

Last Week's Economic/Market Summary – May 18, 2020

Data

- U.S. equity benchmarks were down across the board.
 - S&P 500 -2.2% Dow -2.6%, Russell 2000 -5.4%, Nasdaq -1.2%¹
 - The All-Country World Index declined 2.44%.¹
 - S&P 500 sub-sectors were almost all negative last week.
 - Healthcare was the only positive sector last week with a gain of 1.02%.¹
 - Energy, Industrials, & Financials led to the downside with losses over 5.5%.¹
 - The CBOE Volatility Index (VIX) rose by 14% to end at 31.9.¹

- US Treasury bonds saw additional downward pressure on yields last week.
 - US 2yr -0.01% to 0.15%, 10yr -0.04% to 0.64%, 30yr -0.06% to 1.33%.¹
 - Interesting to note that bond yields haven't really gone anywhere for over a month.

- Commodities as an aggregate asset class were mostly flat.
 - WTI Crude gained approx. 13%.¹
 - Gold was up 2.5%.¹
 - The US Dollar index rose 0.63%.¹

- In our opinion, U.S. economic data was rough again last week.
 - US retail sales fell a record 16.4% in April.¹
 - The Consumer Price Index had its first back-to-back decline since 1982.¹
 - Jobless claims increased by 2.9 million; total of 37 million over the last 2 months.¹

- An index of equities outside the US (MSCI EFA) were down 2.7% last week.¹

¹ Source: Bloomberg – 5/15/2020

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370

Conclusion

- US equity markets had their worst week in 2 months as concerns about the economic recovery, US-China trade tensions, & valuations seemed to weigh on investor's minds.
 - The small-cap tracking Russell 2000 led to the downside with a loss of 5.4%.²
 - Interesting to note that the equal-weighted S&P 500 underperformed the traditional, market-cap weighted index by 2.4% last week alone.²
 - We believe this continues to show the trend of the biggest co's getting most of the recent buying & the lack of broad participation in the bounce off of the March lows.
 - Around the world, equities fell by 2.7% led by Eurozone names.²
 - The US Dollar bouncing higher by 0.63% created headwinds for non-US names.²
- S&P 500 sub-sectors were mostly negative last week.
 - Healthcare was the only positive sector as various names continue to get bought up on vaccine and antibody testing headlines.
 - Energy, Industrials, & Financials led to the downside by a wide margin.
 - Energy declined despite a 13% pop higher in WTI crude.²
 - WTI seems to be pricing in a robust reopening of the US.
 - Financials are the 2nd largest weighting in the S&P 500 index² and we think their recent underperformance vs the benchmark is telling.
 - Regional banks have underperformed the S&P 500 by nearly 40% year-to-date.²
- Fed Funds futures continues to price in negative interest rates in 2021.²
 - This is despite Fed Chair Powell dismissing the idea in a speech last week.
 - Additionally, Powell reiterated the Federal Reserve's high level of uncertainty regarding the outlook for the economy.²
 - In our opinion, this is inline with our thinking that at present moment, much is unknown about the potential recovery...speed? amount recovered when? add'l fiscal policy? corporate earnings? consumer spending?...to name a few items.
- Treasury yields were slightly down on the week, but remain fairly unchanged over the last month.
 - This is despite exposure to gov't bonds by institutional investors coming down substantially over the last month.²
 - In our opinion, if these large pockets of investment dollars come back into Treasuries, we could see yields plummet even further.
- Bankruptcies have surged of late, as we anticipated back in March.
 - JC Penny, Neiman Marcus, J. Crew, Gold's Gym are just a few of the recents.²
 - Even with the Gov't & Fed pumping trillions into the economy, we believe highly-leveraged co's will continue to have trouble both domestically & abroad and this is just the beginning.

Ryan A. Mummy, CFP®, AIF® - Chief Investment Officer

Contact: 828/855-9400 or info@CIASonline.com or rmummy@bloomberg.net

² Source: Bloomberg – 5/15/2020

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370