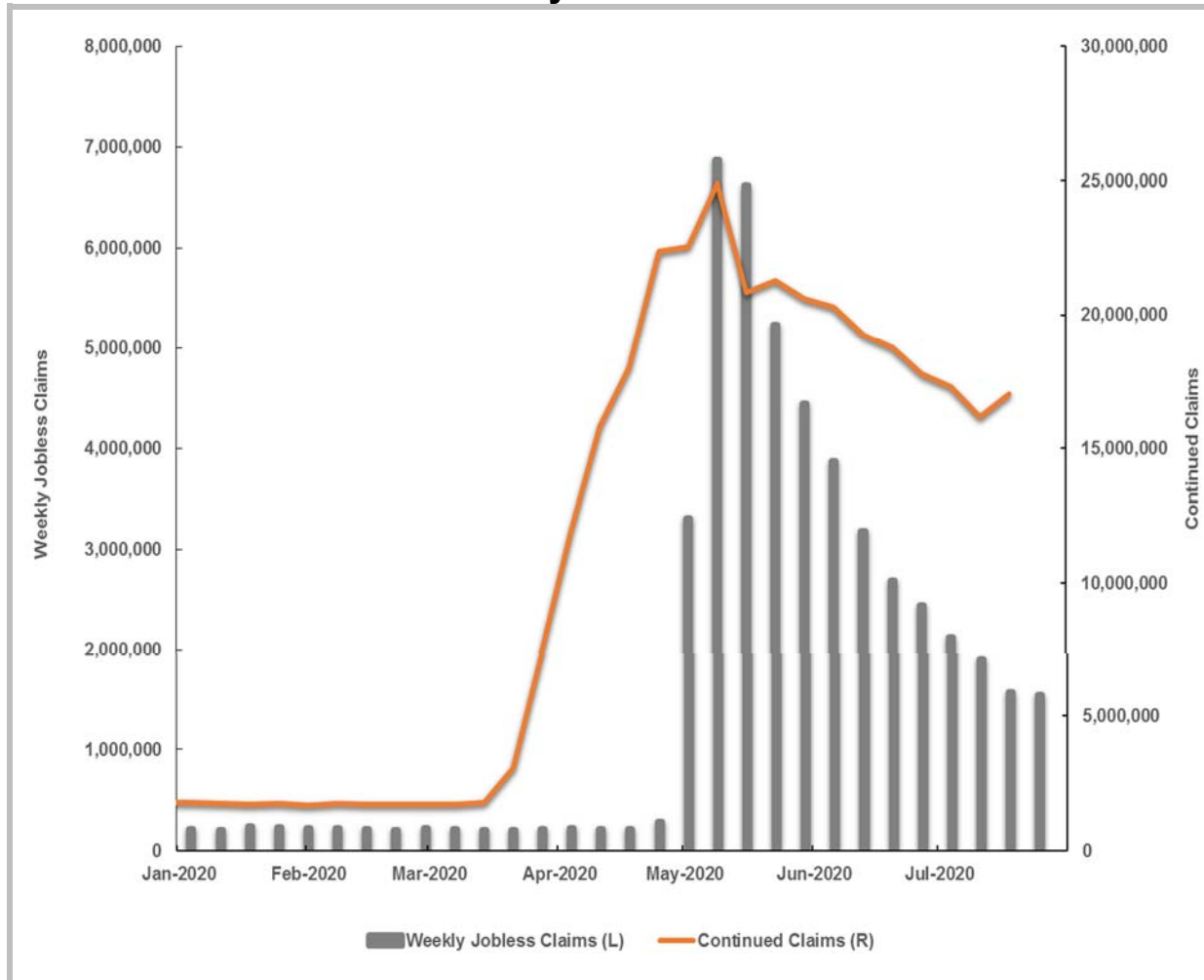


# Weekly Market Update

July 31, 2020

## Chart of the Week: Initial Weekly Jobless Claims



There were several economic data releases this week, including our first look at second quarter economic growth. As expected, the percentage decrease in GDP was by far the biggest on record, declining at an annual rate of 32.9% and surpassing the previous record decline of 10% in the first quarter of 1958. The good news is this measure reflects what happened in the past, and GDP expectations for this quarter anticipate a significant rebound to positive growth.

The chart at left provides a timelier data set around employment. The Department of Labor (DOL) provides a weekly report on initial weekly jobless claims and continuing claims. Initial claims measure the number of persons filing for unemployment benefits for the first time during the previous week while continuing claims measures those individuals which filed claims in previous weeks and are still collecting unemployment benefits. In effect, continuing claims measure the number of people who have not been able to find employment after being laid off or furloughed.

