

WEEKLY UPDATE

FEBRUARY 1, 2021

CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Equity markets cracked to the downside last week, with the S&P 500 Index dropping 3.31%.¹ Overly bullish sentiment, an inverse negative that first appeared in late December has come home to roost as market momentum has been broken. On the bright side, the overly bullish sentiment is quickly dissipating. Fear and greed will always be with us. For those looking for a road map, equities likely have at least a few percent more to fall, taking them down to trend. The more important takeaway is that the absence of credit stress gives us confidence that this will not turn into a larger decline, such as last March. Credit markets are wide open. Credit and massive liquidity combined with a healthier degree of pessimistic sentiment, make this a buyable pullback.

The 24/7 media story in equity markets last week was the short squeeze organized on Reddit and targeted to heavy short positions on Wall Street, GameStop being the most common name. Short-squeezing has been around forever and is part of a healthy, functioning market. But like any good idea it can go too far. Underlying company fundamentals matter, so a short squeeze on quality companies has some merit. In other words, a good investment regardless of the success of the squeeze. Buying into a bad business on the other hand is full of trepidation. Especially if one is doing so following a gigantic upside move motivated by chatter. This story likely has 15 minutes of fame. Most importantly, the issue is not systemic to the market; it is not widespread.

The COVID update is trending positive. Hospitalizations in the U.S. have clearly peaked and are now declining. Mitigation has proven beneficial. Vaccinations are up to about 30 million in the U.S., behind schedule but picking up. The current pace is about 1 million per day. Distribution is still chaotic, but improved information coming out of Washington is beginning to improve that process. Production is increasing, which along with a likely third vaccine, will help on the supply front. That one-shot vaccine candidate from Johnson & Johnson released late-stage phase three trial data last week indicating good efficacy. This candidate is likely to receive FDA approval within the next week or two. While a little lower than the existing mRNA vaccines, the J&J vaccine has proven efficacy levels, especially against severe COVID. All three vaccines have strong efficacy against known variants. All will be updated and adapted to new variants.

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WEEKLY BENCHMARKS

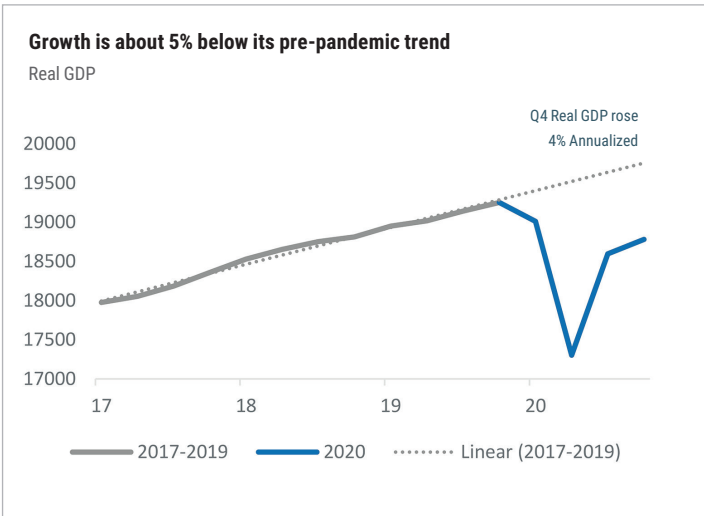
GROUP/INVESTMENT	YTD Return (Cumulative) 1.29.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	-1.02
ISHARES DOW JONES US ETF	-0.76
ISHARES RUSSELL 1000 ETF	-0.83
ISHARES RUSSELL 1000 VALUE ETF	-0.93
ISHARES RUSSELL 1000 GROWTH ETF	-0.75
ISHARES RUSSELL 2000 ETF	5.00
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	0.21
ISHARES MSCI ACWI ETF	-0.45
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.00
ISHARES CORE US AGGREGATE BOND ETF	-0.71
ISHARES TIPS BOND ETF	0.30
ISHARES IBOXX \$ INVMT GRADE CORP BD ETF	-1.63
ISHARES IBOXX \$ HIGH YIELD CORP BD ETF	0.21
ISHARES MBS ETF	0.14
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-0.91
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	0.50
REAL ASSETS	
ISHARES GOLD TRUST	-1.46
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	-0.69

Source: Morningstar

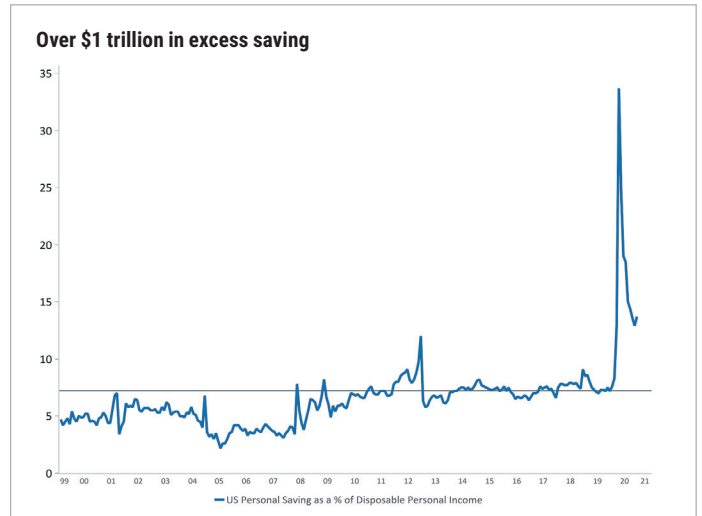
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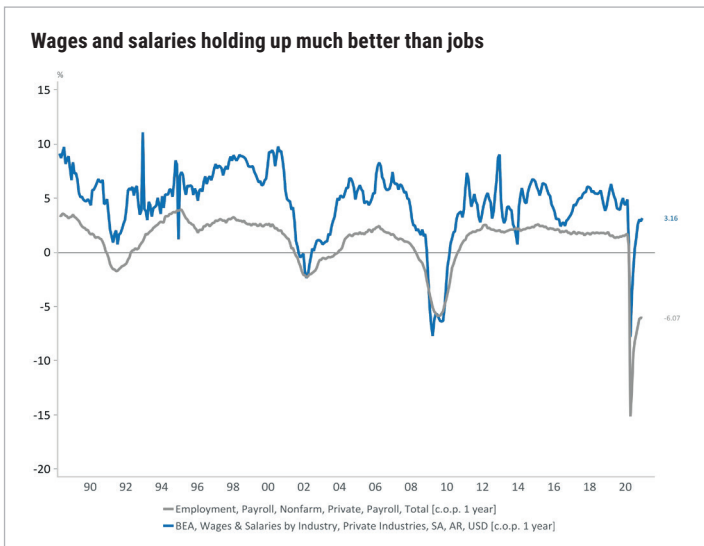
ECONOMIC UPDATES



Source: Renaissance Macro Research, Haver Analytics



Source: Renaissance Macro Research, Macrobond



Source: Renaissance Macro Research, Macrobond

¹MarketWatch

Past performance is no guarantee of future results.

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