

# Market Pulse

from the Investment Advisory Group

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## Jeffrey Terrell, CFA

Chief Wealth Market Strategist  
BB&T Wealth

## Chip Hughey, CFA

Head of Fixed Income Strategy and Services  
BB&T Scott & Stringfellow

## Dylan Kase, CFA

Associate, Portfolio & Market  
Strategy  
SunTrust Advisory Services

### In Focus

A brigade of market movers – the US election cycle, Q3 2020 earnings season, COVID-19 developments, fiscal stimulus negotiations and Federal Reserve (Fed) appearances – are fueling higher volatility in US markets. Last week, optimism over a potential fiscal stimulus package ultimately faded, which turned attention to the spike in new COVID-19 cases here and abroad. There is no shortage of economic, political or health updates for traders to fixate upon. The week ahead will offer no exception.

With the election just two weeks away, former VP Biden is leading President Trump in the polls. However, the national polling data and other gauges within key swing states look similar to the data at this point in the 2016 election, where President Trump defied the polls and won the electoral college. Markets will remain sensitive to election updates and the embedded policy uncertainty given the two candidates vastly different agendas. It is increasingly unlikely that a fiscal relief package can be passed before November 3. House Speaker Pelosi has named tomorrow evening as the final deadline for a deal if it is to be completed before Election Day.

The resurgence in new COVID-19 cases in the US and Europe is threatening the speed of the global economic recovery, despite China's string of positive data surprises. A new wave of infections raises the risk of tightened restrictions and more disruptions for businesses and consumers. It also increases the need for a powerful fiscal policy response just as those efforts may be pushed to the back burner. Strong Q3 earnings results and US data this week could help buoy sentiment in the meantime, but markets will soon demand that fiscal policymakers deliver the much-needed support.

### A Look Back

### A Look Ahead

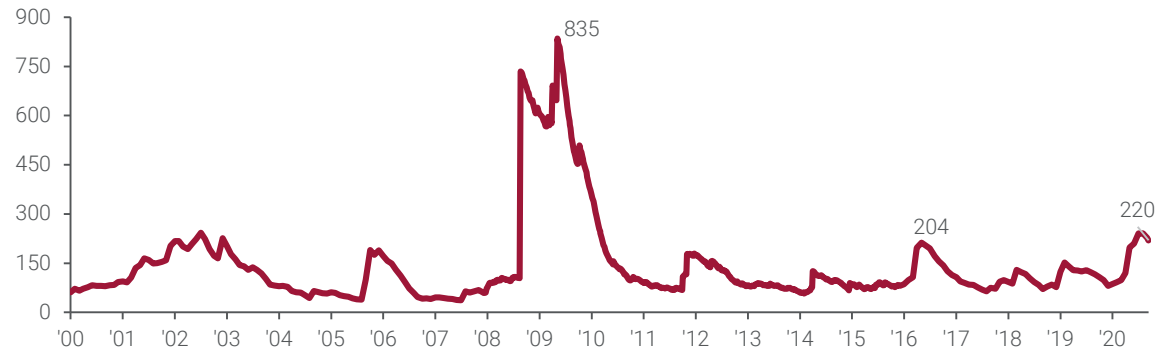
- The S&P 500 Index advanced 0.21%, 10-Year US Treasury yields fell 3 basis points to 0.74% in a mixed week for the risk tone in the market.
- Following a tech-led start, surging COVID-19 cases in the US and Europe, leading to new restrictions and curfews to fight the spread, which weighed on market sentiment.
- Updated Chinese data continues to showcase the economic benefits of an early, aggressive virus response with consumer activity and GDP extending their rebounds from historic lows.

- House Speaker Nancy Pelosi set a Tuesday deadline to pass a fresh round of fiscal stimulus before the November 3 election; both the size and scope of deal remain points of contention.
- This week is set to be busy as more than a dozen Fed officials will make appearances this week and Q3 earnings season is set to heat up.
- Key data releases: Home Sales, Housing Starts, Markit Manufacturing and Service purchasing managers indices (PMIs), Initial Jobless Claims, and the Leading Index.

### Chart of the Week: US Corporate Bankruptcies on the Rise

The Bloomberg Corporate Bankruptcy Index measures the frequency and severity of US bankruptcies for companies with at least \$50 million in reported liabilities. We anticipate the number of bankruptcies will grow as the impact of the pandemic seeps through the economy. The sharp downturn emerged just 7 months ago; however, the bankruptcy index already sits at levels unseen in more than a decade.