Weekly claims and continuing claims spiked higher as we shut the economy down, and both have come down from peak levels. However, continuing claims increased this week which may indicate slowing in the rate of re-hiring as the number of COVID-19 cases rebounds. This is a development we will watch closely, given the potential implications for the market and economy.

Source: Federal Reserve Bank of St. Louis

## Commentary for Week Ending July 31, 2020

### Domestic Equities

- U.S. equities closed the month of July on a positive note this week. For the month, the S&P 500 Index is up nearly 5%. As has been the trend all year, growth outperformed value and large cap outperformed small cap. Year-to-date, the Russell 1000 Value Index is trailing the Russell 1000 Growth Index by over 25%, and the Russell 2000 Index is trailing the Russell 1000 Index by over 10%.
- We are half way through the U.S. earnings reporting season. EPS growth has contracted for the second quarter in a row, currently showing a decline of 34% from last year. However, this is much better than anticipated as 84% of companies who have reported beat expectations, the highest level in over 10 years.
- Volumes were low this week as investors await some clarity on the next round of stimulus and the earnings season.

### Bonds

- Treasury yields fell following Thursday's abysmal GDP report, which showed the worst quarterly economic contraction for the U.S. on record. Intermediate-term yields were lower while the longer-term maturities were little changed.
- Despite the move in rates, high yield corporate bonds outperformed investment grade credit and finished the month returning 4.5%.
- The broad U.S. investment grade market benefited from the move in rates and ended the week producing positive returns. The securitized agency MBS sector ended the week with positive performance; however, the drop in interest rates caused the sector to underperform Treasuries.
- The Global Aggregate ex USD Index outperformed the U.S. Aggregate Index as bonds denominated in foreign currencies continue to benefit from a weaker trade-weighted U.S. dollar.

### International Equities

- International markets continued their ascent with both developed international and emerging markets closing up strong for the month of July. The MSCI EAFE Index was up nearly 4% and the MSCI Emerging Markets Index was up over 9% for the month.
- Fueling the rise of international markets has been the recent weakness of the U.S. dollar which has fallen over 9% from its March highs, as measured by the U.S. Dollar Index.
- The MSCI EAFE Index closed up nearly 3% for the week as countries within Europe and the U.K. continue to report improving case numbers for COVID-19.
- The MSCI Emerging Markets Index rose over 6% for the week despite the recent dispute between China and the U.S., where both countries forced one another to suddenly close one of their respective Consulate offices.

### Economics

- The Department of Labor reported weekly initial unemployment claims, adjusted for seasonality, were 1.4 million, an increase of 12k from the previous week. Continuing claims were 17.0 million, an increase of 867k from the prior week.
- The Bureau of Economic Analysis reported the advance estimate for 2nd quarter real GDP declined 32.9% on an annualized basis.
- The Bureau of Economic Analysis also reported June personal income decreased \$222.8 billion (-1.1%), although wages increased \$245.3 billion. The decrease to personal income is attributable to government social benefits declining \$484.4 billion. Consumer spending increased \$737.7 billion (+5.6%).
- The Federal Open Market Committee met on July 28-29 and did not change the target range of the federal funds rate, currently 0-0.25%.
- The ISM Manufacturing PMI will be released on Monday and the July jobs report will be released on Friday.

## Weekly Market Update

For Week Ending July 31, 2020

## Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	26,428.32	-0.1%	-6.1%	0.8%
S&P 500 Index	3,271.12	1.8%	2.4%	11.9%
NASDAQ	10,745.27	3.7%	20.5%	32.9%
S&P 400 Midcap Index	1,863.91	0.8%	-8.8%	-3.6%
S&P 600 Smallcap Index	865.38	1.6%	-14.5%	-8.7%
MSCI EAFE	5,819.92	-2.1%	-9.3%	-1.7%
MSCI Emerging Markets	518.47	1.8%	-1.7%	6.5%
Bloomberg Barclays US Agg	2,396.78	0.3%	7.7%	10.1%
Bloomberg Barclays Muni 5 Yr	488.64	0.2%	3.4%	4.1%
Bloomberg Barclays US Corporate	3,513.73	0.2%	8.4%	12.4%
Bloomberg Barclays Global ex US	580.84	0.3%	3.0%	3.5%
Bloomberg Barclays High Yield	2,198.30	0.8%	0.7%	4.1%
MSCI US REIT Index	1,061.59	4.9%	-15.1%	-10.4%
Bloomberg Commodity Index	146.55	0.8%	-14.8%	-12.1%

## Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	0.25%	0.25%	1.75%	2.25%
3-Month Treasury	0.08%	0.10%	1.54%	2.06%
1-Year Treasury	0.11%	0.13%	1.57%	1.99%
2-Year Treasury	0.11%	0.15%	1.57%	1.87%
5-Year Treasury	0.20%	0.28%	1.69%	1.83%
7-Year Treasury	0.38%	0.44%	1.83%	1.91%
10-Year Treasury	0.53%	0.59%	1.92%	2.01%
30-Year Treasury	1.19%	1.23%	2.39%	2.52%

## Consumer Rates

1-Year CD	0.29%	0.26%	1.91%	2.33%
30-Year Mortgage	3.09%	3.14%	3.86%	3.87%
Prime Rate	3.25%	3.25%	4.75%	5.50%
3-Month LIBOR	0.25%	0.25%	1.91%	2.27%

## Commodities

Gold	1,975.86	1,902.02	1,517.27	1,413.78
Crude Oil (WTI)	40.27	41.29	57.77	55.91
Gasoline	2.27	2.28	2.66	2.80
Natural Gas	1.80	1.87	2.31	2.43

## Index Characteristics

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Dow Jones Industrial Avg	23.83	21.72	3.91	2.38
S&P 500	25.45	24.97	3.70	1.79
S&P 500 Value	20.25	18.67	2.08	2.85
S&P 500 Growth	30.65	32.16	7.64	1.09
NASDAQ	33.03	25.28	3.31	2.34
S&P Midcap 400	27.45	24.55	2.09	1.65
S&P Smallcap 600	49.38	45.43	1.70	1.40
MSCI EAFE	20.06	25.67	1.57	2.94
MSCI Emerging Markets	17.68	18.38	1.76	2.34

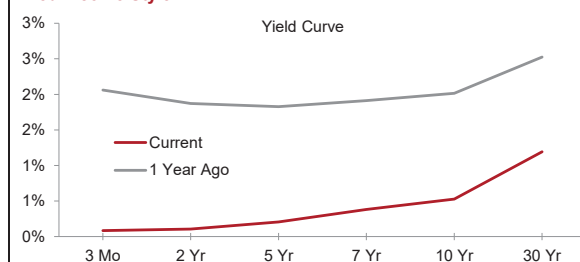
## Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
3.66	5.64	6.99	-12.44	2.38	15.47
Mid					
2.73	4.61	6.11	-18.82	-8.75	0.58
Small					
2.46	4.11	5.51	-22.62	-14.49	-6.67

\*S&amp;P Indices

## Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
0.09	0.32	4.18	3.11	6.09	26.02
Corp					
0.45	2.70	6.20	2.94	7.97	12.93
HY					
3.15	4.37	8.51	-2.38	-0.23	14.10

\*Bloomberg Barclays Indices.

## Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	0.6%	1.6%
CPI Core Inflation	1.2%	2.1%
Personal Consumption Exp (PCE) Core	0.9%	1.7%

## Jobs

Unemployment Rate (U3)	11.1%	3.7%
Broader Unemployment Rate (U6)	18.0%	7.2%
JOLT Survey (in millions)	5.40	7.30
Jobless Claims (000's)	1434	216
Change in Non-Farm Payroll (000's)	4800	182
Average Hourly Earnings (Y/Y % Change)	5.0%	3

## Consumer &amp; Spending

Consumer Confidence (Conf Board)	92.6	135.8
Consumer Spending (\$ Bil)	13,851	14,556
Consumer Credit (\$ Bil)	4,113	4,077
Retail Sales (\$ Bil)	524	519

## Housing

Housing Starts (000's)	1,186	1,235
Case-Shiller Home Price Index	218.87	209.53

## U.S. Productivity

Real Gross Domestic Product (\$ Bil)	17,206	19,021
Quarter over Quarter Change	-32.9%	1.5%
Year Over Year Change	-9.5%	2.0%
ISM Manufacturing	52.60	51.60
Capacity Utilization	68.63	77.69
Markit US Composite PMI	50.00	52.60

## U.S. General

Leading Economic Indicators	102.0	111.6
Trade Weighted Dollar Index	91.1	91.8
EUR / USD	1.18	1.11
JPY / USD	104.73	108.78
CAD / USD	0.75	0.76
AUD / USD	0.72	0.68

## S&amp;P 500 Sector Returns

	1 Month	YTD
Information Technology	5.62%	21.41%
Consumer Discretionary	9.00%	16.88%
Communication Services	6.80%	6.47%
Health Care	5.38%	4.54%
Consumer Staples	6.96%	0.91%
Materials	7.07%	-0.34%
Utilities	7.81%	-4.20%
Real Estate	4.00%	-4.88%
Industrials	4.34%	-10.93%
Financials	3.77%	-20.77%
Energy	-5.13%	-38.65%

Source: Bloomberg

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