

WEEKLY UPDATE

APRIL 26, 2021

CARY STREET
PARTNERS

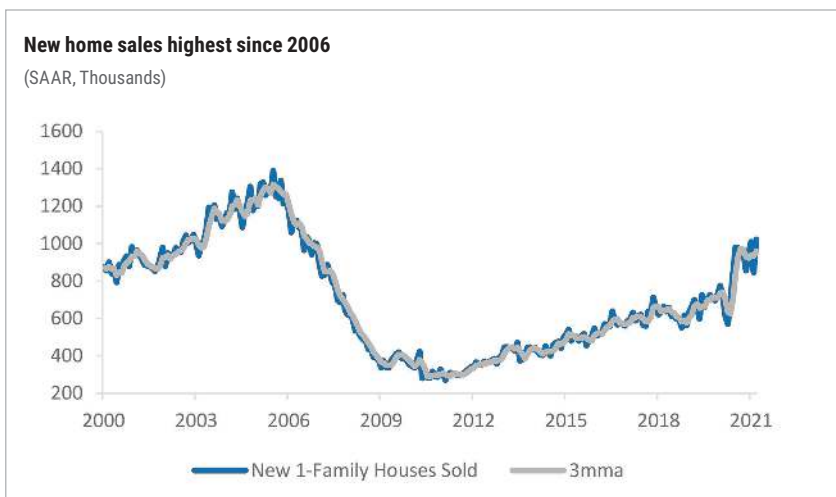
MARKET UPDATE AND COMMENTS

Equities moved more or less sideways last week, as the S&P 500 Index dropped a meager .11%¹. Leadership went to small- and mid-caps for the week. Relative strength in small-caps is encouraging as they have been underperformers for the last month. Last week's action in small-caps exhibited short-term downside exhaustion in that portion of the market. Overall, the week's consolidation burned off some short-term overbought conditions, but equities remain a little vulnerable to the downside. Should a more pronounced pullback ensue, we look for initial support about 4% under current levels. Tactically important long-term conditions, chiefly, liquidity and credit markets, remain supportive of the uptrend.

The previous market hurdle of a fast-rising 10-year Treasury yield has dissipated quite a bit. The yield curve remains steep, as one would expect during an economic expansion, but the 10-year yield has remained below recent highs for several weeks now as buyers have come into the bond market. This consolidation of yield is important as equities struggle when the pace of yield increase is fast. Our model that measures a combination of rate level and the pace of increase has moved back down to a more comfortable reading that historically is followed by stock market gains 126 trading days out.

Bonds, which move inversely in price relative to yields, have trimmed losses for 2021. The U.S. Aggregate is now down 2.43% for 2021. The 10-year yield closed the week at 1.56%, after starting 2021 at .92%. This was a very fast increase, consequently a good deal of the yield curve steepening we expected in 2021 has been front loaded into the first quarter. There will be continued upward pressure on the 10-year as the economy expands beyond expectations, but movement is likely to be less dramatic.

ECONOMIC NEWS



Source: Haver Analytics, Renaissance Macro Research

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 4.23.2020
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	11.76
ISHARES DOW JONES US ETF	11.77
ISHARES RUSSELL 1000 ETF	11.64
ISHARES RUSSELL 1000 VALUE ETF	15.13
ISHARES RUSSELL 1000 GROWTH ETF	8.36
ISHARES RUSSELL 2000 ETF	15.27
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	7.01
ISHARES MSCI ACWI ETF	9.39
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	0.00
ISHARES CORE US AGGREGATE BOND ETF	-2.45
ISHARES TIPS BOND ETF	-0.59
ISHARES IBOX \$ INVT GRADE CORP BD ETF	-4.06
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	1.46
ISHARES MBS ETF	-0.62
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.97
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	0.44
REAL ASSETS	
ISHARES GOLD TRUST	-5.85
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	12.59

Source: Morningstar

CONTINUED...

