# WEEKLY UPDATE

CARY STREET PARTNERS

**FEBRUARY 22, 2021**

## MARKET UPDATE AND COMMENTS

Equity markets took a breather last week, as the S&P 500 Index declined .71%.[1] The late January pullback has been followed by move up that approached 6% leading into last week. This setup led to short-term overbought conditions becoming present in a high percentage of S&P names, in other words some short-term exhaustion to the upside. This resolves with short-term weakness or a sideways consolidation. The longer-term outlook is positive, with the strong uptrend still intact. Bouts of higher volatility and market weakness (typical corrections) without credit stress are historically buyable. Credit stress and a drying up of liquidity are necessary ingredients for market corrections to turn into larger events, such as last March. Credit markets are wide open.

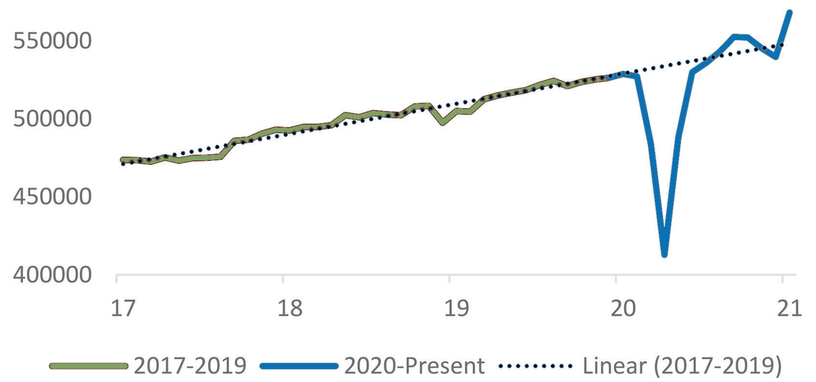
Long term Treasury rates continued to move higher, with the benchmark ten-year finishing the week at 1.34%.[2] Yields are inverse to bond prices, higher yields equal lower bond prices. Aggregate bond indices are negative for the year, with the Barclays U.S. Aggregate down 1.80%.[2] Higher long-term rates, a steepening of the yield curve, are a function of a normalizing economy, already in expansion mode. That expansion will accelerate further as high-touch services (think travel and hospitality), come back to life with an already-improving COVID situation and increased vaccine supply. This will be a tough setup to make money in bonds.

## ECONOMIC NEWS

Retail sales for January blew the lid off consensus estimates. January manufacturing production was also twice the estimate. Extremely low inventory levels continue to support manufacturing going forward. Growth estimates for Q1 are tracking way too low early in the quarter. If this continues through the remainder of Q1 look for upside surprises to GDP.

**Retail Sales Jump in January**

Retail Sales & Food Services (billions $)




Source: Renaissance Macro Research, Haver Analyitics

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## WEEKLY BENCHMARKS

| GROUP/INVESTMENT | YTD Return (Cumulative) 2.19.2020 |
|---|---|
| **US EQUITY RETURNS** | |
| SPDR® S&P 500 ETF TRUST | 4.22 |
| ISHARES DOW JONES US ETF | 5.04 |
| ISHARES RUSSELL 1000 ETF | 4.91 |
| ISHARES RUSSELL 1000 VALUE ETF | 6.06 |
| ISHARES RUSSELL 1000 GROWTH ETF | 3.82 |
| ISHARES RUSSELL 2000 ETF | 14.83 |
| **GLOBAL EQUITY RETURNS** | |
| ISHARES MSCI ACWI EX US ETF | 6.33 |
| ISHARES MSCI ACWI ETF | 5.31 |
| **US FIXED INCOME RETURNS** | |
| ISHARES SHORT TREASURY BOND ETF | 0.01 |
| ISHARES CORE US AGGREGATE BOND ETF | -1.78 |
| ISHARES TIPS BOND ETF | -1.38 |
| ISHARES IBOXX $ INVMT GRADE CORP BD ETF | -3.07 |
| ISHARES IBOXX $ HIGH YIELD CORP BD ETF | 1.05 |
| ISHARES MBS ETF | -0.16 |
| **GLOBAL FIXED INCOME BENCHMARKS** | |
| ISHARES CORE GLOBAL AGGT BD ETF USD DIST | -1.96 |
| **US FIXED INCOME MUNI RETURNS** | |
| ISHARES NATIONAL MUNI BOND ETF | 0.03 |
| **REAL ASSETS** | |
| ISHARES GOLD TRUST | -5.58 |
| SPDR® DOW JONES GLOBAL REAL ESTATE ETF | 3.14 |

Source: Morningstar

January housing permits were up, with starts falling. The strong permits report and early-February builder survey suggest continued, intense homebuyer demand. Jobless claims are still elevated; not great for those effected, but a lagging indicator.

[1] MarketWatch

[2] Bloomberg