



Price Returns

Index	Close	Week	YTD
Dow Jones Industrial Average	27,666	-1.7%	-3.1%
S&P 500 Index	3,341	-2.5%	3.4%
NASDAQ	10,854	-4.1%	21.0%
Russell 2000 Index	1,497	-2.5%	-10.3%
MSCI EAFE Index	1,897	1.4%	-6.9%
10-yr Treasury Yield	0.67%	-0.1%	-1.2%
Oil WTI (\$/bbl)	\$37.39	-6.0%	-38.8%
Bonds*	\$118.37	0.2%	6.8%

Source: Bloomberg, FactSet

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

Last Week:

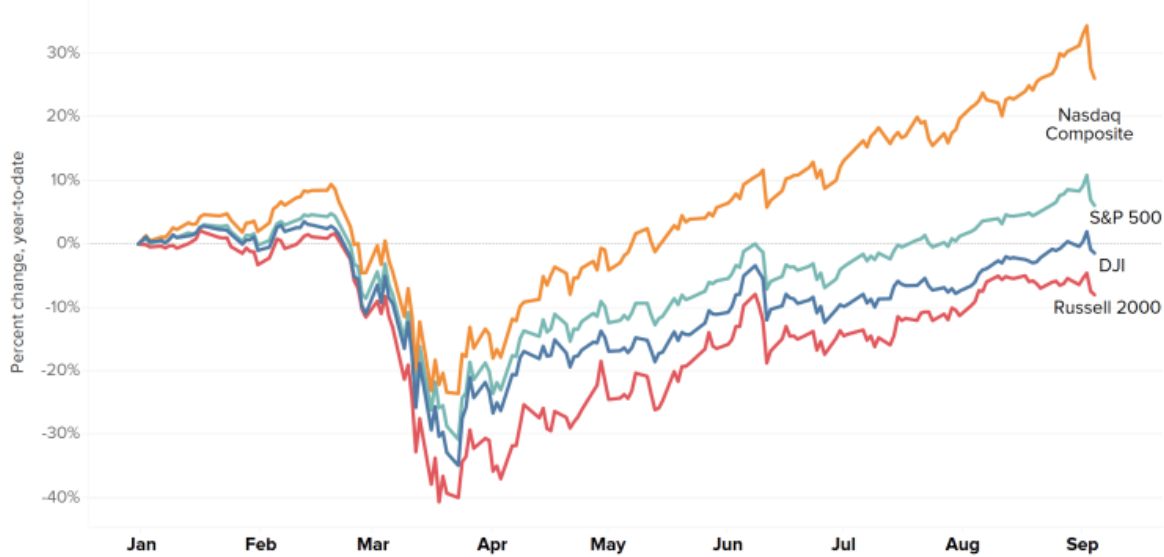
U.S. Equity Market

- U.S. large cap equities (S&P 500® Index) fell -2.5%, while the NASDAQ dropped -4.1%, as growth and technology-oriented stocks underperformed value/cyclical stocks. Rising skepticism over the next COVID-19 relief bill and increasing U.S.-China tensions may have contributed to the declines. Treasuries were stronger across the curve with a bit of flattening, the dollar was mixed, gold was up +0.7% and WTI crude was down -6.0%.
- Sector performance:
 - Materials (+0.8%) outperformed led by precious metals miners and chemical stocks
 - Industrials (-0.3%) outperformed led by materials and machinery
 - Utilities (-0.8%), consumer staples (-1.3%), and REITs (-1.8%) outperformed as investors favored more defensive oriented sectors
 - Health care (-1.1%) outperformed led by life sciences' stocks
 - Consumer discretionary (-1.9%) outperformed led by homebuilders and pockets of retail, offsetting weakness in Tesla (-10.9%), **Amazon** (-5.4%), and travel stocks
 - Financials (-2.4%) outperformed led by the banks
 - Communication services (-3.4%) underperformed with weakness in high-growth constituents Netflix (-6.6%), **Facebook** (-5.7%), **Alphabet** (-4.1%), Spotify (-2.7%) and Twitter (-2.4%)
 - Information technology (-4.4%) underperformed with weakness in Apple (-7.4%), **Microsoft** (-4.8%), Salesforce (-4.6%), **Adobe** (-4.2%), and **PayPal** (-4.1%)
 - Energy (-6.4%) underperformed as oil prices (WTI) fell -6.0%
- Technology stocks, which remain well ahead of their non-technology counterparts year-to-date, suffered the most during the selloff. Indeed, NASDAQ experienced one of its fastest-ever 10% corrections in the span of three trading days.



