

WEEKLY UPDATE

FEBRUARY 8, 2021

CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Equity markets regained their footing last week as the S&P 500 Index gained 4.7%.¹ Volatility, which spiked to the upside in the prior week, abated as the Reddit mania unwound. The CBOE Volatility Index (VIX) has come full circle in a short period of time, moving from the low twenties to the high thirties two weeks ago, and last week falling back to the low twenties. Market pullbacks characterized by volatility spikes, without credit stress present, are bullish and buyable. The short-term market hurdle entering 2021, sentiment, has moved in a good direction. Overly bullish readings, an inverse negative, are now decidedly neutral. Pullbacks do not unfold into larger events without credit stress. Credit markets are wide open. While a short-term pullback could certainly resume, the primary takeaway remains the lack of credit stress, massive liquidity, and improved sentiment that support the continued long-term uptrend.

There was a lot of positive COVID vaccine news last week. The AstraZeneca vaccine, already in use in the U.K. and Europe, was found to have excellent efficacy, especially when administered in two doses with a 12-week interval. This vaccine is likely to be added to other U.S.-approved vaccines in April. The Russian Sputnik V vaccine, which admittedly has the best brand name, has also been found to have good efficacy in peer review studies in Britain. The AstraZeneca and Sputnik vaccines both use a known platform for development, very similar to the Ebola virus vaccine. They are easier to store, making them key additions to global supply. Mexico for instance, will likely use Sputnik. It is important to note that COVID needs to be attacked on a global basis. It is impossible to completely contain a virus within borders, and outbreaks create global economic consequences. Johnson & Johnson is applying for FDA approval this week, and its candidate will likely be in use by month-end in the U.S. Pfizer is ahead of schedule on supply production, expecting to deliver 200 million doses to the U.S. by May. The initial forecast was for this supply increase to hit in July.

More people in the U.S. have now received vaccination than tested positive, an early but meaningful milestone for distribution. A Federal program to distribute doses through pharmacies has begun in earnest. This is an existing, key distribution point of delivery that has high potential to accelerate daily shots, which are running at about 1.4 million per day.

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WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 2.5.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	3.60
ISHARES DOW JONES US ETF	4.19
ISHARES RUSSELL 1000 ETF	4.04
ISHARES RUSSELL 1000 VALUE ETF	3.77
ISHARES RUSSELL 1000 GROWTH ETF	4.28
ISHARES RUSSELL 2000 ETF	13.10
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	3.82
ISHARES MSCI ACWI ETF	3.86
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.01
ISHARES CORE US AGGREGATE BOND ETF	-1.08
ISHARES TIPS BOND ETF	-0.01
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	-2.10
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	0.98
ISHARES MBS ETF	0.21
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-1.63
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	0.57
REAL ASSETS	
ISHARES GOLD TRUST	-4.68
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	1.59

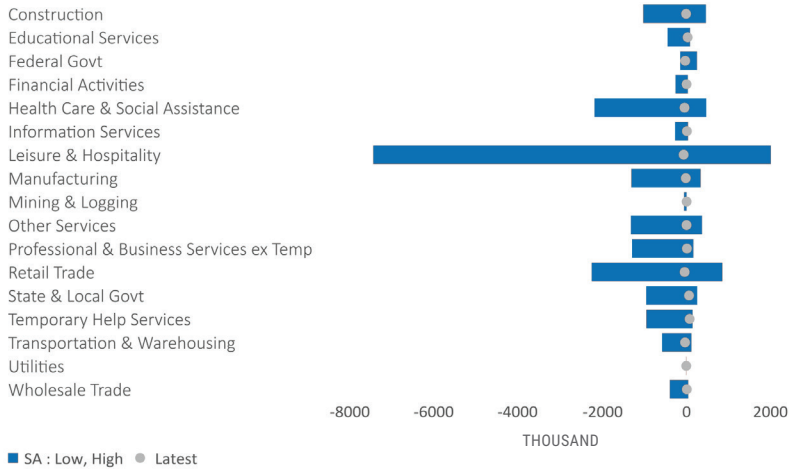
Source: Morningstar

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Where did jobs growth come from?

Changes relative to range of M/M SA changes last year (as of Jan 2021)



Source: Renaissance Macro Research, Macrobond BLS

ECONOMIC UPDATE

The Four Horsemen of the Apocalypse for the Ten-Year Treasury Bond

Four things are happening simultaneously:

- 1 Jobs growth will accelerate, led by hours worked and temporary employment figures.
- 2 The COVID situation continues to improve, vaccines are ramping up, reinforcing the improvement in employment.
- 3 Inflation is about to accelerate, albeit on base effects. This is good for economy, as we see a 2% core rate of inflation. This target has eluded the U.S. for a decade.
- 4 Uncle Sam is about to pass yet another economic relief package, further reinforcing growth. Result: higher long-term rates. Bond prices move inversely to rates. You do not want to hold ten-year Treasury notes that yield 1.18% heading into that environment.

¹MarketWatch

Past performance is no guarantee of future results.

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