

WEEKLY UPDATE

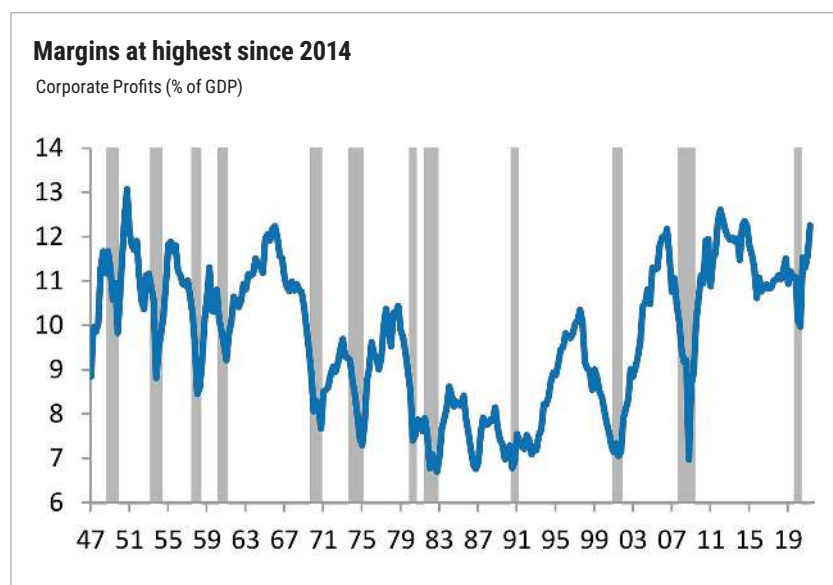
AUGUST 30, 2021

CARY STREET
PARTNERS

MARKET UPDATE AND COMMENTS

Equities moved higher yet again last week – following a very brief and shallow decline the prior week. The S&P 500 Index gained 1.54 %, notably small-capitalization stocks were up 5.06%². A hefty portion of the small-cap gain followed Jay Powell's speech on Friday. Small caps have struggled over the last few months along with cyclicals. The 10-year Treasury yield moved up to 1.31% through Friday. Yields and bond prices move opposite each other. In addition to presenting a difficult bond dynamic, the 10-year yield is indicative of economic sentiment. An increasing yield and steeper curve are associated with stronger growth and inflation. Underlying stock-sector performance has been heavily influenced by the 10-year yield this year. If the 10-year yield continues to push through 1.4%, this would support equity performance rotating back in favor of small caps and cyclicals.

A rotation of this sort would be a healthy development – giving the market a shot at consolidating or grinding higher as opposed to further stretching the narrow leadership of the last few months. Equities still have a positive liquidity backdrop, which continues to fuel the buy-the-dip market of 2021. The speed and shallowness of pullbacks has been surprising. Our canary in the coal mine of credit stress is not present. Additionally, consumer credit is quite positive. The historic S&P six-month return data relative to the current Conference Board U.S. Leading Credit Index is bullish.



Source: Renaissance Macro Research, Haver Analytics

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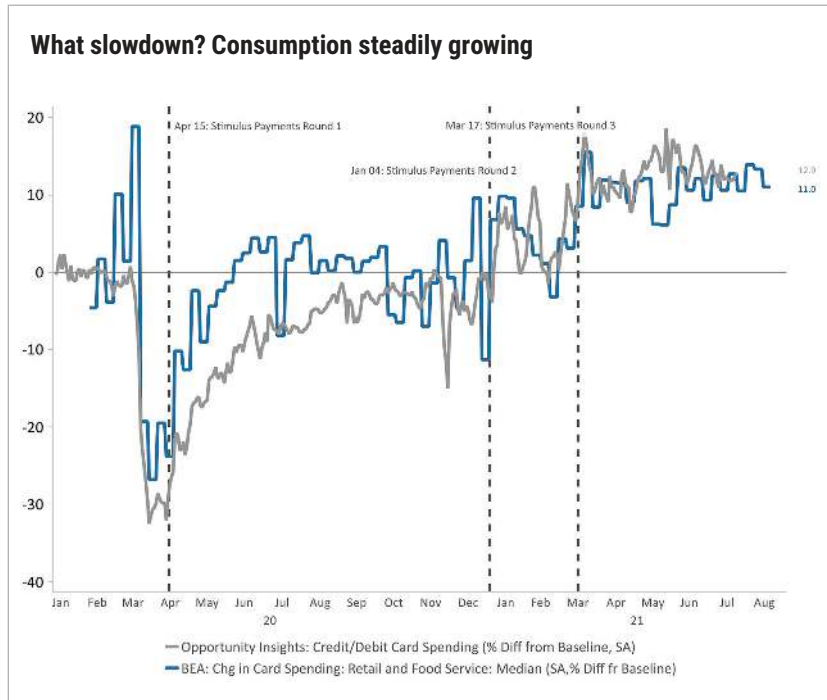
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 8.27.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	21.12
ISHARES DOW JONES US ETF	20.57
ISHARES RUSSELL 1000 ETF	20.35
ISHARES RUSSELL 1000 VALUE ETF	20.56
ISHARES RUSSELL 1000 GROWTH ETF	20.06
ISHARES RUSSELL 2000 ETF	15.87
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	8.41
ISHARES MSCI ACWI ETF	15.26
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.04
ISHARES CORE US AGGREGATE BOND ETF	-0.74
ISHARES TIPS BOND ETF	4.22
ISHARES IBOX \$ INVMT GRADE CORP BD ETF	-0.57
ISHARES IBOX \$ HIGH YIELD CORP BD ETF	3.42
ISHARES MBS ETF	-0.42
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.48
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	1.15
REAL ASSETS	
ISHARES GOLD TRUST	-5.05
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	22.65

Source: Morningstar

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Source: Renaissance Macro Research, Macrobond

ECONOMIC NEWS

The rising 10-year yield last week is also sending a message that the peak to the current COVID surge is moving into sight, as the surge is the primary economic growth concern. COVID cases and hospitalizations are continuing to rise but at a slower pace. Initially hard-hit southern states appear to be peaking. The economic impact of the surge appears to be very localized, slowing some economic momentum, but not reversing it.

The economic news of last week centered around the Federal Reserve Jackson Hole symposium on Thursday and Friday. Much attention was paid to Fed Chair Jay Powell's speech on Friday morning which successfully threaded the needle the markets were hoping for. While indicating that the Fed would begin tapering the monthly bond purchase program before the end of this year, Chair Powell also pushed back against the notion that the Fed would begin hiking short-term rates anytime soon. The summary conclusion: the Fed is going to let growth and inflation run hotter for the time being.

Additionally last week, Q2 GDP was revised slightly higher. Notable in this release were corporate profits, which are at their highest level since 2014 relative to nominal GDP. This bodes well for corporate investment in coming years.

¹ MarketWatch

² Russell 2000

Past performance is no guarantee of future results.

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