Market sell-off

Percent change in major stock market indices, year to date



SOURCE: CNBC market data



Source: CNBC

- In most previous lightning-fast corrections, stocks rallied over the ensuing days, weeks and months.

Nasdaq 100 Enters Correction In 3 Sessions Or Less					
Peak	3 Days In	Next Day	Next Week	Next Month	Next 3 Months
10/21/1987	-19.11	1.12	18.50	12.64	21.02
1/3/2000	-11.86	5.65	8.12	17.74	28.46
12/11/2000	-11.22	-3.40	-15.70	-3.05	-38.83
9/2/2020	-10.73	?	?	?	?
5/16/2000	-10.59	0.12	-4.88	20.65	17.39
3/13/2020	-10.26	1.58	4.10	23.10	39.54
10/20/2000	-10.10	1.92	3.79	-8.93	-13.29
Average	-11.98	1.17	2.32	10.36	9.05

Declines from all-time highs

BESPOKE INVESTMENT GROUP

Source: Marketwatch



- The S&P 500 held near its 50-day moving average Friday, similar to the test in late June of this year.

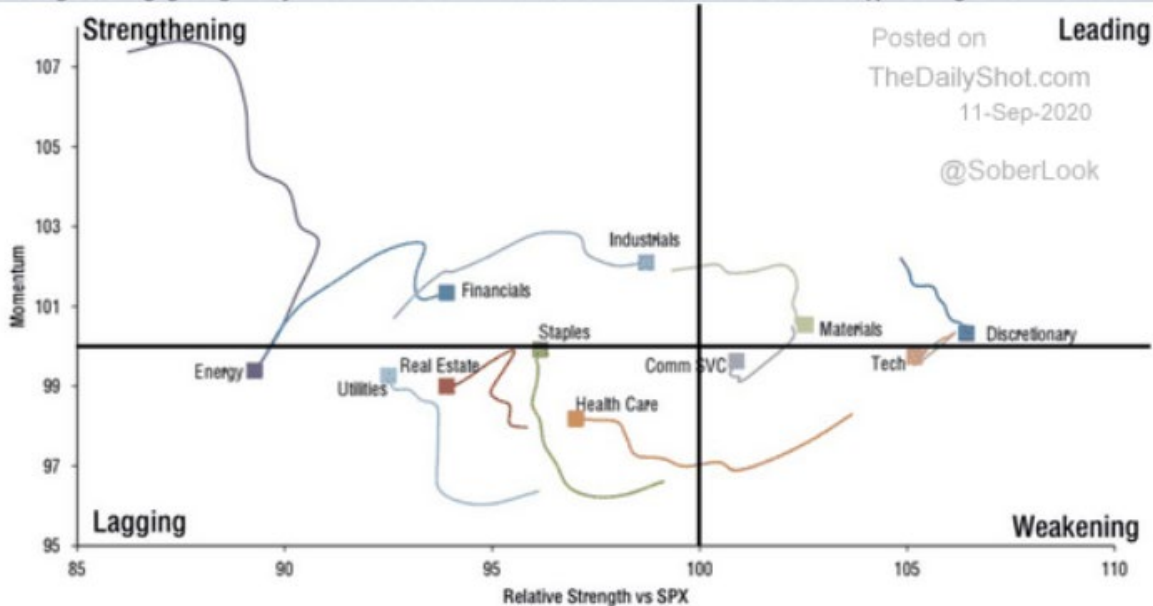


Source: barchart.com

Source: The Daily Shot

- The chart below shows momentum and relative strength of sectors versus the S&P 500 Index, and implies emerging strength for cyclical materials, industrial and financial sectors.

