# WEEKLY UPDATE

CARY STREET PARTNERS

**JANUARY 25, 2021**

## MARKET UPDATE AND COMMENTS

Stock markets moved higher last week as the S&P 500 Index added 1.94%.[1] A good deal of this advance was found in last year's winners, the large-capitalization technology companies, triggered by a blockbuster earnings report from Netflix. It was the revenge of FAANG+M. This is the widely used acronym for Facebook, Amazon, Apple, Netflix, Google plus we add Microsoft. On Wednesday, FAANG+M was up 5.7 %[2] on the day, while the S&P was up 1.39%[2] and the S&P Equal Weight Index was up only .60%.[2]

Market leadership continues to whipsaw between these technology heavyweights and cyclical names. Cyclicals are companies whose earnings are more dependent on an upswing in economic growth. They were the clear winner in last year's fourth quarter. Last week's action notwithstanding, we feel the rotation toward cyclicals has legs as economies normalize, impacting cyclical earnings in a very positive way. Furthermore, rotation would continue a healthy broadening of the market, allowing the bull trend to extend upon stronger underpinnings. This same rotation is evident globally and is relatively early stage in both developed and emerging countries. There looks to be even more runway for cyclicals overseas. The takeaway is that portfolio diversification that includes cyclical exposure is important for 2021.

The ten-year Treasury yield moved lower mid-week, closing at 1.087%.[3] This was a welcome development given the recent increase. While we expect a steeper yield curve, with higher long-term rates, we are paying attention to the pace of that increase. A very fast increase in rates would be a stock market challenge. The pace is not an issue at this point.

## ECONOMICS

A key debate for the 2021 economy relates to consumption, goods versus services. It does not take a doctorate to understand that services spending was severely impaired last year, particularly in hospitality, food services, transportation, and recreation. At the same time durable goods spending stepped in to enjoy a breathtaking run. These are expenditures on appliances, furniture, and cars.

**"There is much more room for services spending to rise than there is goods spending to fall."**

- Renaissance Macro Research

**CONTINUED...**

## WEEKLY BENCHMARKS

| GROUP/INVESTMENT | YTD Return (Cumulative) 1.22.2020 |
|---|---|
| **US EQUITY RETURNS** | |
| SPDR® S&P 500 ETF TRUST | 2.35 |
| ISHARES DOW JONES US ETF | 2.72 |
| ISHARES RUSSELL 1000 ETF | 2.66 |
| ISHARES RUSSELL 1000 VALUE ETF | 2.63 |
| ISHARES RUSSELL 1000 GROWTH ETF | 2.69 |
| ISHARES RUSSELL 2000 ETF | 9.82 |
| **GLOBAL EQUITY RETURNS** | |
| ISHARES MSCI ACWI EX US ETF | 4.14 |
| ISHARES MSCI ACWI ETF | 3.19 |
| **US FIXED INCOME RETURNS** | |
| ISHARES SHORT TREASURY BOND ETF | 0.00 |
| ISHARES CORE US AGGREGATE BOND ETF | -0.74 |
| ISHARES TIPS BOND ETF | 0.12 |
| ISHARES IBOXX $ INVMT GRADE CORP BD ETF | -1.49 |
| ISHARES IBOXX $ HIGH YIELD CORP BD ETF | 0.41 |
| ISHARES MBS ETF | 0.05 |
| **GLOBAL FIXED INCOME BENCHMARKS** | |
| ISHARES CORE GLOBAL AGGT BD ETF USD DIST | -0.73 |
| **US FIXED INCOME MUNI RETURNS** | |
| ISHARES NATIONAL MUNI BOND ETF | 0.12 |
| **REAL ASSETS** | |
| OIL PRICE BRENT CRUDE PR | 6.97 |
| ISHARES GOLD TRUST | -2.04 |
| SPDR® DOW JONES GLOBAL REAL ESTATE ETF | -0.11 |

Source: Morningstar

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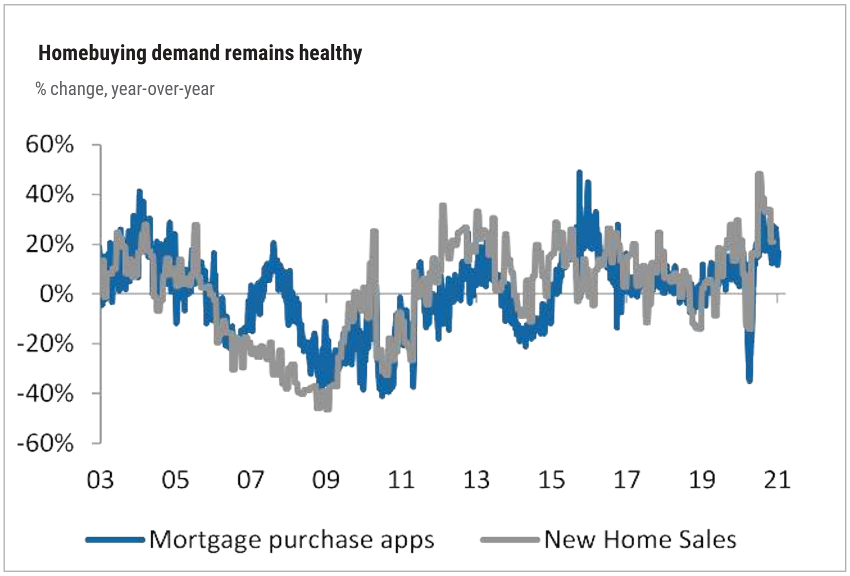


Source: Renaissance Macro Research, Haver Analytics

The common thought for 2021 is that services will increase as the pandemic lifts and durable goods will fall by about the same amount. There is far more room for services to increase than there is for goods to revert down to trend. A potential upside surprise to GDP. Furthermore, given the healthy demand for homebuying, it is not clear to us that durable goods will revert down to trend. Anyone that has ever purchased a home understands all the associated spending that goes along with that purchase — appliances and furniture leading the pack.

[1] MarketWatch
[2] Fairlead Strategies
[3] Bloomberg

**Past performance is no guarantee of future results.**

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