



Price Returns			
Index	Close	Week	YTD
Dow Jones Industrial Average	27,433	3.8%	-3.9%
S&P 500 Index	3,351	2.5%	3.7%
NASDAQ	11,011	2.5%	22.7%
Russell 2000 Index	1,569	6.0%	-6.0%
MSCI EAFE Index	1,862	2.3%	-8.6%
10-yr Treasury Yield	0.56%	0.0%	-1.4%
Oil WTI (\$/bbl)	\$41.60	3.3%	-31.9%
Bonds*	\$119.43	-0.1%	7.8%

Source: Bloomberg, FactSet

*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

U.S. Equity Market

- U.S. large cap equities (S&P 500® Index) rose 2.5% as Q2 earnings and economic reports were mostly better than low expectations, more-optimistic vaccine headlines were reported, and expectations for accommodative monetary policies from the Federal Reserve continued. Value stocks and companies leveraged to economic reopening outperformed growth. The dollar index eked out a gain, gold rose 2.1% to a record close above \$2,000/ounce, and oil (WTI) was up 3.3%.
- Sector performance:
 - Industrials (+4.8%) outperformed led by equipment rental, aerospace/defense, airlines, parcel and logistics, and building materials
 - Financials (+3.3%) outperformed led by the banks, particularly regional banks
 - Energy (+3.1%) outperformed as oil prices (WTI) rose +3.3%
 - Communication services (+3.0%) outperformed led by Disney (+11.1%) on an earnings beat and **Facebook** (+5.8%)
 - Information technology (+2.9%) outperformed led by NVIDIA (+5.5%), Apple (+4.6%), and **Microsoft** (+3.6%) bolstered by a possible acquisition of TikTok's U.S. operations
 - Materials (+2.2%) underperformed with weak showings from Air Products and Chemicals (-1.7%), and Linde (+0.1%)
 - Consumer discretionary (+2.1%) underperformed led by **Amazon** (+0.0%)
 - Consumer staples (+1.4%), utilities (+1.0%), and REITs (+0.7%) underperformed as investors favored more economically sensitive sectors
 - Healthcare (+0.9%) underperformed with weakness in equipment and supplies
- The S&P 500 is approaching its all-time high of 3,373 on February 20 of 2020, which we believe is quite amazing considering that the U.S. GDP's -32.9% plunge in the second quarter was the worst decline since the Great Depression



Source: FactSet

- As the S&P 500 rallied from the March 23 low, volatility declined significantly