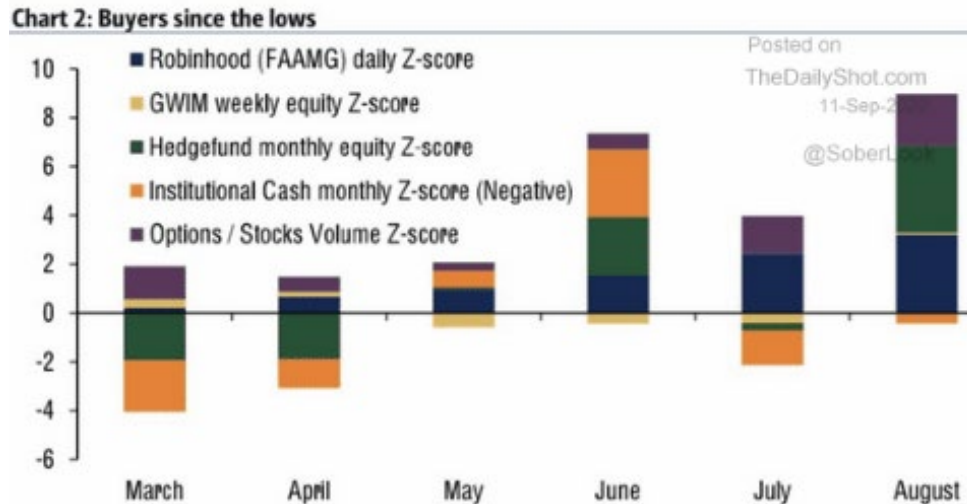
Chart 1: Signs of emerging strength for cyclical Industrial and Financial sectors and lackluster rotation for defensives supports a long-term bullish SPX view.



Source: The Daily Shot



- According to the chart below, significant options volume drove equity purchases in March, while institutional and hedge fund flows didn't increase in equities until June. Robinhood (FAAMG) daily flow increased significantly in June, July, and August.



Source: BofA Global Research, Bloomberg, Robinhood, BAC data, BofA Fund Manager Survey

Source: The Daily Shot

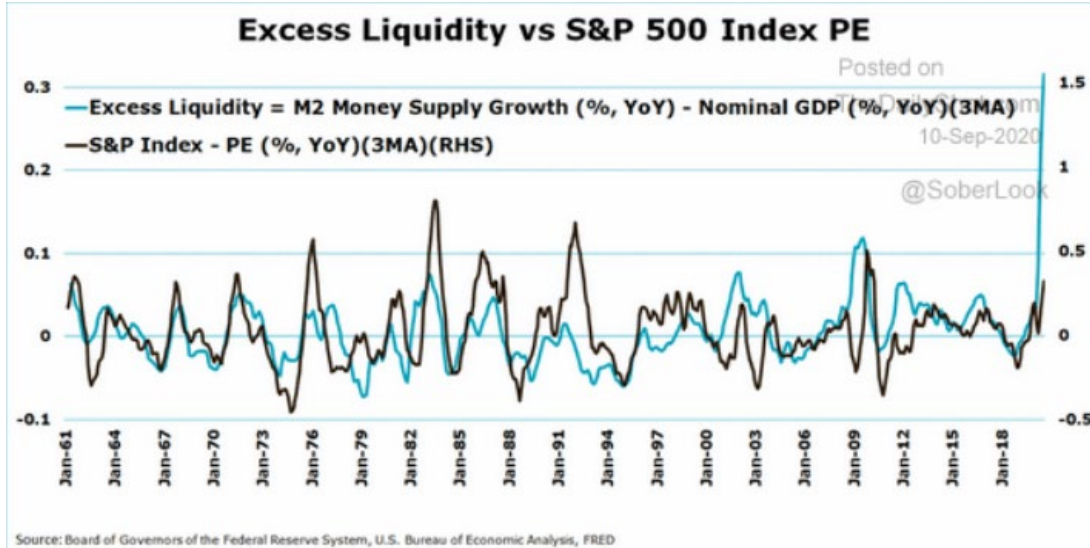
- Retail investors may have a larger impact on the equity markets as they appear to be trading small quantities of options (represented in the blue line in the chart below). Options provide substantial leverage and can influence the market.



