

WEEKLY UPDATE

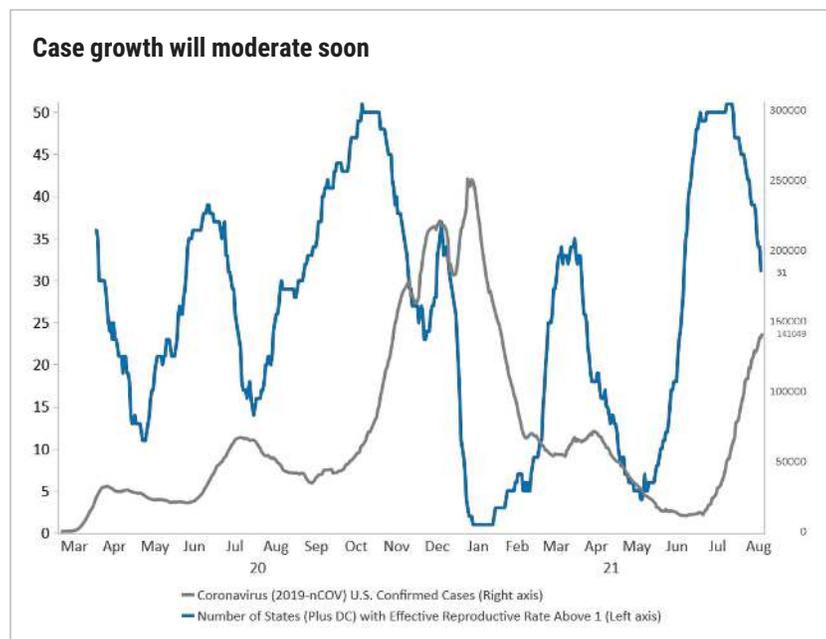
AUGUST 23, 2021

CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Equities turned broadly lower last week. The S&P 500 Index declined .55%¹ on the week. Broad performance was weaker, the Russell 2000 declining 2.47%¹ as one example. For context, the S&P has not experienced a 5% pullback yet this year, and furthermore has not experienced an actual 10% correction since last September. The market has experienced several 3 to 5% pullbacks this year that have quickly rebuilt a wall of worry for the market to move higher. Fear is only an inch away in this COVID-dominated environment. The CBOE Volatility Index (VIX), known as the fear index in some circles, spiked higher through Thursday last week, trading well into the 20s, well above all recent moving averages. This was an approximately 50% increase in a just a few sessions. On Friday, markets rallied to cut losses for the week as fear dissipated.

The market this year has repeatedly found support at the 50-day moving average. The buy-the-dip character of 2021 continues to be driven by the mountain of liquidity. Historic data indicates pullbacks characterized by a spiking VIX, absent credit stress, as a bullish setup for forward S&P returns. We have seen this dynamic play out several times this year. Credit stress is the canary in the coal mine for larger equity drawdowns, something beyond normal pullbacks and corrections. Credit markets are wide open. In summary, this is the data behind a fear-driven market move that rebuilds a wall of worry. The speed and shallowness of this dynamic has been surprising, and at some point, the dip will mature into a larger 5%+ pullback.



Source: Renaissance Macro Research, Macrobond

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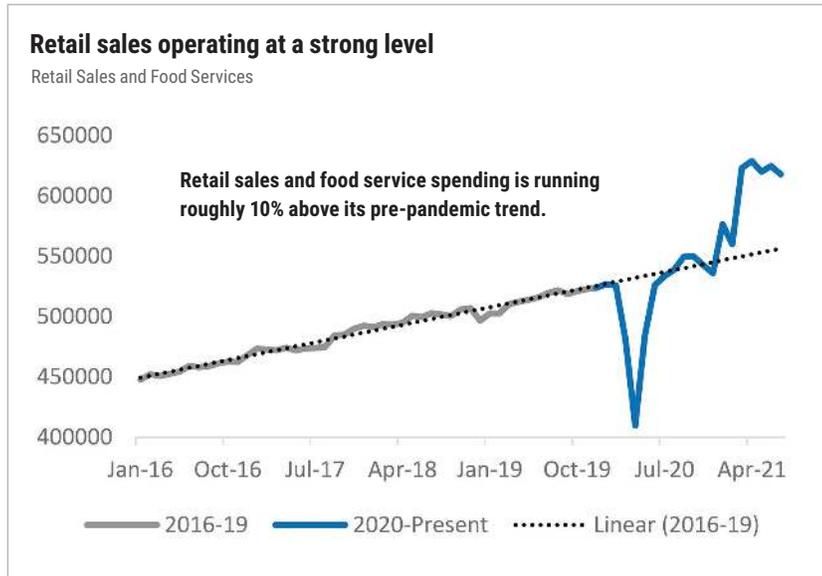
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 8.20.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	19.28
ISHARES DOW JONES US ETF	18.46
ISHARES RUSSELL 1000 ETF	18.19
ISHARES RUSSELL 1000 VALUE ETF	18.73
ISHARES RUSSELL 1000 GROWTH ETF	17.61
ISHARES RUSSELL 2000 ETF	10.29
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	5.80
ISHARES MSCI ACWI ETF	13.03
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.04
ISHARES CORE US AGGREGATE BOND ETF	-0.69
ISHARES TIPS BOND ETF	3.29
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	-0.67
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	2.68
ISHARES MBS ETF	-0.49
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.65
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	1.22
REAL ASSETS	
ISHARES GOLD TRUST	-6.07
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	21.38

Source: Morningstar

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Source: Renaissance Macro Research, Haver Analytics

ECONOMIC NEWS

The significant negative development now is the delayed return to the office due to COVID Delta variant concern. At a minimum, this rotates growth away from urban core markets. While the peak of the Delta surge is still not here, vaccinations are picking up, particularly in high-case-load states. Nationwide vaccinations are hitting one million per day on some days – rates not seen for months. The number of states with a virus reproductive rate above 1 has been declining. It was 50 at the end of July and is currently 31. A reproduction rate below 1 means that an outbreak is subsiding, since each infected person is transmitting the virus to fewer than one other person. This is the data that leads case growth.

The July retail sales report disappointed on Tuesday last week, declining 1.1%. An important source of weakness within the data was online sales dropping 3.1%, the biggest drop since February. This is likely due to timing around Amazon Prime Day. Core sales were down .6%, and ex-online core rose .1%. The conclusion is that retail sales are not nearly as weak as headline.²

¹ MarketWatch

² All economic news data sourced from Bloomberg

Past performance is no guarantee of future results.

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