WEEKLY UPDATE

CARY STREET PARTNERS

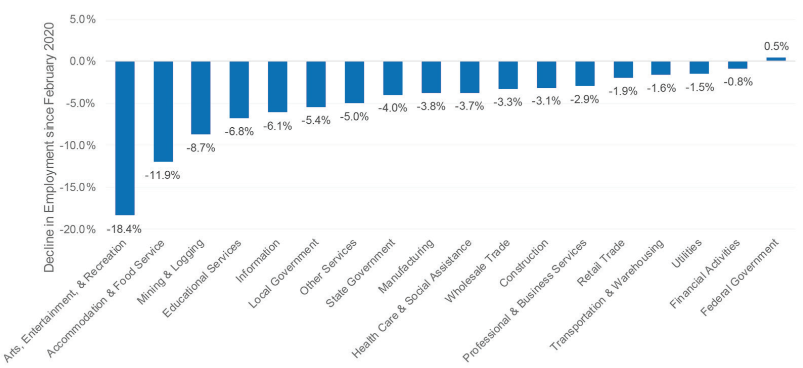
JULY 26, 2021

MARKET UPDATE AND COMMENTS

Equities endured a dramatic sell-off to start last week, but following a brutal Monday, recovered their footing to finish the week with a S&P 500 Index gain of 1.97%.[1] The early week sell-off was fear induced as COVID cases mounted around the U.S. It was also a function of the weak underlying market of the previous two weeks. While the S&P was up in recent weeks, a significant portion of the gain was in the five largest companies – very narrow participation. Sentiment quickly went to bearish extremes early last week, which now puts equities in a less vulnerable position. Bearish sentiment is a contrarian positive. Markets responding quickly to the brief sell-off with good breadth is also comforting. The all-important canary in the coal mine of credit stress remains solid, credit markets are not stressed and wide open. Signs of credit stress are a strong indicator of larger equity drawdowns. The seasonal set-up is still poor for equities, historical forward returns look their worst when dated from the July earnings release dates. The 10-year Treasury yield briefly plunged lower early last week, before snapping back to close the week at 1.28%.[2] Bond prices and yields move in opposite directions. A strong support level just below 1.30% in yield continues to hold for the 10.

Lots of ground to make up, shortfall exacerbated by labor shortage

Employment losses by industry since February 2020



Source: Natixis Portfolio Clarity®, Bloomberg. As of 6/30/21.

The recent surge in COVID Delta-variant cases is the clear and present reason for spiking fear. This is a very infectious variant, ripping through counties with low vaccination rates. 97% of hospitalizations are unvaccinated, and unvaccinated populations allow for these variants to develop in the first place. The current surge is expected to peak around September 1. As a silver lining, the five states with the highest case counts had higher rates of vaccinations than the national average over the last week.

WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 7.23.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	18.34
ISHARES DOW JONES US ETF	17.90
ISHARES RUSSELL 1000 ETF	17.70
ISHARES RUSSELL 1000 VALUE ETF	17.16
ISHARES RUSSELL 1000 GROWTH ETF	18.12
ISHARES RUSSELL 2000 ETF	12.35
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	7.76
ISHARES MSCI ACWI ETF	13.53
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.03
ISHARES CORE US AGGREGATE BOND ETF	-0.78
ISHARES TIPS BOND ETF	3.36
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	-0.56
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	3.09
ISHARES MBS ETF	-0.38
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.63
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	1.57
REAL ASSETS	
ISHARES GOLD TRUST	-4.97
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	21.23

