WEEKLY UPDATE

CARY STREET PARTNERS

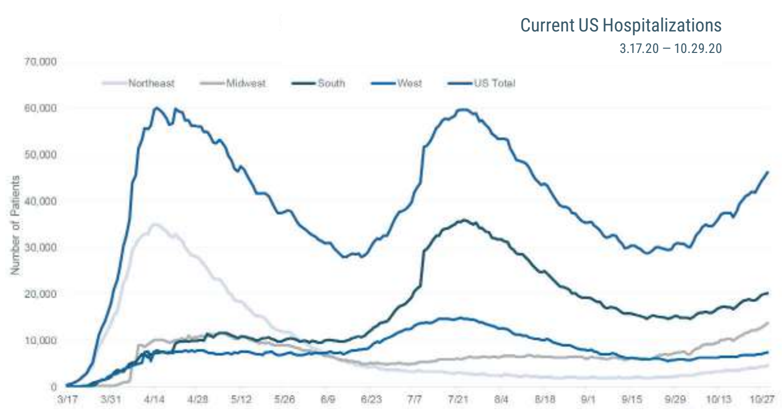
NOVEMBER 2, 2020

EQUITY MARKETS

Equity markets broke down last week in an emotionally charged decline. The S&P 500 Index finished the week 5.64% lower.[1] Similar declines were felt across all stock indices. COVID infection rates have spiked in Europe and a large portion of the U.S., driving fear. Volatility and fear, which can be encapsulated in the CBOE Volatility Index (VIX), has been trending up recently and moved dramatically higher last week. This index measures implied forward volatility for the next thirty days. It moves inversely to stock prices. The VIX spot price crossed 40 during the week, a 25% increase over the five-day period. We have not seen these levels since June. Market stress as indicated by the VIX should peak prior to a similar peak in the growth of COVID cases, as it did in late March. An important data point to follow.

COVID infection rates remain a primary driver, but we would add that hospital capacity is the actual inflection point. If hospital capacity remains under control, as it did during the second U.S. increase in early summer, then this latest surge will be manageable. That said, the next two months are likely to be the hardest part of the pandemic life cycle. Vaccines are rapidly moving to market, but distribution will not begin until final trial data is in, which is expected late this year. 2021 will look a lot different, but mitigation remains the primary defense for the next two months.

It's Not About Cases



Source: Natixis PRCG, COVID Tracking Project.

Quarterly earnings for market heavyweights were released last week. Those released after the close on Thursday contributed to a short-term bounce. Amazon and Google reported blowout numbers, Apple disappointed somewhat with low phone sales and offered no future guidance.

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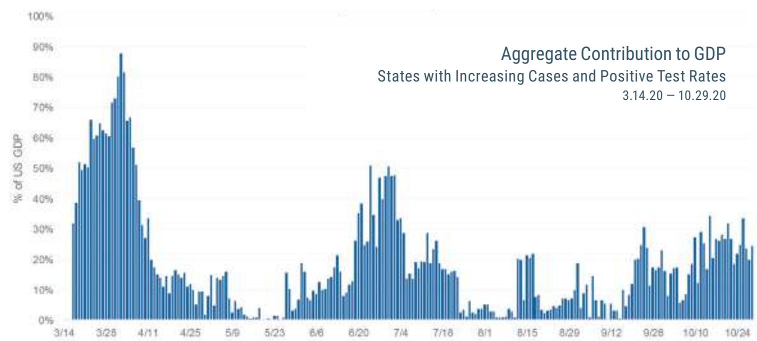
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 10.30.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	2.80
ISHARES DOW JONES US ETF	3.19
ISHARES RUSSELL 1000 ETF	3.72
ISHARES RUSSELL 1000 VALUE ETF	-12.82
ISHARES RUSSELL 1000 GROWTH ETF	19.91
ISHARES RUSSELL 2000 ETF	-6.82
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	-7.63
ISHARES MSCI ACWI ETF	-1.01
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.83
ISHARES CORE US AGGREGATE BOND ETF	6.24
ISHARES TIPS BOND ETF	8.50
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	7.15
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	-1.12
ISHARES MBS ETF	3.76
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	5.81
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	2.82
REAL ASSETS	
ISHARES GOLD TRUST	23.32
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-24.06

Source: Morningstar

The Economic Impact Is What Matters

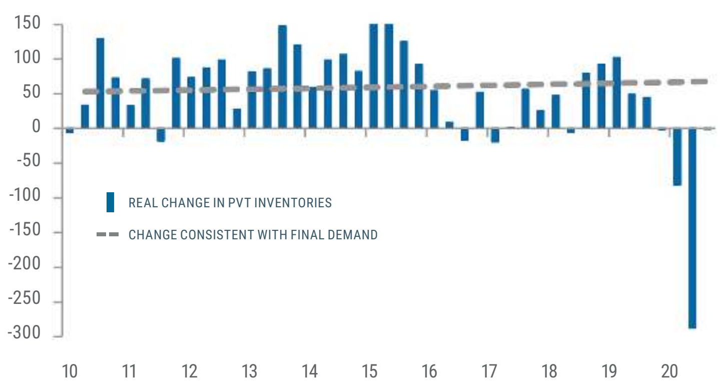


Source: Natixis PRCG, COVID Tracking Project, BEA.

CREDIT MARKETS AND ECONOMICS

During last week's equity sell off credit remained steady. Risk spreads increased, and the 10-year Treasury rallied, but in both cases the movement was modest. Credit stress often precedes deep equity declines. Third quarter GDP and improved jobless claims both came in about as expected and are backward-looking data points in any case. Looking forward, inventory rebuild is likely to provide a source of economic growth this quarter and next.

Inventories Have Room To Boost Growth



Source: Renaissance Macro Research, Haver Analytics

[1] MarketWatch

Past performance is no guarantee of future results.

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