

WEEKLY UPDATE

AUGUST 11, 2020

CARY STREET
PARTNERS

EQUITY MARKETS

Equities picked up additional ground last week with the S&P 500 Index posting a 2.45%¹ gain. A positive signal that we find in our work is the lack of short-term overbought indications we are seeing in our market breadth internal measurements. We measure every stock in the S&P, every day, for short-term overbought (or oversold) readings. Typically, following advances such as those over the last month, stocks begin to show signs of short-term exhaustion to the upside. When the percentage of those issues begins to breach 50 percent of the total, that is sign of short-term market extreme. During this most recent advance, there has been good rotation among names such that the overall percentage of oversold readings remains well below extremes. An additional underpinning of the current market is the enormous amount of liquidity that remains on the sidelines. A predominance of liquidity over the last six months has flowed into money funds, at zero return. The stock market has experienced net outflows over that period. There is currently about \$5 trillion in money fund balances. That is a monstrous amount of potential fuel for equities.

Developments on the COVID front were a little quiet last week. The primary update is that large, economically important sunbelt states such as Florida, Texas, Arizona, and California are seeing their infection rates level off prior to hospital systems being overwhelmed. Mitigation efforts in those states are making progress. There is continued spread among other states, such as Mississippi and Missouri. Those states will need to escalate their efforts. The path for a vaccine remains open to delivery early next year. A number of candidates are in large-scale, phase-three trials.

CREDIT MARKETS²

U.S. High-Yield corporate bonds in July had the highest total return for a month since 2011. Yields for high-yield bonds in July fell the most in any single month on record. Risk spreads for high-yield and investment-grade bonds tightened to new post pandemic lows.

ECONOMIC RELEASES²

- **ISM MANUFACTURING** index for July increased to 54.2% from 52.6%, above market expectations of 53.6%. This increase marked the highest level since March 2019.
- **DURABLE GOODS** orders for June came in 7.6% higher than expectations of 7.3%. The biggest contribution came from a surge in motor vehicles, while aircraft orders plunged.
- **INITIAL JOBLESS CLAIMS** totaled 1.186 million in the week ending August 1, below market expectations of 1.4 million. This is the lowest level of claims since the pandemic outbreak but the 20th consecutive week that initial claims printed above 1 million.
- **U.S. PAYROLLS** increased by 1.76 million in July, beating estimates for a 1.48 million gain. The unemployment rate for July fell to 10.2%, beating estimates of 10.6% and improving from the previous month of 11.1%.

¹ MarketWatch

² All Credit Markets and Economic Release data sourced from Bloomberg

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 8.07.2020
US EQUITY BENCHMARKS	
SPDR® S&P 500 ETF TRUST	4.98
ISHARES DOW JONES US ETF	4.85
ISHARES RUSSELL 1000 ETF	5.31
ISHARES RUSSELL 1000 VALUE ETF	-10.61
ISHARES RUSSELL 1000 GROWTH ETF	20.65
ISHARES RUSSELL 2000 ETF	-5.20
INTERNATIONAL EQUITY BENCHMARKS	
ISHARES MSCI ACWI EX US ETF	-5.60
ISHARES MSCI ACWI ETF	0.83
US FIXED BENCHMARKS	
ISHARES SHORT TREASURY BOND ETF	0.84
ISHARES CORE US AGGREGATE BOND ETF	7.76
ISHARES TIPS BOND ETF	8.76
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	10.33
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	-0.42
ISHARES MBS ETF	3.93
INTERNATIONAL FIXED BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	6.24
US FIXED MUNI BENCHMARKS	
ISHARES NATIONAL MUNI BOND ETF	4.04
REAL ASSETS	
ISHARES GOLD TRUST	33.15
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-19.65

Source: Morningstar

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