

WEEKLY UPDATE

JULY 19, 2021

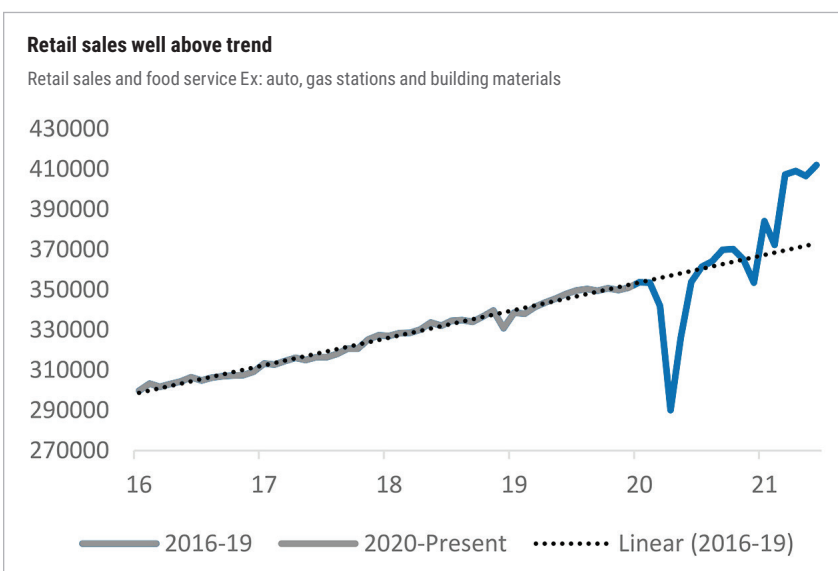
CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Markets continued to deal with the 10-year Treasury yield last week. Equities were down on the week, with the S&P 500 Index off .96%.¹ The S&P does not tell the entire story for last week. The broad market was much weaker, with small caps in particular trading poorly. As a proxy for this portion of the market, the Russell 2000 Index produced a loss of about 5% for the week. Equities have been increasingly narrow in terms of participation, with a substantial portion of the market gain over the last six weeks coming from the five largest stocks. An internal rotation to broaden out participation is vital for the market to move higher.

The 10-year Treasury moved higher in price, driving yields back down to 1.30% to close the week. Keep in mind the inverse relationship between bond price and yield. The recent rally in the 10-year continues to look very technical, with a lot of short covering. Following a very rapid increase in yield during Q1, the market was left with a preponderance of bond bears, everyone expecting higher yields immediately. As an additional factor, buying pressure has likely come from overseas given lower rates in major developed markets. Nothing moves in a straight line, and it has taken a good shakeout to even out sentiment in this market. The support zone around 1.3% is a proving ground.

The lower yield has been widely interpreted to signal a growth slowdown. While growth will not stay at current dramatically high levels forever, unless you expect a recession (which we do not), this is very overstated. Even if growth and inflation come down off high rates of growth and return to pre-pandemic trend, the 10-year Treasury yield should be somewhat higher. The lower yield has also played into equities as leadership since



Source: Renaissance Macro Research, Haver Analytics

CONTINUED...

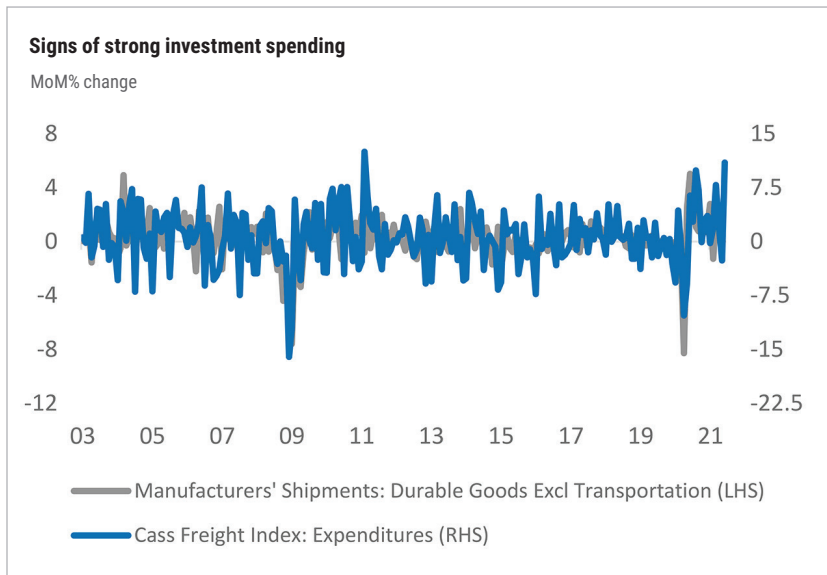
WEEKLY BENCHMARKS

| GROUP/INVESTMENT | YTD Return (Cumulative) 7.16.2021 |
|--|--------------------------------------|
| US EQUITY RETURNS | |
| SPDR® S&P 500 ETF TRUST | 16.06 |
| ISHARES DOW JONES US ETF | 15.35 |
| ISHARES RUSSELL 1000 ETF | 15.18 |
| ISHARES RUSSELL 1000 VALUE ETF | 16.02 |
| ISHARES RUSSELL 1000 GROWTH ETF | 14.32 |
| ISHARES RUSSELL 2000 ETF | 9.99 |
| GLOBAL EQUITY RETURNS | |
| ISHARES MSCI ACWI EX US ETF | 7.42 |
| ISHARES MSCI ACWI ETF | 11.92 |
| US FIXED INCOME RETURNS | |
| ISHARES SHORT TREASURY BOND ETF | -0.03 |
| ISHARES CORE US AGGREGATE BOND ETF | -0.97 |
| ISHARES TIPS BOND ETF | 2.84 |
| ISHARES IBOXX \$ INVMT GRADE CORP BD ETF | -0.90 |
| ISHARES IBOXX \$ HIGH YIELD CORP BD ETF | 3.00 |
| ISHARES MBS ETF | -0.57 |
| GLOBAL FIXED INCOME BENCHMARKS | |
| ISHARES CORE GLOBAL AGGT BD ETF USD DIST | -2.71 |
| US FIXED INCOME MUNI RETURNS | |
| ISHARES NATIONAL MUNI BOND ETF | 1.50 |
| REAL ASSETS | |
| ISHARES GOLD TRUST | -3.66 |
| SPDR® DOW JONES GLOBAL REAL ESTATE ETF | 21.16 |

Source: Morningstar

WEEKLY UPDATE

JULY 19, 2021



Source: Renaissance Macro Research, Haver Analytics

mid-May has been in the hands of technology stocks. Higher yields are generally a negative for long-duration equities, technology issues being the poster child for this group. Conversely, cyclicals and financials are relative winners. A move back up in yield would likely swing internal-equity market rotation back toward the latter.

ECONOMIC NEWS

Economics last week was dominated by very strong inflation data and growth indicators such as retail sales. The June CPI, released on Tuesday, came in hot. Headline inflation was up 5.4% year-over-year, core CPI was up 4.5%. Core CPI is one of two Fed benchmarks. Both CPI reports were about one-half percent higher than expected. Over the last three months, a large component of inflation has been used and new car prices, accounting for almost half the increase. That component could easily unwind in a relatively short time frame as production rationalizes. That is food for the transitory argument. On the other hand, rents are also moving higher, with lots of room to go higher still. These are prices that do not come undone quickly, rent is sticky. Retail sales for June came in late in the week above expectations. Consumption is hot, with few signs of consumption quickly returning to pre-pandemic trend.

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.