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Data released last week indicate growing global manufacturing momentum in a rush to buy for both final demand and inventory rebuild. This is reflected in pipeline price pressure as well. In other news, U.S. new home sales for March rebounded nicely to their highest level since 2006. Existing home sales, on the other hand, contracted as inventory remains near record lows. The Kansas City Fed Manufacturing Index moved higher to a historic record high, and new jobless claims came in at a pandemic low. All data continues to point to a very strong expansion. Inflation data will be in focus going forward.

COVID vaccination rollout in the U.S. continues, driving growth and keeping a lid on the health crisis. As the percentage of the population receiving vaccine reaches beyond 50%, case loads should decline substantially, even accounting for the more virulent strains now circulating in the U.S. It will become essential that the rest of the world follows with vaccine rollout as quickly as possible. Europe which has lagged in vaccine rollout, will be seeing high rates of vaccination through the summer months. At the end of the week, the single-shot, Johnson & Johnson vaccine was re-authorized for use in the U.S.

KC Fed district points out to factory growth in April

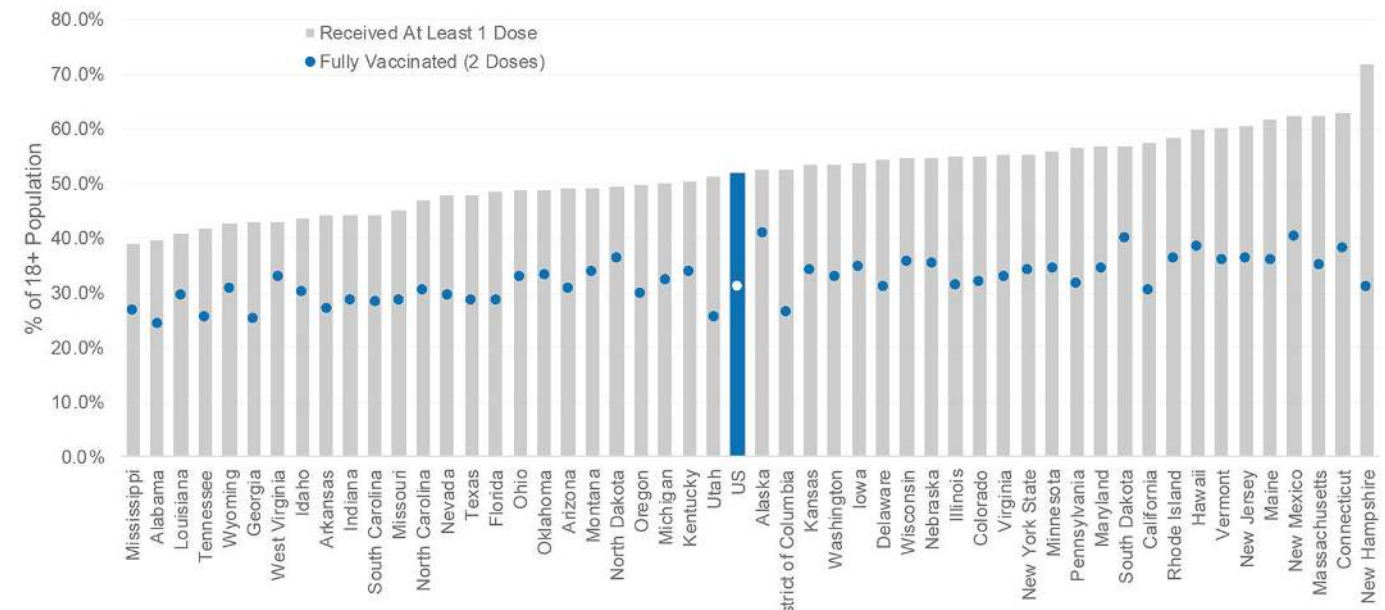
Kansas City Fed Manufacturing Index (SA, %Bal)



Source: Haver Analytics, Renaissance Macro Research

US Vaccine Rollout

U.S. Vaccination Progress (18+ population)



Source: Natixis PRCG, CDC, 4/22/21.

¹ MarketWatch

Past performance is no guarantee of future results.

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