#### Bloomberg Corporate Bankruptcy Index



Data Source: SunTrust IAG, Bloomberg

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As of Oct 16, 2020

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.25	3.23	3.23	4.64	12.84
S&P 500	0.21	3.67	3.67	9.45	18.60
MSCI EAFE (net)	-1.45	1.50	1.50	-5.70	0.51
MSCI Emerging Markets (net)	0.15	3.95	3.95	2.74	12.14
Dow Jones Industrials	0.07	3.02	3.02	2.09	8.42
NASDAQ Composite	0.79	4.51	4.51	30.08	43.27
FTSE NAREIT All Equity REITs Index	-2.70	2.10	2.10	-10.43	-10.16
Bloomberg Commodity Index	0.18	3.58	3.58	-8.94	-5.62
Bloomberg Barclays Aggregate	0.24	0.01	0.01	6.81	7.14
ICE BofA US High Yield	0.01	1.37	1.37	1.07	3.53
Bloomberg Barclays Municipal Bond Blend 1-15 Year	0.08	-0.24	-0.24	3.11	3.61
ICE BofA Global Government xUS (USD Unhedged)	0.12	0.56	0.56	5.87	5.66
ICE BofA Global Government xUS (USD Hedged)	0.50	0.56	0.56	3.65	2.78
JP Morgan GBI-EM Global Diversified Composite	-0.73	1.04	1.04	-5.35	-1.70

Rates (%)	10/16/20	9/30/20	6/30/20	3/31/20	12/31/19
Fed Funds Target	0.25	0.25	0.25	0.25	1.75
Libor, 3-Month	0.21	0.23	0.30	1.45	1.90
T-Bill, 3-Month	0.10	0.10	0.15	0.10	1.54
2-Year Treasury	0.15	0.13	0.14	0.19	1.57
5-Year Treasury	0.32	0.27	0.28	0.37	1.69
10-Year Treasury	0.74	0.68	0.65	0.68	1.91
30-Year Treasury	1.53	1.45	1.40	1.31	2.38
Bloomberg Barclays Aggregate (YTW)	1.18	1.18	1.25	1.59	2.31
Bloomberg Barclays Municipal Bond Blend 1-15 Year	1.03	0.96	1.16	1.75	1.53
ICE BofA US High Yield	5.31	5.76	6.84	9.24	5.41
Currencies	10/16/20	9/30/20	6/30/20	3/31/20	12/31/19
Euro (\$/€)	1.17	1.17	1.12	1.10	1.12
Yen (¥/\$)	105.42	105.53	107.89	107.96	108.68
Pound (\$/£)	1.29	1.29	1.24	1.24	1.32
Commodities	10/16/20	9/30/20	6/30/20	3/31/20	12/31/19
Crude Oil (WTI)	41.12	40.22	39.27	20.48	61.06
Gold	1,906	1,896	1,801	1,597	1,523
Volatility	10/16/20	9/30/20	6/30/20	3/31/20	12/31/19
CBOE VIX	27.41	26.37	30.43	53.54	13.78

### U.S. Style % Total Returns (Russell Indexes)

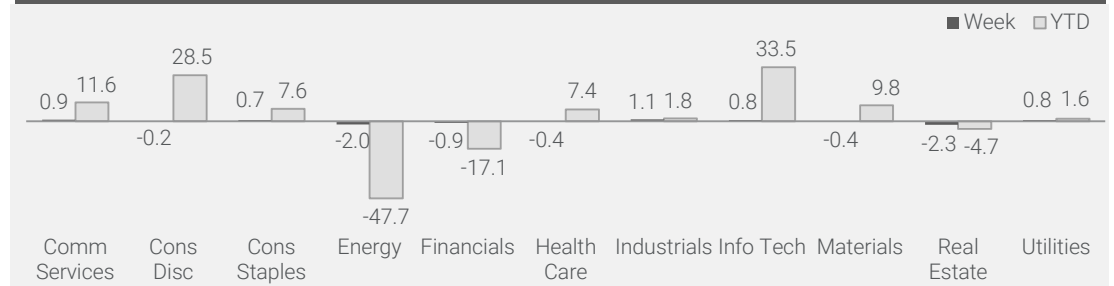
	Week			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	-0.14	0.22	0.54	-7.87	10.69	29.19
Mid	-0.44	0.07	0.95	-7.89	3.66	21.85
Small	-0.31	-0.22	-0.14	-14.62	-1.01	12.21

Data Source: SunTrust IAG, FactSet

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### S&P 500 Sector % Total Returns



Commonly used acronyms: SAAR = seasonally adjusted annual rate; MoM = month-over-month change; QoQ = quarter-over-quarter change; YoY = Year-over-year change; K = thousands; M = millions.

**S&P 500 Index** is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index –a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

**The CBOE Volatility Index® (VIX®)** is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Barclays Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, US dollar denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Barclays Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the US Dollar.

The ICE BofAML Global Government ex US Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in US dollars.

JP Morgan GBI-EM Global Diversified Composite is a comprehensive emerging market debt index that tracks local currency bonds issued by Emerging Market governments.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The FTSE NAREIT All Equity REITs Index is a free-float adjusted market capitalization-weighted index that includes all tax qualified REITs listed on the NYSE, AMEX and NASDAQ.

HFRX Global Hedge Fund Index is defined to be representative of the overall composition of the hedge fund universe.

HFRX Equity Hedge Index is an index that tracks equity hedge strategies that maintain both short and long positions in equity and equity derivative securities.

HFRX Macro Index is an index that tracks private hedge funds where the process is predicated on movements in underlying economic variables.

HFRX Absolute Return Index is an index that is designed to be representative of the overall composition in the hedge fund universe.

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Jeffrey Terrell, Investment Adviser Representative, SunTrust Advisory Services, Inc.

Chip Hughey, Investment Adviser Representative, SunTrust Advisory Services, Inc.



It is not possible to invest directly in an index.

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