

WEEKLY UPDATE

JULY 12, 2021

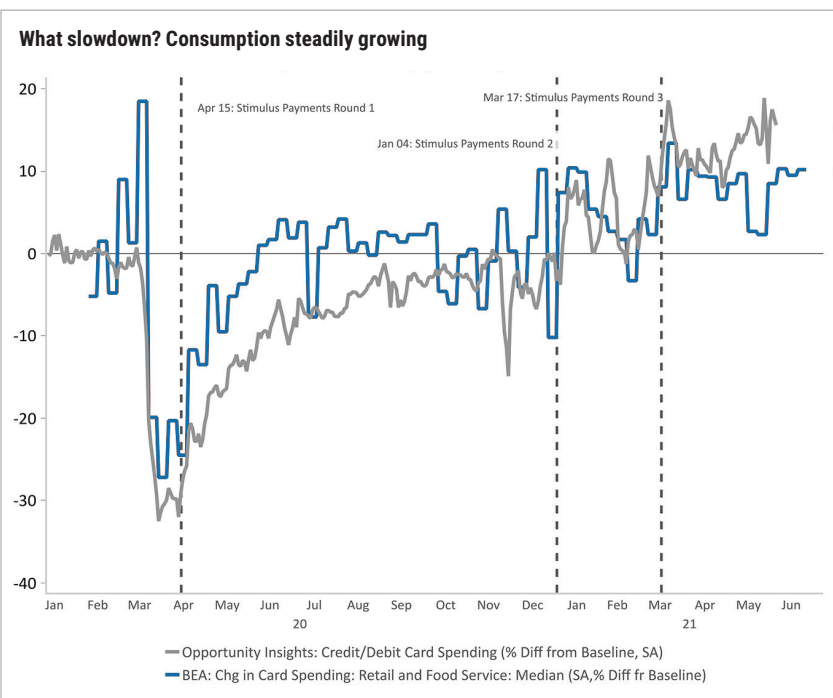
CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Equity markets finished higher last week, with the S&P 500 Index adding .40%¹ for the holiday-shortened trading week. Most of the attention last week was focused on the plunging 10-year Treasury yield. Long-dated bonds rallied, with yields on the 10-year briefly reaching 1.25%¹ by Thursday. Keep in mind bond prices are inverse to yields. This recent move lower in yield seems very technically driven to us – not a lot of fundamentals to justify buying into long bonds unless you think we are heading toward recession, which we do not. Market momentum can take prices to extremes. As yields reached levels below 1.30 on Thursday a lot of exhaustion indicators kicked in. Additionally, there is an important support level around 1.29 and trading bounced off an ascending 200-day moving average, both positive patterns. The 10-year closed out the week at a yield of 1.36%¹.

ECONOMIC NEWS

Economics related to the 10-year Treasury yield find it hard to justify the move down. Investors have seemingly transitioned from worrying about inflation to worrying about growth overnight. Consensus has been cautious on the recovery throughout the pandemic, consistently underestimating growth. While GDP will undoubtedly not remain near 10%



Source: Renaissance Macro Research, Macrobond

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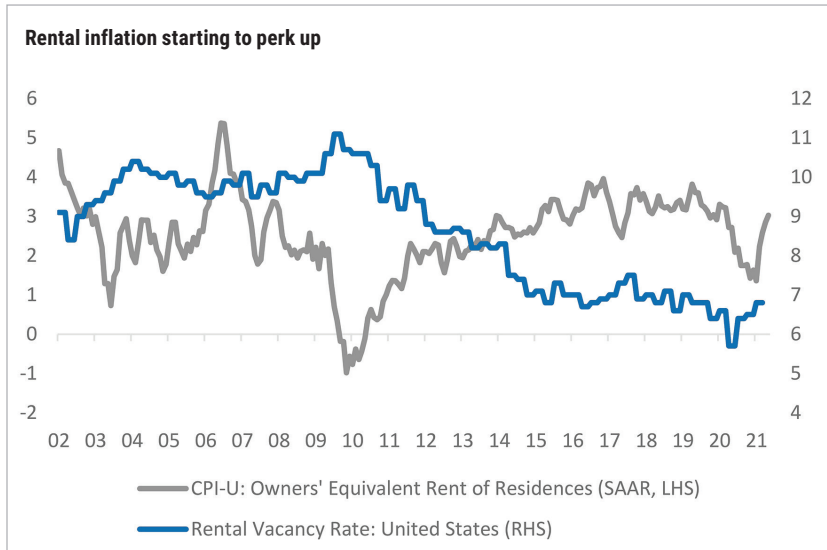
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 7.9.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	17.18
ISHARES DOW JONES US ETF	16.79
ISHARES RUSSELL 1000 ETF	16.65
ISHARES RUSSELL 1000 VALUE ETF	17.70
ISHARES RUSSELL 1000 GROWTH ETF	15.59
ISHARES RUSSELL 2000 ETF	15.90
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	8.69
ISHARES MSCI ACWI ETF	13.18
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.04
ISHARES CORE US AGGREGATE BOND ETF	-1.21
ISHARES TIPS BOND ETF	1.98
ISHARES IBOXX \$ INVMT GRADE CORP BD ETF	-1.21
ISHARES IBOXX \$ HIGH YIELD CORP BD ETF	3.21
ISHARES MBS ETF	-0.71
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.86
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	1.46
REAL ASSETS	
ISHARES GOLD TRUST	-4.62
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	20.75

Source: Morningstar

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Source: Renaissance Macro Research, Haver Analytics

annualized growth, there is also not much evidence that the economy is slowing in a meaningful way. Durable goods and housing are cooling a little (although 10s coming in will be good for mortgage rates) but services continue to pick up. Payments card data shows a steady pace of consumption. Excess savings is still so high that this stimulus can leak into U.S. growth for years to come. Financial conditions look broadly accommodative, conducive to strong growth outcomes. Corporate credit spreads have remained tight. COVID remains a global challenge as vaccine availability is not as fortunate as we are in the U.S., but this is inevitably improving. Existing vaccines demonstrate efficacy versus the Delta variant, particularly in terms of severe cases. Not as widely appreciated is the fact that new mRNA vaccines can be modified very quickly to deal with variants. Protection against hospitalization for those vaccinated is virtually 100%. In the U.S., vaccine coverage is widely available, states that are inexplicably less protected tend to be small in GDP terms.

¹ MarketWatch

Past performance is no guarantee of future results.

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