Upside Realised Vols Moderated a Lot versus March

S&P 500 Volatility by Month

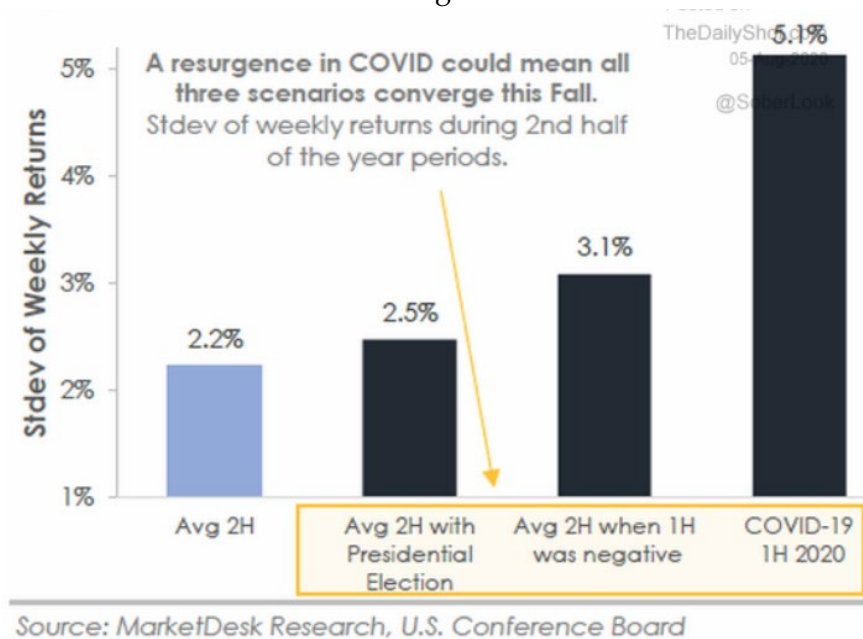


Source: Bloomberg, Morgan Stanley Research

Source: The Daily Shot



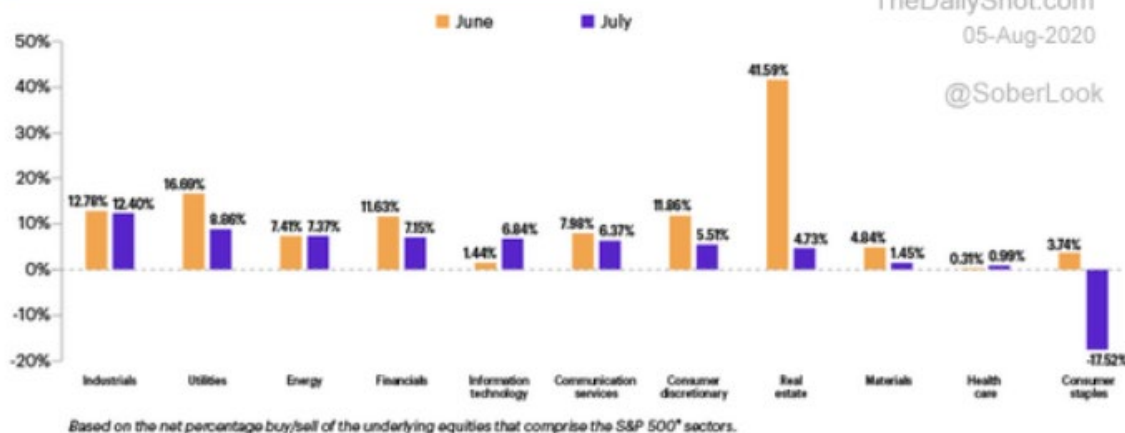
- It's quite possible the S&P 500's volatility may increase in the second half of 2020, with the presidential election, possible resurgence in COVID-19 cases, and the historically higher average volatility for the second half of years in which the first half was negative



Source: The Daily Shot

- E*TRADE customers sharply reduced their exposure to the real estate and consumer staple sectors last month

MONTHLY SECTOR ROTATION



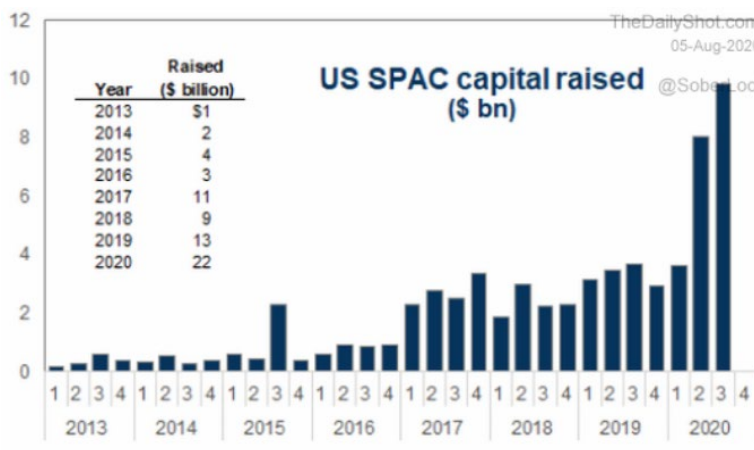
Source: The Daily Shot

- Apple's weight in the S&P 500 is a record for a single-stock concentration



Source: The Daily Shot

- Apple is fast approaching a \$2 trillion market value, which would make it the first U.S. company to achieve that level. As it is, Apple's market value is nearly equal to that of the entire Russell 2000®
- NASDAQ briefly surpassed the 11,000 level, a record high
- The parent of 7-Eleven is seeking to acquire Marathon's gasoline stations
- Teladoc and Livongo are merging in an \$18.5 billion transaction
- After soliciting interest from potential buyers, Evergy decided to remain independent and promptly saw its stock sink 12%
- Quicken Loans, parent Rocket Companies went public, pricing its offering at the lower end of the proposed range and selling fewer shares than originally planned
- The amount of capital raised via Special Purpose Acquisition Company (SPAC) or a company with no commercial operations, formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company, has exceeded \$22B, which is well above the \$13B record set in 2019. Many companies decide to go public via a SPAC in order to avoid the time-consuming and expensive process of a more traditional IPO



Source: Dealogic, Goldman Sachs Global Investment Research

Source: The Daily Shot



Fixed Income Markets

- The U.S. Dollar had two distinct regimes over the past two decades, but foreign ownership in the U.S. corporate bond market followed a steady upward trajectory, potentially due to even lower relative yields in Japan and Europe since 2008

US Dollar index vs. ownership share of foreign investors in the US corporate bond market