Source: CNN Money



- Some investors are concerned with the current valuations of the S&P 500, while other investors are wondering if the excess liquidity provided by the Federal Reserve and U.S. federal government will not only provide support for equities, but may push stocks higher.



Source: The Daily Shot

- Over the last 12 months and on a year-to-date basis, the MSCI USA Index factor returns favored growth over value, momentum, large-cap, and high quality, while high dividend yield and low volatility factors were out of favor.

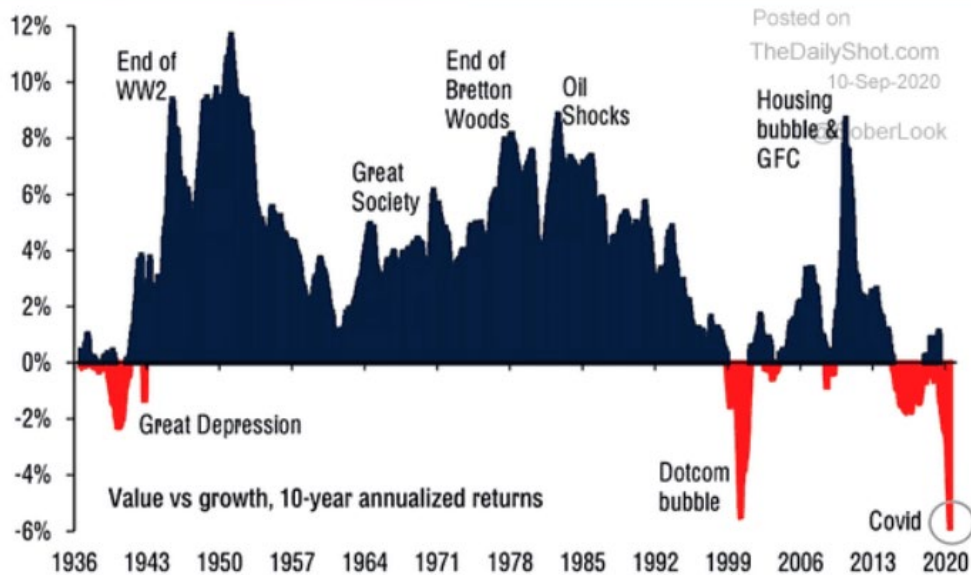


Source: SPDR Americas Research @mattbartolini

Source: The Daily Shot

- The current underperformance for value stocks relative to growth equities is near similar levels of the dot-com bubble in 1999-2000.

Chart 1: The worst ever returns to value stocks



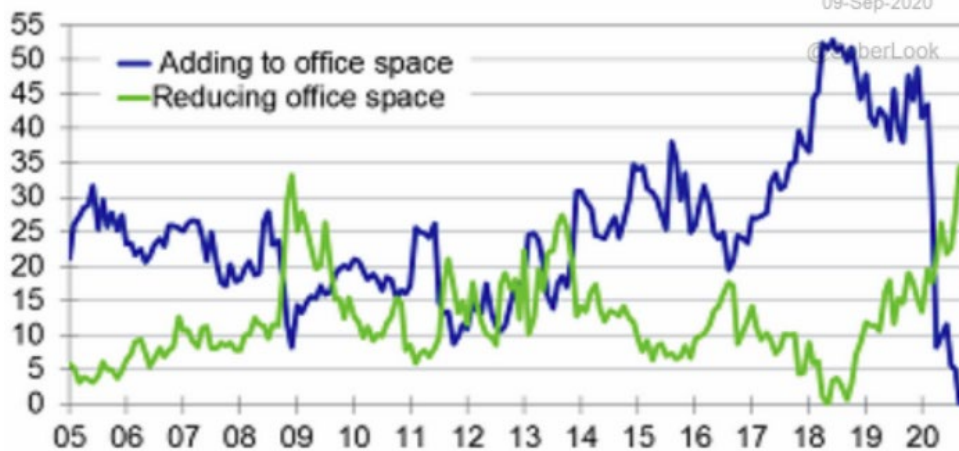
Source: BofA Research Investment Committee, Fama & French.

