

# WEEKLY UPDATE

MARCH 15, 2021

CARY STREET  
PARTNERS

## MARKET UPDATE AND COMMENTS

Equities posted gains last week, as the S&P 500 Index picked up 2.6%.<sup>1</sup> The bigger story within the market, the great rotation from last year's leaders (broadly referred to as technology) to cyclicals, continued. As a proxy for technology, the NASDAQ 100 had a huge, one-day, rally on Tuesday of approximately 3%.<sup>1</sup> However, this was essentially an oversold bounce, as the 100 posted a weekly gain of 2.17%.<sup>1</sup> Cyclicals, found predominately on the value side of market, continue to be the beneficiaries of economic growth and higher yields. We maintain our 2021 Market Outlook viewpoint that investors should maintain sizable exposure to cyclicals.

The combination of yield level, commonly tracked by the 10-year Treasury, and the rate of change in that yield level, remains the data point to watch. The 10-year yield eased most of last week before pushing higher on Friday to close around 1.625%.<sup>1</sup> The 10-year has traded in the 1.5 to 1.6 zone for the last few weeks, a pause due to short-term oversold conditions. Keep in mind bond prices are inverse to yield. That short-term exhaustion in the 1.5 to 1.6 resistance zone has slowed the pace of increase, taking some heat off the combined data point of level and pace. We continue to hold the viewpoint, expressed in our 2021 Market Outlook, that the yield curve steepens this year and bonds will struggle to post any kind of positive return. To push back against this viewpoint is to push back against massive evidence of booming economic growth. Stocks can move higher in this environment, provided the rate of yield increase is moderate. There is always a hurdle in front of markets, and this is the current hurdle for equities.

## ECONOMIC NEWS

All the attention to yields also involves a lot of speculation regarding inflation. Last week reported February results; CPI matched estimates, rising 0.4%, up 1.7% year-over-year. But, excluding food and energy, the resulting core CPI measure advanced just 0.1% and was up just 1.3% over the last year. Because CPI runs a little bit over PCE prices on average, underlying inflation remains well short of the Fed's goal of 2% average inflation target (AIT).

February core goods inflation fell 0.2%, the steepest one-month drop since April. Perhaps this is a sign that supply-chain constraints are easing. Inventories are way too low. **As inventories for goods build, prices for core goods will fall.** Over the next several months inflation will post sizable gains relative to last year. Keep in mind, that is a comparison to a short-term period of deflation. This is what Jay Powell is referring to as transitory base effects. Overall, a re-opening economy will have competing inflation factors. Easing supply-chain constraints will serve to ease prices, while the accelerating demand picture will serve to push that end higher.

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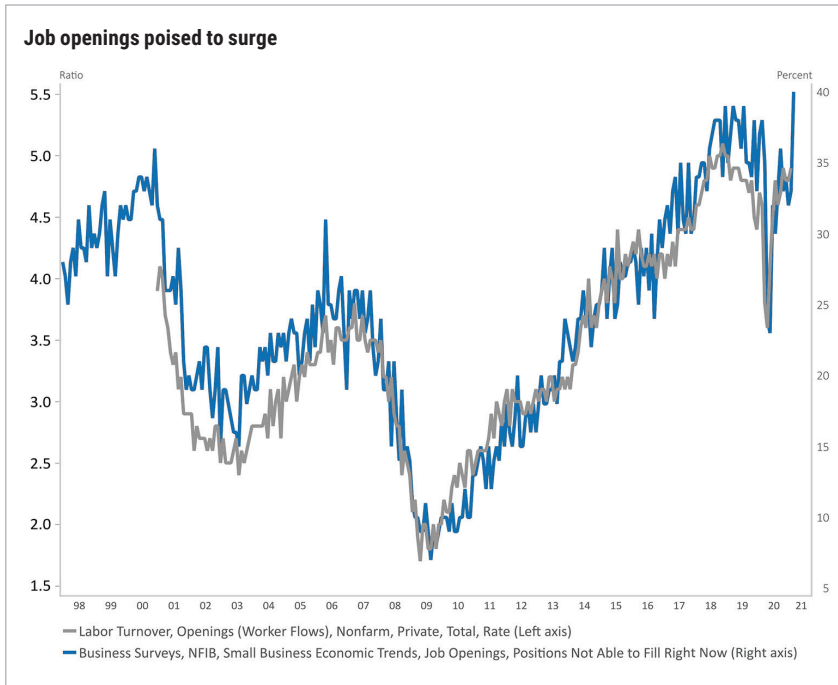
## WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 3.12.2020
<b>US EQUITY RETURNS</b>	
SPDR® S&P 500 ETF TRUST	5.30
ISHARES DOW JONES US ETF	5.60
ISHARES RUSSELL 1000 ETF	5.43
ISHARES RUSSELL 1000 VALUE ETF	11.33
ISHARES RUSSELL 1000 GROWTH ETF	-0.10
ISHARES RUSSELL 2000 ETF	19.28
<b>GLOBAL EQUITY RETURNS</b>	
ISHARES MSCI ACWI EX US ETF	4.42
ISHARES MSCI ACWI ETF	4.62
<b>US FIXED INCOME RETURNS</b>	
ISHARES SHORT TREASURY BOND ETF	-0.01
ISHARES CORE US AGGREGATE BOND ETF	-3.36
ISHARES TIPS BOND ETF	-2.06
ISHARES IBOXX \$ INVMT GRADE CORP BD ETF	-6.14
ISHARES IBOXX \$ HIGH YIELD CORP BD ETF	0.12
ISHARES MBS ETF	-0.85
<b>GLOBAL FIXED INCOME BENCHMARKS</b>	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-3.82
<b>US FIXED INCOME MUNI RETURNS</b>	
ISHARES NATIONAL MUNI BOND ETF	-0.45
<b>REAL ASSETS</b>	
ISHARES GOLD TRUST	-9.90
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	6.48

Source: Morningstar

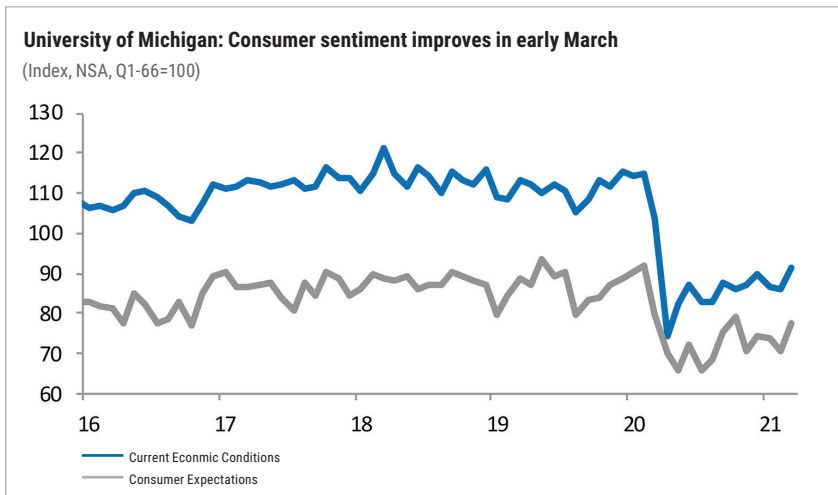
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Source: Renaissance Macro Research, Macrobond

## Consumer sentiment at pandemic high



Source: Haver Analytics, Renaissance Macro Research

<sup>1</sup> MarketWatch

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

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