

WEEKLY UPDATE

AUGUST 3, 2020

CARY STREET
PARTNERS

EQUITY MARKETS

Equity markets in the U.S. advanced last week, with the S&P 500 Index posting a 1.73%¹ gain. Smaller capitalization stocks also advanced, with the Russell 2000 adding .48%¹ for the week, and the NASDAQ rallying 3.69%.¹ The CBOE Volatility Index (VIX) finished the week where it began, around 26.¹ This data point, which measures implied forward volatility, has been in a downtrend since March, but has been stalled in the mid-twenties for the last month or so. This is still an elevated reading relative to the normal range of 15 to 20. It is a primary data point we would like to see resume a downtrend. A down-trending VIX indicates a narrower range of potential market movements for the upcoming thirty days. It indicates a lower probability of larger pull backs in markets.

COVID developments were somewhat positive last week, as Arizona, Florida, and Texas reported a leveling of infection rates. The two leading vaccine candidates from Moderna and Pfizer/BioNTech each began large scale, phase three clinical trials. Continuing a path to market delivery at the outset of 2021 is crucial for markets to continue to look through the current economic carnage. We saw ample evidence of that carnage in Thursday's Q2 GDP report, which reported a decline in U.S. GDP at a 32.9% annualized rate, or perhaps more understandably a 9.5% drop compared with the same quarter a year ago.²

The deluge of Q2 corporate earnings reports accelerated last week, with mega-cap heavyweights Apple, Amazon, Facebook, and Alphabet (Google) reporting after the close on Thursday. They did not disappoint. Amazon Q2 earnings were stunning, both on revenue and bottom line. They reported \$10.30 EPS relative to expectations of \$1.51, and revenue beat by over \$7 billion. Apple also destroyed expectations, with revenue up 11% year over year, and Q2 bottom line of \$2.58 versus \$2.04 estimate. And they threw in a 4 for 1 stock split. Facebook came in at \$1.80 versus estimates of \$1.39, again on strong revenue. Alphabet (Google) was the relative weakling, reporting EPS of \$10.13 versus \$8.21 expectation, but revenue declined for the first time in company history.²

CREDIT MARKETS

Credit Markets focused on Thursday's second quarter GDP report. GDP for Q2 declined at a 32.9% annualized rate, or perhaps more understandably, a 9.5% drop compared with the same quarter a year ago. This was the worst quarter since consistent data began collection in 1947. The huge drop was not a surprise and was slightly better than economists had estimated. Treasuries rallied along the full yield curve with the yield on the five-year hitting a historical low of 0.23%. The long-dated yields fell to a greater degree flattening the entire curve.³

Risk premiums in July for most fixed income securities tightened as Treasury yields fell. July total returns for bond indices were positive for the month.

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WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 7.31.2020
US EQUITY BENCHMARKS	
SPDR® S&P 500 ETF TRUST	2.44
ISHARES DOW JONES US ETF	2.30
ISHARES RUSSELL 1000 ETF	2.81
ISHARES RUSSELL 1000 VALUE ETF	-12.99
ISHARES RUSSELL 1000 GROWTH ETF	18.12
ISHARES RUSSELL 2000 ETF	-10.60
INTERNATIONAL EQUITY BENCHMARKS	
ISHARES MSCI ACWI EX US ETF	-7.20
ISHARES MSCI ACWI ETF	-1.23
US FIXED BENCHMARKS	
ISHARES SHORT TREASURY BOND ETF	0.84
ISHARES CORE US AGGREGATE BOND ETF	7.65
ISHARES TIPS BOND ETF	8.48
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	9.82
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	-0.88
ISHARES MBS ETF	3.74
INTERNATIONAL FIXED BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	6.30
US FIXED MUNI BENCHMARKS	
ISHARES NATIONAL MUNI BOND ETF	3.61
REAL ASSETS	
ISHARES GOLD TRUST	28.82
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-23.26

Source: Morningstar

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ECONOMIC RELEASES³

- **DURABLE GOODS** orders rose 7.3% for the month of June above expectations 6.9%.
- **CONSUMER CONFIDENCE** in July fell by 5.2 points to 92.6 from 98.3 in June, below market expectations of 95.
- **PENDING HOME SALES** increased 16.6% above expectations 15.0%.
- **THE FEDERAL OPEN MARKET COMMITTEE (FOMC)** concluded a two-day meeting and voted to maintain the Federal Funds target in the range of 0% to 0.25%.
- **GDP** for Q2 declined at a 32.9% annualized rate, or perhaps more understandably, a 9.5% drop compared with the same quarter a year ago.
- **PERSONAL INCOME** for the month of June fell 1.1%, below estimates of -0.6%. Personal Spending rose 5.6% above expectations of 5.2%

¹ MarketWatch

² Bloomberg

³ All Credit Markets and Economic Release data sourced from Bloomberg

Past performance is no guarantee of future results.

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