Source: The Daily Shot

- The demand for commercial office space collapsed. The key question is whether this is a long-term impact from the COVID-19 crisis.

Commercial RE Demand Collapses

% of respondents to business survey that say they are



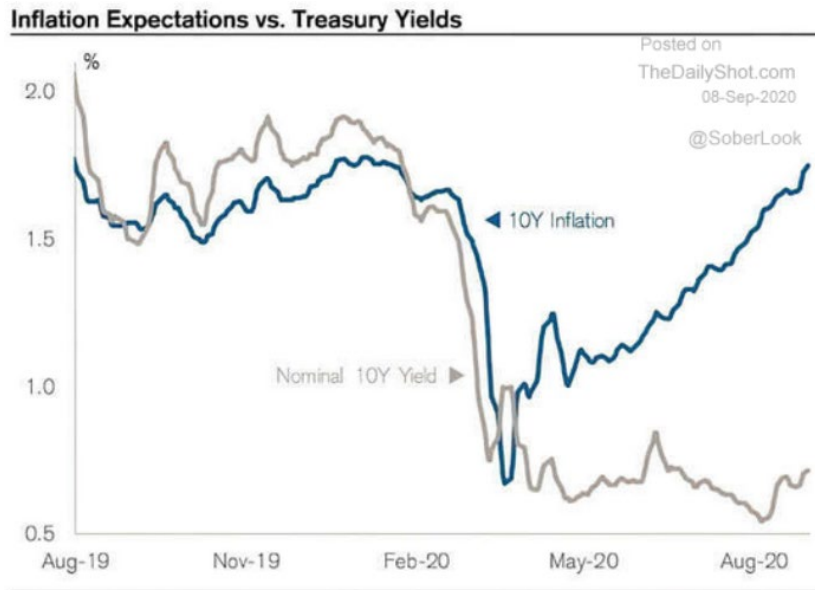
Source: Moody's Analytics

Source: The Daily Shot



Fixed Income Markets

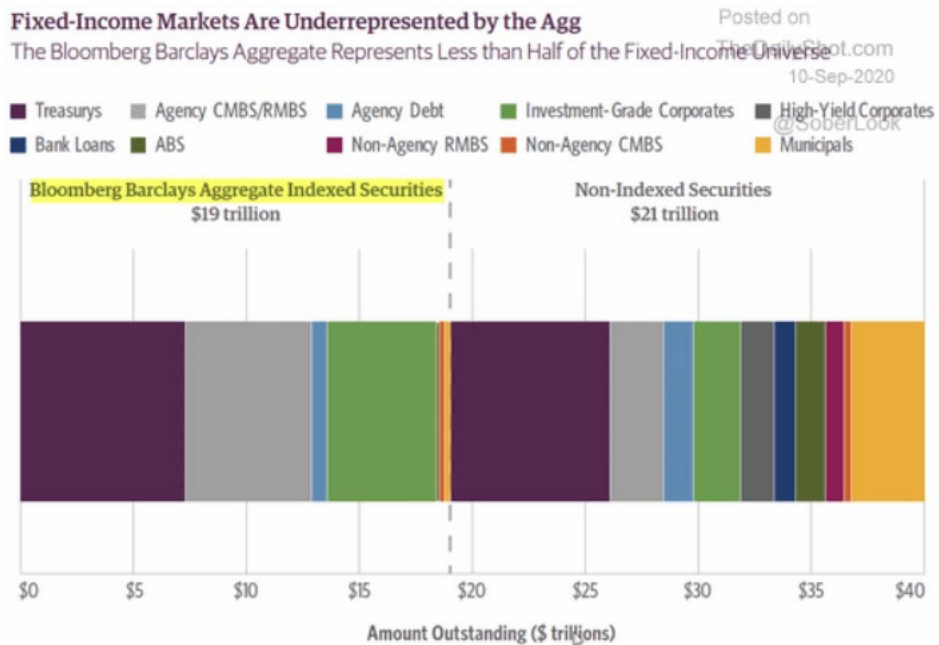
- Inflation expectations sharply diverged from Treasury yields, which pushed real rates (interest rate adjusted for inflation rate) to record lows with significant negative real yields.



