

WEEKLY UPDATE

JANUARY 19, 2021

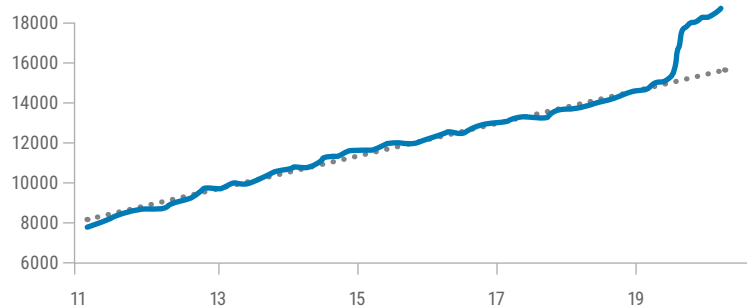
CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Stock markets moved slightly lower last week, as the S&P 500 Index lost 1.48%.¹ While the odds of a range-bound consolidation or pullback are high in the short term, the longer-term, twelve-month, outlook is still positive. The backdrop to the longer trend of solid credit markets and very strong liquidity remains in place. In short, while sentiment is too bullish (an inverse negative), liquidity is substantially more beneficial in this business.

Consumers have plenty of gas in the tank

Deposits: All commercial banks (billions \$)



Source: Renaissance Macro Research, Haver Analytics

The most meaningful market story of the week was the ten-year Treasury yield which continued higher as the overall curve steepened. This is not surprising as the economy continues to normalize and the Fed embarks on its policy spelled out last summer of allowing inflation to move beyond target for some period of time in order to average out at 2%.² Data released last week shows the core CPI up 1.6%² over the prior twelve months. The CPI tends to run a bit faster than the other primary measure of inflation, the Personal

“There could be quite exuberant spending and we could see some upward pressure on prices as the pandemic recedes. The real question is, how large is that effect going to be, and will it be persistent?”

- Federal Reserve Chairman Jay Powell

Consumption Expenditure index (PCE). Overall, inflation remains a good distance away from the Fed target. And keep in mind when and if we get to 2%, the new Fed policy will allow for inflation to run above 2% for probably a year beyond. A long way from inflation goals, which bodes well for continued liquidity.

CONTINUED...

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 1.15.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	0.39
ISHARES DOW JONES US ETF	0.82
ISHARES RUSSELL 1000 ETF	0.75
ISHARES RUSSELL 1000 VALUE ETF	2.79
ISHARES RUSSELL 1000 GROWTH ETF	-1.16
ISHARES RUSSELL 2000 ETF	7.51
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	2.84
ISHARES MSCI ACWI ETF	1.50
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.00
ISHARES CORE US AGGREGATE BOND ETF	-0.75
ISHARES TIPS BOND ETF	-0.34
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	-1.31
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	0.33
ISHARES MBS ETF	0.07
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-0.83
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	-0.04
REAL ASSETS	
ISHARES GOLD TRUST	-2.76
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-0.83

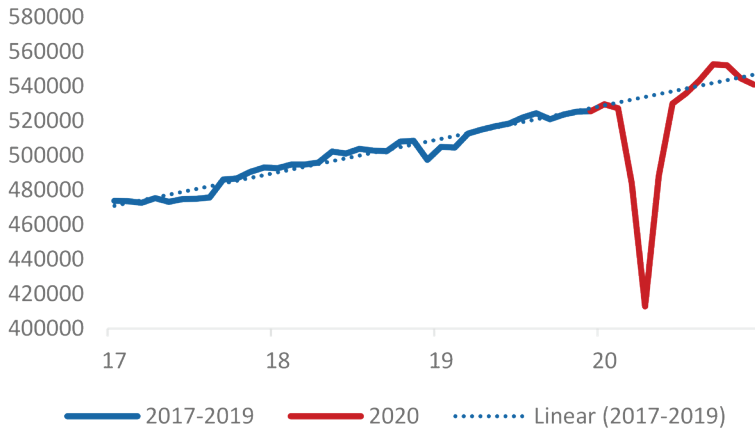
Source: Morningstar

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Retails sales back on trend?

Retail Sales and Food Services (millions \$)

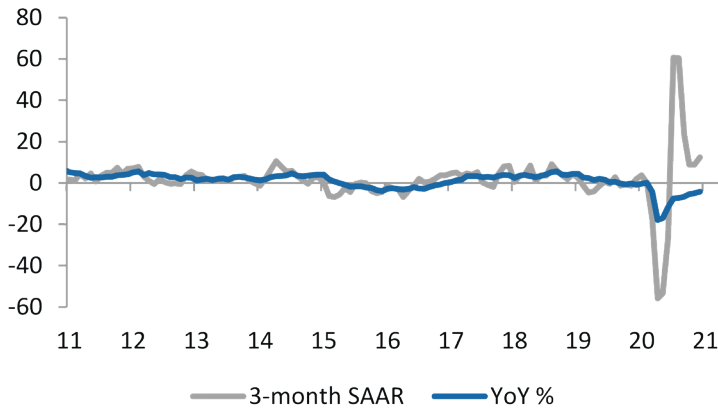


Source: Renaissance Macro Research, Haver Analytics

The fallout of a steeper yield curve, one in which long rates are appreciably above short rates, is that it will be a challenging year to make money in bonds. Bond prices are inverse to yields. A steeper curve is generally positive for equities, as long as the ten year does not move higher at too great a pace, something we are monitoring very closely. Not problematic at this point.

Industrial production was strong in December

Industrial production ex utilities (%)



Source: Renaissance Macro Research, Haver Analytics

¹ MarketWatch

² Bloomberg

Past performance is no guarantee of future results.

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