WEEKLY UPDATE

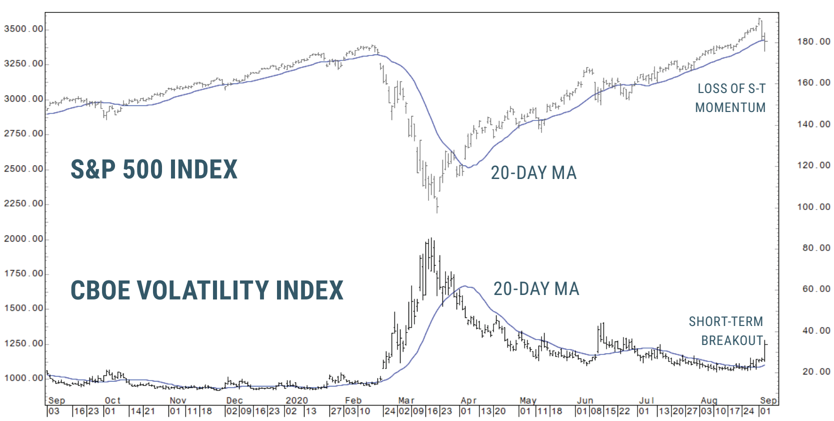
CARY STREET PARTNERS

SEPTEMBER 8, 2020

EQUITY MARKETS

Equity markets finally posted a pullback last week, punctuated by a sharp sell-off on Thursday. For the week, the S&P 500 Index fell -2.31%.[1] The high- flying technology names that have led markets most of this year were particularly hard hit. The NASDAQ which serves as a proxy for these names, was down -3.27%[1] for the week, after declining 4.96%[1] on Thursday alone. One of our primary data points, the CBOE Volatility Index, commonly referred to as the VIX, has moved higher over the last two weeks. This index measures implied forward volatility for the next thirty days as priced into the options market. Consequently, it captures varied volatility inputs. While the spot price for the VIX bounces around a bit day to day, the important message is the trend. A healthy, advancing stock market requires a VIX downtrend. It is inversely related to stock prices.

As seen in the chart below, the VIX began to break above its recent down trend over the last two weeks. At current levels it is trading above its 20- day, ten- week, and 200- day moving average. We look for changes in trend. We are looking for the VIX to move down into the twenties to re-establish a downtrend. The market currently looks like it did in early June, in-the-midst of a 5 to 10% pullback. For risk averse clients hedged equity strategies remain a good choice to cushion portfolios during volatile episodes. Longer term, and stipulating that markets do not move in a straight line, 5 trillion dollars in money market funds at essentially a zero percent rate provides a powerful tank of fuel for equity prices in the future.



Fairlead Strategies, LLC; CQG Inc.

CREDIT MARKETS[2]

The Treasury curve for the month of August steepened, which means that short dated Treasuries outperformed long dated Treasuries. Longer dated Treasury yields rose for August, and as yields rise prices decline. The 30-year Treasury yield rose 29 bps to 1.48%, and the 10-year Treasury rose 18 bps to 0.71%.

Investment grade returns for August were generally negative. The Bloomberg Barclays U.S. Aggregate return was -0.81%. The Bloomberg Barclays U.S. Treasury total return was

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 9.04.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	7.52
ISHARES DOW JONES US ETF	7.28
ISHARES RUSSELL 1000 ETF	7.79
ISHARES RUSSELL 1000 VALUE ETF	-9.77
ISHARES RUSSELL 1000 GROWTH ETF	25.09
ISHARES RUSSELL 2000 ETF	-7.15
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	-4.63
ISHARES MSCI ACWI ETF	2.75
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.82
ISHARES CORE US AGGREGATE BOND ETF	6.70
ISHARES TIPS BOND ETF	8.76
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	7.73
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	-0.37
ISHARES MBS ETF	3.87
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	5.74
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	3.10
REAL ASSETS	
ISHARES GOLD TRUST	26.28
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-19.14

Source: Morningstar

[1] MarketWatch
[2] All Credit Market and Economic Release data sourced from Bloomberg

-1.10%. The negative returns were primarily due to a steepening of the treasury curve as opposed to a widening of risk premiums.

ECONOMIC RELEASES[2]

- **ISM MANUFACTURING INDEX** increased to 56.0% from 54.2%, above expectations of 54.8%. The August PMI increased to its highest level since November 2018.
- **U.S. FACTORY ORDERS** rose 6.4% for the month of July, beating estimates of +6.1%.
- **INITIAL JOBLESS CLAIMS** fell to 881,000, beating estimates of 950,000. Continuing Claims fell to 13,254,000, lower than expectations of 14,000,000.
- **NONFARM PAYROLLS** increased by 1.371MM jobs in August, slightly above market forecasts of 1.35MM. Unemployment declined to 8.4% from 10.2% and the participation rate increased to 61.7% from 61.4%. Economists forecast for unemployment was 9.8%.