@SoberLook



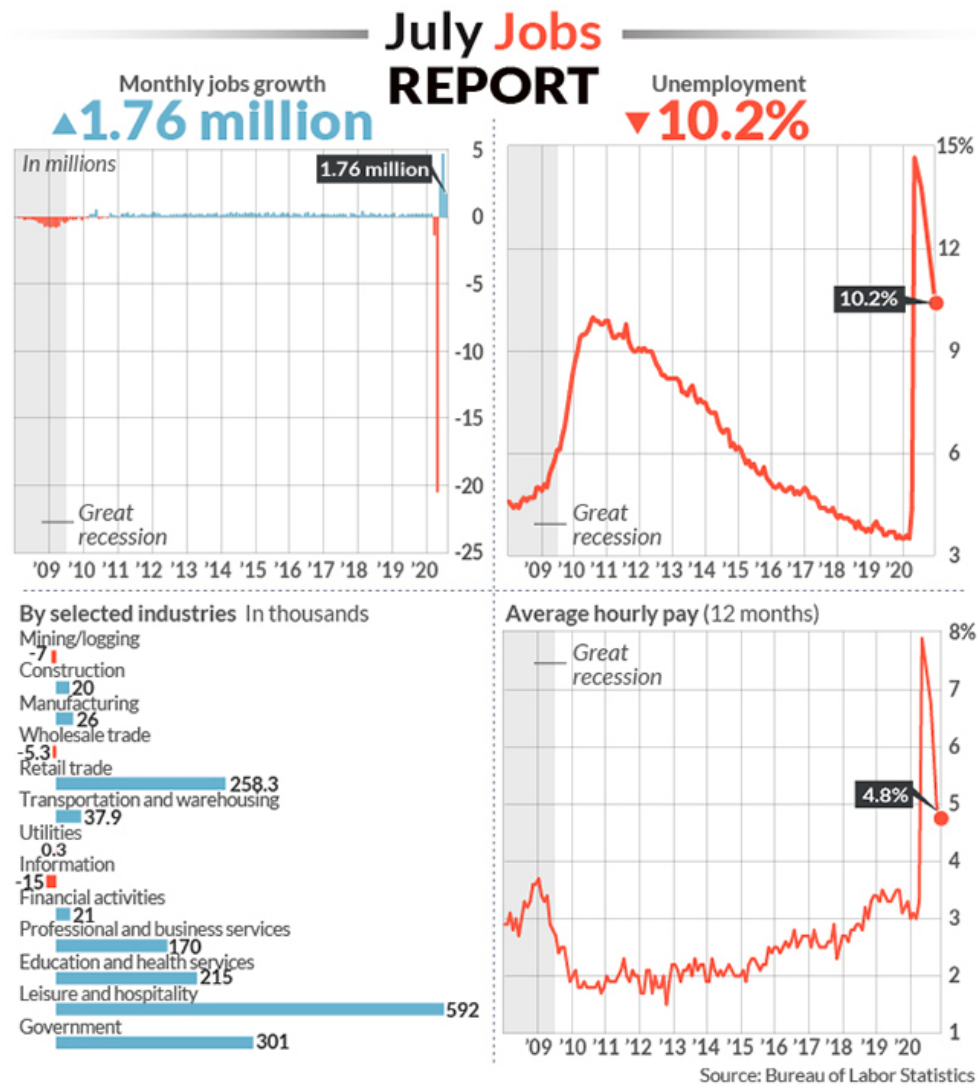
Source: Bloomberg, Federal Reserve Board, Goldman Sachs Global Investment Research

Source: The Daily Shot



U.S. Economic and Political News

- ADP's Private Payrolls survey revealed only 167,000 new jobs were added in July, which significantly trailed the 1.9 million consensus forecast
- That ADP figure bore no resemblance to the July Non-Farm Payrolls number, which increased 1.763 million, well above the 1.578 million consensus estimate
 - The unemployment rate was 10.2%, better than the 10.5% Street forecast, as well as last month's 11.1% rate



Source: Marketwatch



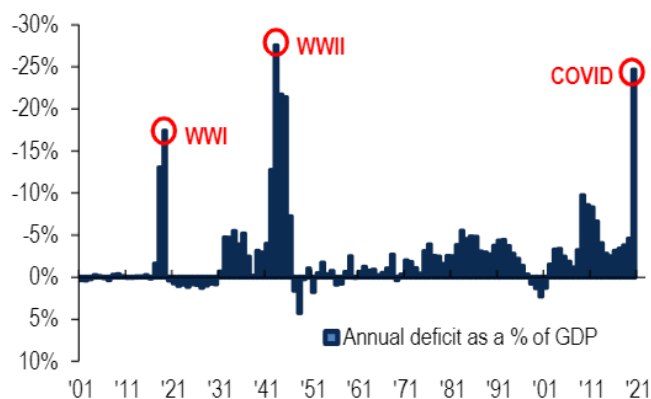
- The accompanying chart shows the number of employed Americans, recovering about half of its peak-to-trough loss



