WEEKLY UPDATE

CARY STREET PARTNERS

SEPTEMBER 14, 2020

EQUITY MARKETS

Equity markets remained in the throes of a pullback last week, with the S&P 500 Index declining on the week. Mega capitalization technology stocks have led this recent pullback as evidenced by the NASDAQ composite average, which declined a further -4.06%[1] last week. From the onset of the decline the NASDAQ took all of three sessions to reach a full-blown correction level, a 10% drop. Shares of large technology companies had been trading well above trend prior to the dip. These issues were commonly 10% above their 50-day moving average, creating an environment in which they were prone to oversize percentage drops. That short term spike has been worked off at this point. Both the S&P 500 and NASDAQ 100 at the end of the week were trading slightly above those 50-day averages. Long term equity investors should recognize that the right strategy in an uptrend, such as the one we have had since March, is to buy into short term oversold conditions. An excellent choice for risk averse investors remains hedged equity strategies, which allow for a portion of upside participation with less fluctuation.

An important observation- there is nothing suggesting recent equity weakness is being triggered by credit stress, 10-year Treasury yields along with other credit measures have remained stable. Seasonal headwinds last another three weeks for stocks, and the lack of any potential positive catalysts on the calendar, such as earnings, indicates the consolidation will last a while longer.

CREDIT MARKETS[2]

The U.S. Treasury market is in a far better place than the European government bond market. Yields are positive with an upward sloping yield curve. The Federal Reserve has already cut the benchmark overnight rate to a range of 0% – 0.25%. The pandemic is still weighing on the U.S. economy. However, unlike Europe, investor optimism in the U.S. economy appears to be greater. U.S. risk assets have largely recovered from the lows set in March. The Federal Reserve has done a tremendous job messaging the growth in money supply. Volatility in markets will likely remain, but the Treasury market is a very re-assuring indicator of future economic growth.

ECONOMIC RELEASES[2]

- **THE PRODUCER PRICE INDEX** increased 0.3% in August, higher than economists forecast of 0.2%. The increase Indicates a rebound in demand, as pricing power is gradually returning.
- **INITIAL JOBLESS CLAIMS** totaled 884k in the week ending September 5, above market expectations of 850k. The prior week's level was revised higher by 3k to 884k.
- **THE CONSUMER PRICE INDEX** rose 0.4% in August, higher than estimates of 0.3%.

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

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 9.11.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	4.85
ISHARES DOW JONES US ETF	4.50
ISHARES RUSSELL 1000 ETF	5.05
ISHARES RUSSELL 1000 VALUE ETF	-11.11
ISHARES RUSSELL 1000 GROWTH ETF	20.72
ISHARES RUSSELL 2000 ETF	-9.43
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	-3.99
ISHARES MSCI ACWI ETF	1.49
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.82
ISHARES CORE US AGGREGATE BOND ETF	6.95
ISHARES TIPS BOND ETF	9.06
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	8.16
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	-0.61
ISHARES MBS ETF	3.84
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	5.86
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	3.13
REAL ASSETS	
ISHARES GOLD TRUST	27.65
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-20.62

Source: Morningstar

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