WEEKLY UPDATE

CARY STREET PARTNERS

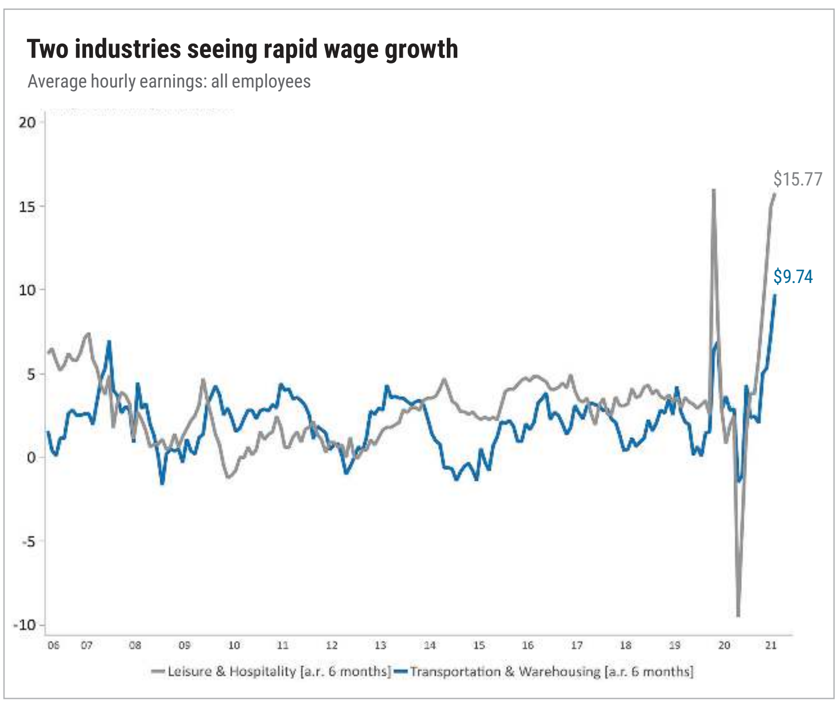
AUGUST 9, 2021

MARKET UPDATE AND COMMENTS

Equity markets moved modestly higher last week, closing at all-time highs in what can be best characterized as consolidation of recent gains. The S&P 500 Index returned .96%[1] for the week. Underlying equity performance has been heavily influenced over the last few months by the 10-year Treasury yield. The move lower in yield recently has benefited the long-duration group, notably technology, at the expense of the reflation and GDP-sensitive crowd; cyclicals and small caps. Low rate plays such as utilities have also been good performers during this stretch. This rotation toward what we will call growth (in a broad-brush manner) is quite the opposite of earlier in the year, as the 10-year yield pushed dramatically higher, cyclicals were in leadership and growth was a relative laggard.

The 10-year yield lifting off of recent pullback lows could easily shift this dynamic back in favor of cyclicals and small caps at the expense of long-duration equities. An overdue bounce back would be particularly helpful to the financial sector; higher long-term rates and a steeper yield curve benefit lending margin. A higher 10-year yield would mean tough sledding for the bond market in general. The takeaway is that investors should ensure equity exposure to both dynamics: growth and cyclicals. In the short run we still lean a little toward the cyclical side of the duration trade. Historically, the dynamic favoring cyclicals lasts longer than it has so far.

ECONOMIC NEWS



Source: Renaissance Macro Research, Macrobond

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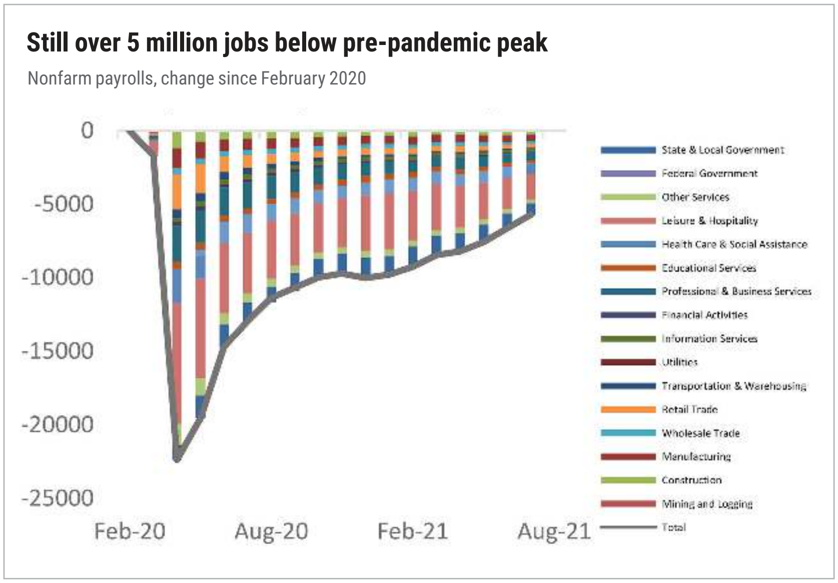
WEEKLY BENCHMARKS

GROUP/INVESTMENT	YTD Return (Cumulative) 8.6.2021
US EQUITY RETURNS	
SPDR® S&P 500 ETF TRUST	19.05
ISHARES DOW JONES US ETF	18.56
ISHARES RUSSELL 1000 ETF	18.32
ISHARES RUSSELL 1000 VALUE ETF	18.87
ISHARES RUSSELL 1000 GROWTH ETF	17.71
ISHARES RUSSELL 2000 ETF	14.31
GLOBAL EQUITY RETURNS	
ISHARES MSCI ACWI EX US ETF	8.29
ISHARES MSCI ACWI ETF	14.08
US FIXED INCOME RETURNS	
ISHARES SHORT TREASURY BOND ETF	-0.04
ISHARES CORE US AGGREGATE BOND ETF	-0.94
ISHARES TIPS BOND ETF	3.41
ISHARES IBOXX $ INVMT GRADE CORP BD ETF	-1.07
ISHARES IBOXX $ HIGH YIELD CORP BD ETF	2.88
ISHARES MBS ETF	-0.44
GLOBAL FIXED INCOME BENCHMARKS	
ISHARES CORE GLOBAL AGGT BD ETF USD DIST	-2.49
US FIXED INCOME MUNI RETURNS	
ISHARES NATIONAL MUNI BOND ETF	1.42
REAL ASSETS	
ISHARES GOLD TRUST	-6.92
SPDR® DOW JONES GLOBAL REAL ESTATE ETF	22.70

Source: Morningstar



Source: Renaissance Macro Research, Haver Analytics

If the economy is slowing, this could be a very short-term story. There is some evidence of slowing due to the COVID Delta variant surge. There are conferences being cancelled, return to office is delayed for many companies, and Open Table reservations are cracking. On the other hand, COVID conditions should look much better in a few weeks. Hot spots such as Nevada, Missouri, Kansas, and Tennessee are seeing improvement as vaccinations increase. Inventories are way too low — forward-looking data supports manufacturing for quite a while. Builders have enormous backlogs to work through.

On Friday, July employment figures came in above expectations with payrolls increasing by 943,000.[1] This was a strong number given the COVID concerns, the continued high level of unemployment insurance and child-care/back to school issues. This clarifies over August and September as the COVID surge peaks, expanded unemployment benefits expire and schools re-open. The latter two are September events, and the COVID surge peak likely times around September as well.

[1] MarketWatch

Past performance is no guarantee of future results.