as safety measures are re-instituted. Slowing spread is also vital from a treatment standpoint, the medical community has far more treatment options today than several months ago. Also notable on the chart below is the range of COVID hospitalization. The experience of the New York tri-state area is vivid in that almost half of hospital beds were occupied with COVID patients back in the spring.



Source: Natixis Investment Managers

The second development we are watching regarding COVID is progress toward a vaccine. The news here is much more positive as there are several vaccine candidates in clinical trials that have a path to market delivery around the turn of the year. Last week the U.S.

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 7.24.2020
US EQUITY BENCHMARKS	
SPDR® S&P 500 ETF TRUST	0.67
ISHARES DOW JONES US ETF	0.51
ISHARES RUSSELL 1000 ETF	0.97
ISHARES RUSSELL 1000 VALUE ETF	-12.82
ISHARES RUSSELL 1000 GROWTH ETF	13.80
ISHARES RUSSELL 2000 ETF	-11.37
INTERNATIONAL EQUITY BENCHMARKS	
ISHARES MSCI ACWI EX US ETF	-6.42
ISHARES MSCI ACWI ETF	-1.94
US FIXED BENCHMARKS	
ISHARES SHORT TREASURY BOND ETF	0.83
ISHARES CORE US AGGREGATE BOND ETF	7.33
ISHARES TIPS BOND ETF	7.71
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	9.69
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	-1.60
ISHARES MBS ETF	3.49
INTERNATIONAL FIXED BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	5.33
US FIXED MUNI BENCHMARKS	
ISHARES NATIONAL MUNI BOND ETF	3.32
REAL ASSETS	
ISHARES GOLD TRUST	23.16
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-23.26

Source: Morningstar

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contracted with a leading contender, the Pfizer/BioNTech vaccine, for 100 million doses upon FDA approval. The U.S. also has an option to acquire an additional 500 million doses. Everything will turn on COVID developments in mitigation and preventative vaccinations. It is crucial that progress continue as that progress enables equity markets to look through the current, known negative economic and earnings news. Always keep in mind that equity markets are forward discounting, looking ahead about three to six months.

CREDIT MARKETS

U.S. corporate credit spreads tightened this week amid stronger earnings reports and hopes of a new program of fiscal stimulus. Investment-grade risk spreads are at their tightest level since March 5, and nominal yields are at new record lows.[2] Yields on U.S. Corporate High Yield fell 50bps this week to 5.55%, the lowest level since February 24.

ECONOMIC RELEASES[3]

- **EXISTING HOME SALES** increased 20.7% in June to an annualized rate of 4.72MM units. This number was below expectations of 4.75MM but was also the largest monthly increase on record. Sales rose across all regions.
- **JOBLESS CLAIMS** rose last week for the first time since the last week in March. The increase suggests a pullback by states in re-opening their economies. Initial Jobless Claims were 1,416,000 for last week. Continuing claims were 16,197,000, below expectations of 17,100,000.
- **NEW HOME SALES** for June were 776,000 units above expectations of 700,000 units.

[1] MarketWatch
[2] Bloomberg Barclays Index Data
[3] All Economic News data sourced from Bloomberg