Source: Credit Suisse

Source: The Daily Shot

- The Bloomberg Barclays Aggregates Index covers less than half of the U.S. fixed income market.



Source: SIFMA, Wells Fargo, S&P LCD, Bloomberg Barclays. Excludes sovereigns, supranationals, and covered bonds. Data as of 12/31/2017.

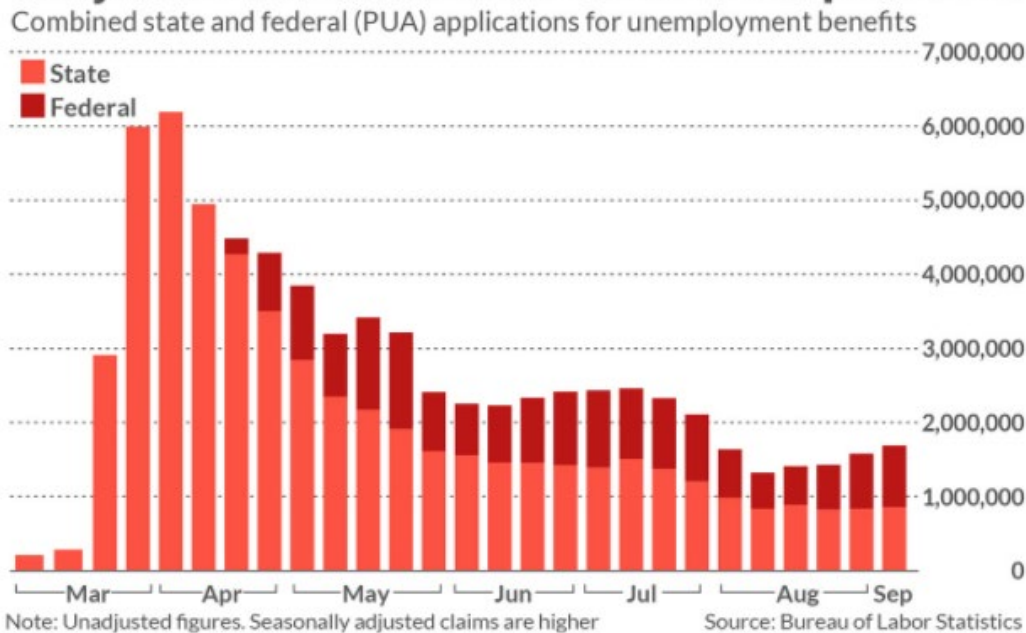
Source: The Daily Shot



U.S. Economic and Political News

- Consumer borrowing rose 3.6% to \$12.3 billion in July, while June was revised to a 3.3% increase.
- The Producer Price Index (PPI) rose 0.3% in August, a shade higher than the 0.2% consensus forecast, while core PPI increased 0.4%, double the 0.2% consensus expectation.
- The Consumer Price Index rose 0.4% in August, both on a headline basis and a core basis, somewhat higher than the 0.3% and 0.2% consensus forecasts, respectively. Used car prices saw significant price strength.
- ADP reported a gain of 428,000 Non-Farm Payrolls in August, which came in at less than half the 900,000 consensus forecast. ADP revised up its July jobs tally to 212,000 (from an originally reported 167,000).
- Weekly Jobless Claims of 884,000 came in higher than the 832,000 consensus estimate.

