

WEEKLY UPDATE

NOVEMBER 23, 2020

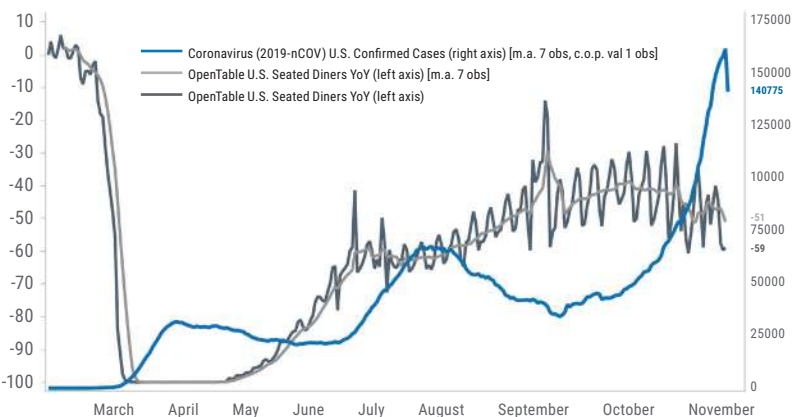
CARY STREET
PARTNERS

EQUITY MARKETS

Equity markets turned down somewhat last week as the S&P 500 Index declined .77%.¹ Following the recent strong advance of approximately 13%, a short-term overbought condition, combined with ongoing concerns surrounding the surging COVID infection rate to create softness. As the week ended those short-term overbought conditions were still in place. Credit stress continues to be absent, which is a reassuring positive for equities as well, as credit stress often precedes deep drops in stocks. The current market set up makes for a tough near-term environment in which to generate excess returns. This is not the zone for "easy money".

On the COVID front, there are two ways pandemics end. One is that they burn themselves out like a forest fire, eventually running out of fuel to burn. Unfortunately, in this analogy we are the wood. The other, much more preferable way, is the development of an effective vaccine. Remarkably, there are two candidates that have already finished large scale, phase three trials and both have demonstrated excellent efficacy, reported at 94 and 95 percent. The FDA will meet in early December to consider emergency use approval, with distribution to begin immediately thereafter. The high efficacy will create broad immunity even with a relatively low vaccination rate. There are additional vaccine candidates still in phase three trials also showing promising results. Consequently, there is a path to ending this nightmare over the first half of 2021.

Dining Out Has Slowed as Cases Have Spiked



Source: Renaissance Macro Research, Macrobond

While we are now in the seventh inning of the COVID pandemic, the next two innings are going to be the most difficult in terms of infection spread, especially in the U.S. The infection rate is out of control in broad areas of the country, accompanied by positivity rates that approach 60%, that is six of ten tested are positive. That rate needs to be low

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WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 11.20.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	11.98
ISHARES DOW JONES US ETF	12.98
ISHARES RUSSELL 1000 ETF	13.53
ISHARES RUSSELL 1000 VALUE ETF	-2.72
ISHARES RUSSELL 1000 GROWTH ETF	28.93
ISHARES RUSSELL 2000 ETF	8.23
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	4.20
ISHARES MSCI ACWI ETF	9.61
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.83
ISHARES CORE US AGGREGATE BOND ETF	7.24
ISHARES TIPS BOND ETF	9.13
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	10.34
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	1.90
ISHARES MBS ETF	3.89
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	7.45
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	4.21
REAL ASSETS	
ISHARES GOLD TRUST	22.89
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-13.60

Source: Morningstar

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single digits in order to have the rate of spread under control. Mitigation efforts have been instituted in a number of effected states, with some reversing previously ill-conceived policies. Hospitalization rates are the key inflection point and they have been climbing dangerously close to over-running certain hospital systems.

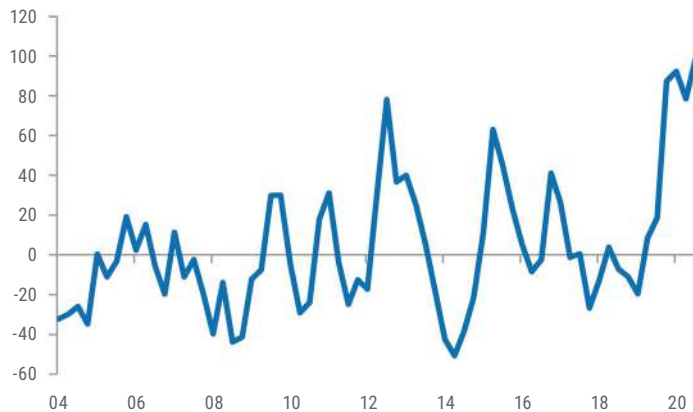
Markets will be weighing vaccine optimism versus infection rate pessimism over the next two months.

ECONOMIC NEWS

Economic news last week was largely good. Retail sales numbers were below estimate, with brick and mortar retailers having a particularly rough go, but housing-related spending (furniture, appliances, materials) remains strong. Separately, homebuilder sentiment came in at record highs. Personal savings is very high, incomes are climbing, inventories are low and a vaccine is on the way. The 2021 economic outlook is very good once we get through these last two innings of COVID disaster.

Mortgage Originations Up Big

Newly originated mortgage loans (% change year-over-year)



Source: Renaissance Macro Research, Haver Analytics

¹ MarketWatch

Past performance is no guarantee of future results.

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