

WEEKLY UPDATE

MARCH 22, 2021

CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

The predominant story of last week was the extension of the recent move up in long-term Treasury rates. The 10-year Treasury yield traded as high as 1.76%¹ during the week, breaking above the recent range of 1.5% to 1.6%.¹ The Treasury yield curve, a reflection of various maturities and their corresponding rates, is now steeper than at any point since 2015. Implications to the continued lift in long-term yield levels: we continue to expect bond returns to struggle posting a positive number for 2021. This is a viewpoint we expressed in our [2021 Market Outlook](#) last December. So far in 2021, the Barclay's U.S. Bond Aggregate is down 3.61%.¹ Bond prices are falling as yields increase. Look to zero duration risk strategies for income if that is an objective.

Implications for stocks: the spike in yields remains the primary headwind to higher equity prices, particularly if the pace is fast. This is the likely trigger for short-term pullbacks. The sweet spot for stocks is higher yields due to higher growth – but not getting there too fast. So far, the headwind has manifested itself as more of a messy rotation than a broad market correction.

For those investors maintaining equity exposure, lean toward cyclical. These are companies that have earnings levered to the rapidly expanding economy. Higher yields accentuate the rotation from technology toward cyclical, as many names in the latter group are higher-yield beneficiaries. Last week, the S&P 500 Index was down .74%.¹ Year to date, value (largely populated by cyclical) has outpaced growth (heavily oriented to technology) across all capitalizations by a wide margin. Among large caps, the Russell 1000 Value Index is up 10.50%, while the Russell 1000 Growth Index is down .95%.

ECONOMIC NEWS

The trigger for last week's spike in the 10-year Treasury yield was the two-day Federal Reserve FOMC meeting and follow-up press conference conducted by Chair Jay Powell. The message from the Fed remains essentially the same: they will remain highly accommodative until average inflation reaches the 2% target and employment reaches pre-pandemic levels. Short-term rates will remain anchored at zero and monetary expansion through monthly bond purchases will continue for the foreseeable future. Headline inflation is likely to be above-target for a few months as the data lags comparisons to last year, a period of deflation. This is the base effect referenced by the Fed. The key to inflation: maintaining a low trend going forward, in our opinion, is the inventory rebuild and resultant ease of supply-chain constraints. The takeaway is that to push back against higher yields is to push back against higher growth rates. Higher yields are a fallout of stronger-than-expected growth. Don't forget: American consumers are sitting on 1.8 trillion dollars in EXCESS savings.

CONTINUED...

WEEKLY BENCHMARKS

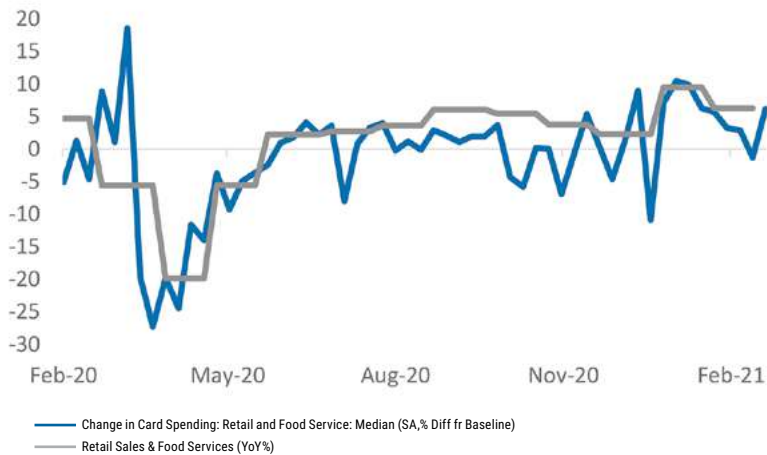
GROUP/INVESTMENT	YTD Return (Cumulative) 3.19.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	4.52
ISHARES DOW JONES US ETF	4.71
ISHARES RUSSELL 1000 ETF	4.54
ISHARES RUSSELL 1000 VALUE ETF	10.44
ISHARES RUSSELL 1000 GROWTH ETF	-0.97
ISHARES RUSSELL 2000 ETF	15.99
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	4.53
ISHARES MSCI ACWI ETF	4.18
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.00
ISHARES CORE US AGGREGATE BOND ETF	-3.63
ISHARES TIPS BOND ETF	-2.16
ISHARES IBOX \$ INVT GRADE CORP BD ETF	-6.33
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	-0.33
ISHARES MBS ETF	-1.20
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-4.03
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	-0.92
REAL ASSETS	
ISHARES GOLD TRUST	-8.29
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	5.76

Source: Morningstar

WEEKLY UPDATE

MARCH 22, 2021

Retail sales likely to rebound in March

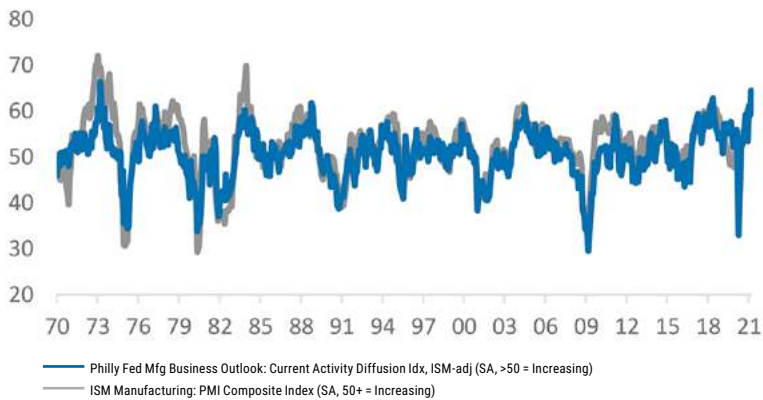


Source: Renaissance Macro Research, Haver Analytics

It is sunny in Philadelphia

Philly Fed points to strong ISM

(50+ = expansion)



Source: Renaissance Macro Research, Haver Analytics

¹ MarketWatch

Past performance is no guarantee of future results.

Cary Street Partners is the trade name used by Cary Street Partners LLC, Member FINRA/SIPC; Cary Street Partners Investment Advisory LLC and Cary Street Partners Asset Management LLC, registered investment advisers.

This information was prepared by or obtained from sources believed to be reliable, but Cary Street Partners does not guarantee its accuracy or completeness. Any opinions expressed or implied herein are subject to change without notice. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. An investor cannot invest directly in an index.

CSP2021053 © COPYRIGHT 2021 CARY STREET PARTNERS LLC, ALL RIGHTS RESERVED.