Source: CNN Business

- Weekly Jobless Claims declined 243,000 to 1.2 million
- However, Challenger Gray & Christmas reported layoffs jumping 54% m/m in July
- Dallas Fed President Robert Kaplan said that “We’ve got a rebound, but it is much more muted than it was.” He now believes unemployment will be in the 9-10% range at year end, higher than his previous 8% forecast
- Do deficits start to matter again at some point? Our nation’s deficit as a percentage of GDP stands at its highest level since World War II

Chart 4: Budget deficit highest since WWII



Source: BofA Global Research, GFD, White House Administrative Budget

Source: Marketwatch



- IHS Markit Manufacturing PMI registered 50.9 in July, a tad below the preliminary 51.3 reading, but above June's 49.8
- ISM Manufacturing rose to 54.2, slightly above the 54.0 consensus forecast
- ISM Non-Manufacturing lifted to 58.1, topping the 55 consensus expectation
- U.S. Factory Orders rose 6.2% in June, better than the 4.6% consensus forecast

International Markets and News

- The Chinese stock market (Shanghai Composite) rose for the week, as better-than-expected economic data increased confidence in the recovery despite President Trump's administration tightening restrictions on Chinese social media networks TikTok and WeChat in the U.S.
 - China reported record bond inflows of \$24B in July, roughly doubling June's total, suggesting foreign investors are attracted to the Chinese bond market
 - Exports rose by a better-than-expected 7.2% in July year over year after a 0.5% gain in June
- European equities (STOXX Europe 600) rose 2.0% with upbeat macroeconomic data and ongoing policy support from the European Central Bank (ECB)
 - The Bank of England (BoE) policy update was dominated by discussions of negative rates after it left its key policy settings on hold
 - Comments from both ECB chief economist Lane and the BoE's update reaffirmed market expectations that policies will remain very easy for an extended period
- Japanese equities (Nikkei 225 Index) rose 2.9% as Bank of Japan (BoJ) Governor Haruhiko Kuroda addressed the central bank's responses to the COVID-19 fallout as well as set expectations for Japan's GDP to expand 3-4% in fiscal 2021
 - Hiroshi Ando, a junior Liberal Democratic Party (LDP) lawmaker, suggested that the value-added tax (VAT) be eliminated given that Japan is currently in a deep recession, but Prime Minister Abe was dismissive of repealing the sales tax



This Week:

- Corporate earnings begin to wane this week with notable reports including, but not limited to: **Tencent, Cisco**, Softbank, Duke Energy, Orsted, Applied Materials, **Brookfield Asset Management**, Prudential, Marriott, Sysco, Telstra, Swisscom, Liberty, Vestas Wind Systems, Liberty Broadband, RWE, Genmab, Wheaton Precious Metals, PPL Corp, Zalando, Simon Property Group, **Broadridge Financial Solutions**, Toshiba, Occidental Petroleum, Liberty Media, DraftKings, Royal Caribbean Cruises, Novavax
- The U.S. macro-economic calendar will see NFIB Small Business Index Tuesday with PPI and CPI data to come over Tuesday-Wednesday, with Hourly Earnings and Average Workweek data also expected Wednesday along with the Treasury Budget for July. For the back half of the week, Continuing Jobless Claims and Initial Claims data are expected Thursday, while Unit Labor Costs, and Productivity figures come on Friday
- U.S. Economic data:
 - Monday: JOLTS
 - Tuesday: NFIB Small Business Index, PPI ex Food, Energy, PPI
 - Wednesday: MBA Mortgage Purchase Applications, CPI ex Food, Energy, CPI, Treasury Budget
 - Thursday: Export Prices, Import Prices
 - Friday: Retail Sales ex Autos, Retail Sales, Unit Labor Costs (preliminary), Productivity (preliminary), Manufacturing Sales, Capacity Utilization, Industrial Production, Business Inventories, Michigan Consumer Sentiment (preliminary)

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

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The volatility of an index varies greatly; all indices are unmanaged and investments cannot be made directly in an index.

S&P 500®: The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P® Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks. The volatility of an index varies greatly; investments cannot be made directly in an index.

Russell 2000®: The Russell 2000® index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index.

Dow Jones: The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ: The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

NASDAQ-100: The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

MSCI EAFE: MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries* around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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