U.S. jobless claims since the coronavirus pandemic



Source: Marketwatch

International Markets and News

- The Chinese stock market (Shanghai Composite) fell approximately -3.0% as the U.S. market decline led global markets lower and U.S.-China tensions increased.
 - The Trump administration is considering adding Semiconductor Manufacturing International Corporation (SMIC), China's top chip foundry, to a list of U.S.-sanctioned companies.
 - Chinese consumer inflation fell in August to a below-expectations 2.4% year-over-year, but the headline data belied a significant increase in food costs, partially driven by surging pork prices.
 - China's exports increased a greater-than-expected 9.5% in August year-over-year, which further supports that the global economic recovery is underway.



- European equities (STOXX 600) rose 1.7% on the continued economic recovery despite the decline in the U.S. markets, renewed Brexit fears, and the disappointment that the European Central Bank (ECB) did not announce an additional stimulus.
 - As expected, the ECB left its policy measures unchanged as ECB President Lagarde said economic data since July suggested a strong rebound. She reiterated that ample monetary stimulus remains necessary to support the economic recovery and safeguard medium-term price stability.
 - The resurgence in COVID-19 infections continued across Europe as French Health Minister Olivier Veran said the situation in France is “worrisome” and hospitalizations and intensive care admissions are poised to rise. Infections in Germany and the UK are also increasing.
- Japanese equities (Nikkei 225) rose 0.9% as *The Asahi Shimbun* reported that Yoshihde Suga is on track for a landslide victory over his rivals.
 - Suga asserts that his primary objective is to revive the economy, and he agreed with Prime Minister Abe’s current easy-money policies and government spending to revitalize Japan’s economy.
 - Japan’s GDP was revised lower to an annualized -28.1% in the quarter ended June 30, with the revision driven by additional weakness in public demand and private non-residential investment.



This Week:

- It's a busy start to the week for mergers and acquisitions:
 - Nvidia is buying Arm from Softbank Group for \$40 billion, the largest semiconductor acquisition ever.
 - **Gilead** is acquiring Immunomedics for \$21 billion.
 - **Merck** is taking a \$1 billion stake in Seattle Genetics.
 - Oracle is in negotiations to acquire TikTok's U.S. operations.
- Corporate earnings this week include, but are not limited to: **Adobe**, **Nike**, **FedEx**, **Lennar**, **Take Two**, **Auto Trader** and **Discovery Holdings**.
- The U.S. macro-economic calendar will see both the Export and Import Price Indices, the Empire State Index, Capacity Utilization, and Manufacturing and Industrial Production figures all on Tuesday. Wednesday should see Retail Sales figures and the Fed Funds Target Upper Bound, with Building Permits, Continuing Jobless Claims, Housing Starts, Initial Claims, and the Philadelphia Fed Index on Thursday. Finally, expect Current Account and preliminary Michigan Sentiment data to round out the week on Friday.
- U.S. Economic data:
 - Monday: Limited U.S. economic data
 - Tuesday: Empire Manufacturing, Export Prices, Import Prices, Manufacturing Sales, Capacity Utilization, Industrial Production
 - Wednesday: MBA Mortgage Purchase Applications, CPI (y/y), Retail Sales ex Autos, Retail Sales, Business Inventories, NAHB Housing Market Index, TIC Flows
 - Thursday: Building Permits, Housing Starts, Philadelphia Fed Index
 - Friday: Current Account Balance, Retail sales (m/m), Leading Indicators, 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

Adam Bergman, CFA®
Executive Director



Performance is compared to an index, however, the volatility of an index varies greatly. 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.

STOXX Europe 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Nikkei 225: The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. (Sourced from Investopedia).

The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees.

The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC, and not those of BB&T Corporation now Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation now Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation now Truist Financial Corporation, Branch Banking and Trust Company now Truist Bank or any affiliate, are not guaranteed by Branch Banking and Trust Company now Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.

Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.