Source: Morningstar

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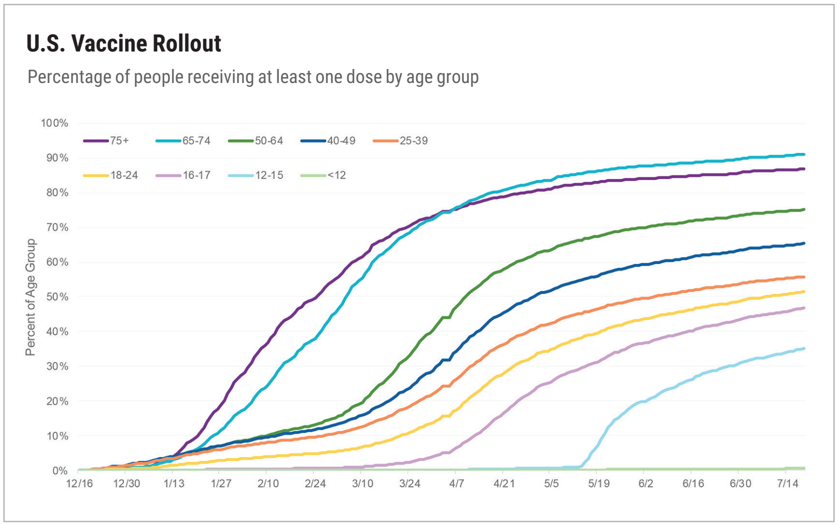
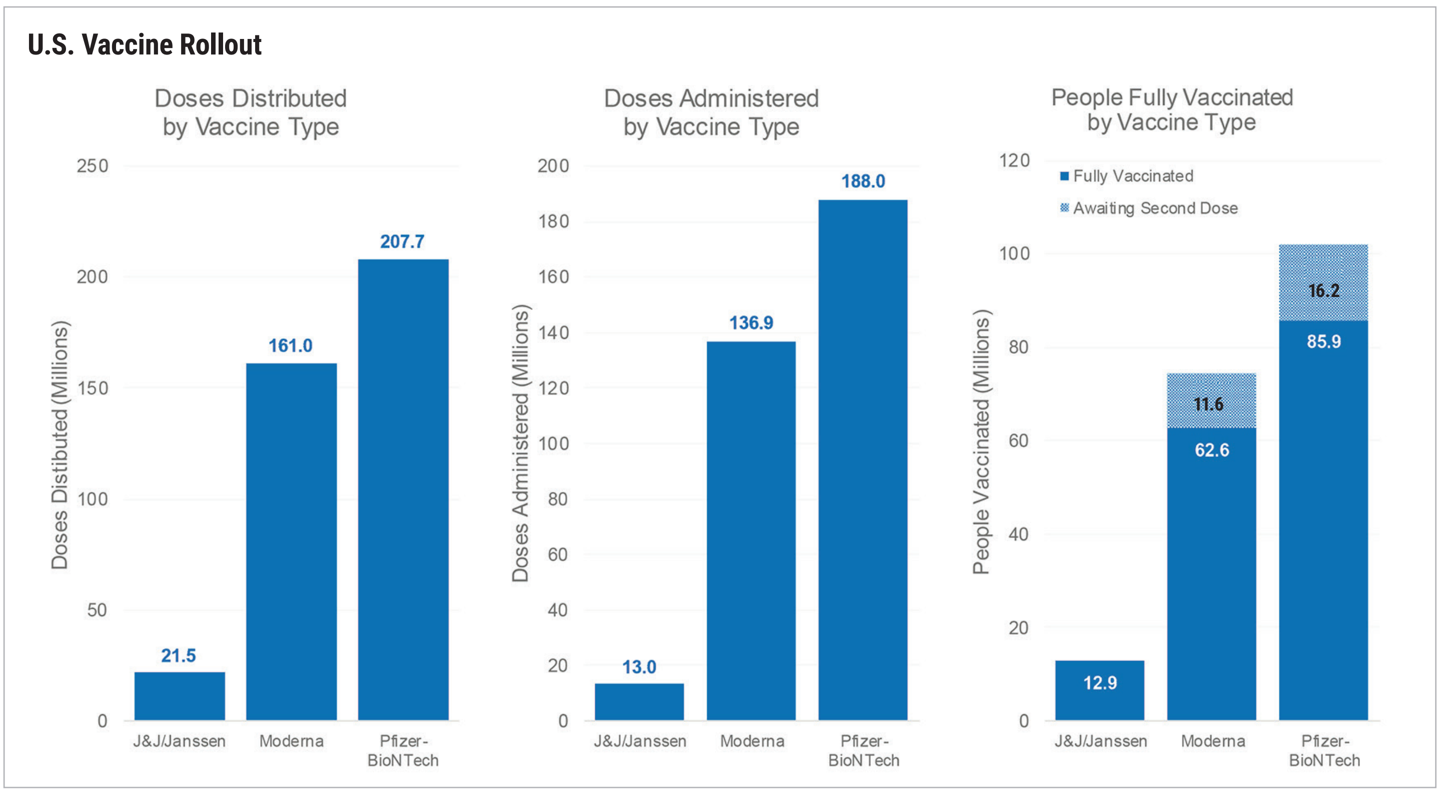


Source: NatixisPRCG, CDC. As of 7/19/21.

ECONOMIC NEWS

There is not a lot of evidence that the COVID surge is impacting the economic recovery. The most-effected regions in the U.S. are small in relation to overall US GDP, accounting for about 10% of the total.[3] July manufacturing PMI came in at another record high, beating estimates. New orders growth picked up, and existing customers increased spending. Foreign demand also ticked higher. Labor shortages remain a constraint.



Source: NatixisPRCG, CDC. As of 7/19/21.

[1] MarketWatch [2] MarketWatch - support level: Fairlead Strategies. [3] Renaisssance Macro Institute

Past performance is no guarantee of future results.