

WEEKLY UPDATE

NOVEMBER 9, 2020

CARY STREET
PARTNERS

EQUITY MARKETS

Equities rebounded sharply last week as the S&P 500 Index gained 7.07% on the week.¹ The divergence between dramatically higher fear indications and the lack of credit stress from the previous week has proven to be a potent signal. Corporate credit spreads are at the lowest level since February. It felt emotionally charged the prior week, and it was. Clearly the elections have been the story, so we will focus on that topic.

The elections are (almost) over. Divided government is the outcome. While the Presidential outcome has been finalized, the Senate results are still up in the air. But in any event, the Senate is effectively split, and the House majority declined. The policy implication of divided government is a move toward the center. Both chambers of Congress will have minimal majorities.

In the markets, we saw lower rates, a weaker dollar, and higher stock prices. The odds of another sizeable fiscal package are lower, initially pushing down rates and the dollar via weaker growth expectations. Needed or not, those were the expectations surrounding a large fiscal package. Later in the week, the 10- year Treasury yield steadied as markets see a decent amount of V-shaped economic data. The election is over and so, equity risk premia has come down. That is what last week's stock rally is about.

The odds of a significant (or any) tax increase have dissipated. As the singular achievement of the current administration and Senate, corporate and capital gains are likely to remain as is. There is practically zero chance a divided Senate can muster the votes for an increase.

While the odds of another big fiscal package have come down, and gridlock reigns, **we ultimately see the economic outlook being shaped by broader forces.**

Here is what we are focused on.

- **HOUSING** will be a tailwind no matter what. Building permits are up and so there is plenty of growth in the pipeline.
- **INVENTORIES** also have room to continue adding to growth.
- **SERVICES** are holding up despite the spreading of COVID across the country. That said, some slowdown is inevitable as people take precautions. At this point, services will work in earnest when a vaccine is made available.
- **FOR THE FED**, the lack of another fiscal deal, increases the pressure on them to do more.
- Expect attention to re-focus on **COVID AND VACCINE PROGRESS**. To that point, this morning the leading COVID vaccine candidate, jointly developed by Pfizer and BioNTech, reported interim efficacy results above 90% during large scale, phase three trials. This is well above expectations of around 60%. Equities are trading much higher today.

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WEEKLY BENCHMARKS

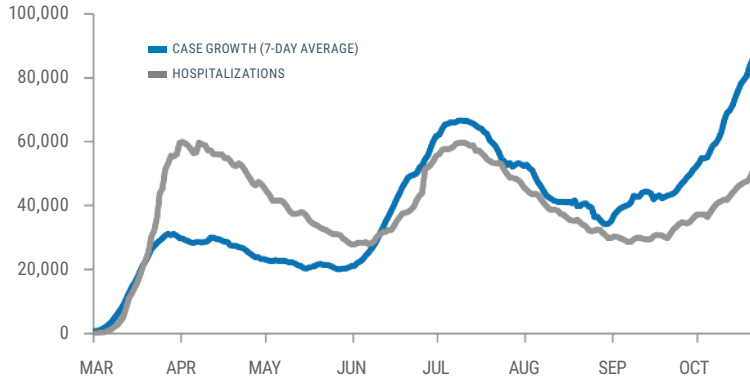
GROUP/INVESTMENT	YTD Return (Cumulative) 11.6.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	10.36
ISHARES DOW JONES US ETF	10.97
ISHARES RUSSELL 1000 ETF	11.53
ISHARES RUSSELL 1000 VALUE ETF	-8.05
ISHARES RUSSELL 1000 GROWTH ETF	31.19
ISHARES RUSSELL 2000 ETF	-0.39
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	-0.56
ISHARES MSCI ACWI ETF	6.55
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.82
ISHARES CORE US AGGREGATE BOND ETF	6.76
ISHARES TIPS BOND ETF	8.46
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	9.02
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	1.08
ISHARES MBS ETF	3.75
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	7.19
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	3.38
REAL ASSETS	
ISHARES GOLD TRUST	27.17
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-20.23

Source: Morningstar

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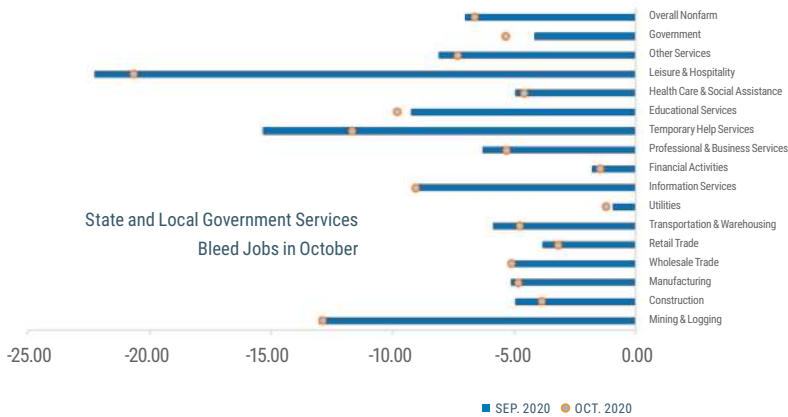
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COVID Is Getting Worse, Yet Hospitalization Rate Improved



Source: Renaissance Macro Research, Haver Analytics

Employment Gap Since February 2020 (% change)



Source: Renaissance Macro Research, Macrobond

¹ MarketWatch

Past performance is no guarantee of future results.

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