WEEKLY UPDATE

CARY STREET PARTNERS

JUNE 7, 2021

MARKET UPDATE AND COMMENTS

For the holiday-shortened week, the S&P 500 Index was up .64%[1]. Within the market, cyclicals continue to display leadership. Sectors such as energy and materials have now been joined by Real Estate Investment Trusts (REITS) in leadership. Cyclicals have been relative outperformers for about a year. REITS look particularly attractive. This group is among our recommendations for positioning in the current higher structural-inflation environment. Among real assets, liquid and efficient REITS offer investors the ability to participate in property appreciation and rents. Although share prices of REITS have moved up off of their lows, this group should have plenty of life left in it. Technology has recently responded to its oversold condition, with admirable absolute performance. The sector is back above its 50-day moving average, approaching new highs on an equal-weight basis. Relative to other market sectors, performance peaked about a year ago and currently lacks the momentum to return to leadership. We do not advocate being naked technology; rather we advocate leaning toward cyclicals within the context of a diversified portfolio.

ECONOMIC NEWS

A lightly discussed development over the last few months has been money supply growth moving off of its extremely lofty perch. In February, annual growth in M2 money supply was over 25% on an annual basis. This important data point moved down to 13.8% in April. While still robust, this is an indication of the much-discussed tapering having begun — separate

Labor demand does not appear to be an issue

Source: Renaissance Macro Research, Macrobond

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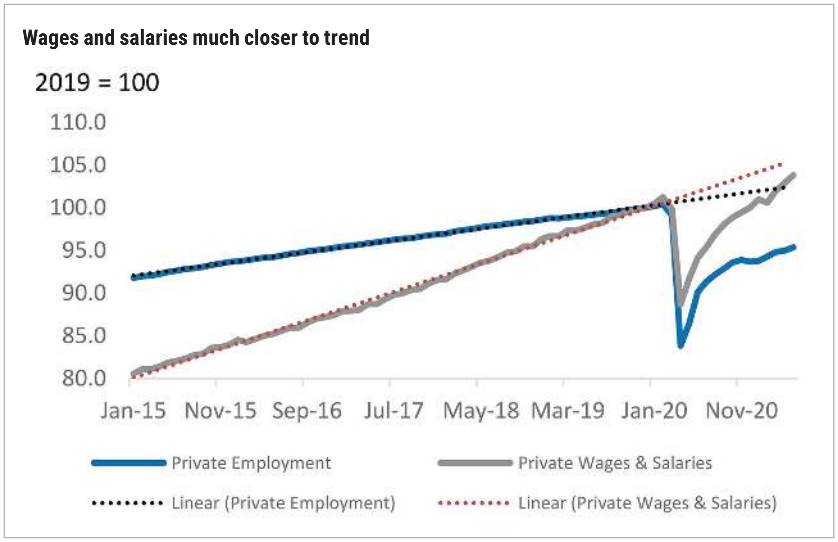
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 6.4.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	13.29
ISHARES DOW JONES US ETF	12.79
ISHARES RUSSELL 1000 ETF	12.70
ISHARES RUSSELL 1000 VALUE ETF	19.20
ISHARES RUSSELL 1000 GROWTH ETF	6.61
ISHARES RUSSELL 2000 ETF	16.13
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	11.09
ISHARES MSCI ACWI ETF	11.74
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.02
ISHARES CORE US AGGREGATE BOND ETF	-2.20
ISHARES TIPS BOND ETF	1.00
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	-3.31
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	2.06
ISHARES MBS ETF	-0.82
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.57
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	0.78
REAL ASSETS	
ISHARES GOLD TRUST	-0.13
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	18.14

Source: Morningstar



Source: Renaissance Macro Research, Haver Analytics

from the Fed monthly bond buying. Liquidity is still ample, and the new Fed policy is targeting average inflation of 2% – allowing core CPI and core PCE to run hotter than 2% for some period of time. But M2 growth moving down to a more normalized range, and velocity still low, bodes well for inflation not getting out of control.

What HAS been heavily discussed is the jobs picture. The non-farm payroll report for April, released last month was a large miss to the downside. As confirmed by the May report released last Friday, this was not a one-off. Employment growth again missed heavily to the downside. May had too much in common with April. Employment was below expectations, while average hourly earnings were hot. There is a labor shortage. While job growth is making progress, it is hard to call that progress substantial in the context of the 7.6 million payroll employment shortfall. COVID still remains an issue, keeping in mind, vaccinations were still rolling out to a substantial degree during over these two months. With increased vaccinations, and generous unemployment benefits coming to an end in a lot of states, we may see some pick up over the summer. All likely keeps the Fed from ending the quantitative bond buying program anytime soon.

[1] MarketWatch

Past performance is no guarantee of future results.

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