Market Week: May 4, 2020

The Markets (as of market close May 1, 2020)

Investors were guardedly optimistic last Monday as several countries and some states began to reopen their economies. The Russell 2000 jumped by nearly 4.0%, while the remaining indexes listed here all grabbed positive gains of at least 1.1%.

Indexes were mixed on Tuesday as the large caps of the Dow and S&P 500 lost less than one percentage point. But some tech stocks fell, pulling the Nasdaq down by close to 1.5%. The small caps of the Russell 2000 posted solid gains for the sixth day in a row. Despite the mixed market returns, consumer confidence in the current conditions plunged. In a precursor to this week's jobs report, consumer respondents increasingly indicated that jobs are hard to get, while noting that business conditions are worsening.

Stocks closed notably higher Wednesday as investors were undeterred by a slumping economy, instead focusing on reports of a potentially favorable drug in the treatment of people stricken by COVID-19. This news followed recent reports from drug testing companies on a potential vaccine for the virus. The Russell 2000 again led the way, climbing nearly 5.0% by the end of the day.

A larger-than-expected increase in claims for unemployment insurance drove stocks lower last Thursday. The S&P 500 tumbled from its seven-week high while a jump in some tech stocks limited losses for the Nasdaq. The small caps of the Russell 2000, which had been surging, came back to earth, falling more than 3.5% by the end of Thursday's trading.

The close of the week saw the Dow, the S&P 500, and the Nasdaq give back gains from earlier in the week. Stocks retreated following disappointing earnings reports from some large tech companies, coupled with President Trump's threat to impose import tariffs on China in retaliation for that country's handling of the COVID-19 pandemic.

The week ended with only the small caps of the Russell 2000 and the Global Dow finishing in the black. Long-term bond yields climbed as prices fell.

Crude oil prices rebounded last week, as production cuts began last Friday. Prices closed the week at $19.71 per barrel by late Friday afternoon, up from the prior week's price of $17.13. The price of gold (COMEX) dropped back last week, closing at $1,707.60 by late Friday afternoon, down from the prior week's price of $1,741.50. The national average retail regular gasoline price was $1.773 per gallon on April 27, 2020, $0.039 lower than the prior week's price and $1.114 less than a year ago.

Key Dates/Data Releases

5/5: International trade in goods and services, ISM Non-Manufacturing Index

5/8: Employment situation

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 5/1	Weekly Change	YTD Change
DJIA	28,538.44	23,775.27	23,723.69	-0.22%	-16.87%
Nasdaq	8,972.60	8,634.52	8,604.95	-0.34%	-4.10%
S&P 500	3,230.78	2,836.74	2,830.71	-0.21%	-12.38%
Russell 2000	1,668.47	1,233.05	1,260.48	2.22%	-24.45%
Global Dow	3,251.24	2,558.72	2,604.17	1.78%	-19.90%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.59%	0.64%	5 bps	-127 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Following its meeting on April 29, the Federal Open Market Committee decided to maintain the target range for the federal funds rate at its current 0.00%-0.25%, noting that sharp declines in economic activity will likely continue. However, the Committee was clear that it would use its full range of tools to support the U.S. economy. In addition, the FOMC expects to maintain the target range until it is confident that the economy is progressing positively toward maximum employment and price stability.
- The pandemic cut economic production more than expected. The initial, or advance, estimate of the first quarter gross domestic product revealed that economic production decreased at an annual rate of 4.8%. That's the steepest plunge since the fourth quarter of 2008. According to the Bureau of Economic Analysis report, "The decline in first quarter GDP was, in part, due to the response to the spread of COVID-19, as governments issued 'stay-at-home' orders in March. This led to rapid changes in demand, as businesses and schools switched to remote work or canceled operations, and consumers canceled, restricted, or redirected their spending. The full economic effects of the COVID-19 pandemic cannot be quantified in the GDP estimate for the first quarter of 2020 because the impacts are generally embedded in source data and cannot be separately identified." Personal income increased $95.2 billion in the first quarter, compared with an increase of $144.1 billion in the fourth quarter. Disposable personal income increased $76.7 billion, or 1.9%, in the first quarter, compared with an increase of $123.7 billion, or 3.0%, in the fourth quarter. Consumer spending decreased 7.6% in the first quarter, compared with an increase of 1.8% in the fourth quarter.
- In yet another sign of a slowing economy due to the pandemic, consumer spending decreased $1,127.3 billion, or 7.5%, in March. Both personal income and disposable (after-tax) income fell 2.0%, respectively. Consumer prices dropped 0.3%. Excluding food and energy, prices decreased 0.1%. According to the latest Personal Income and Outlays report from the Bureau of Economic Analysis, the response to the pandemic led to rapid changes in demand, and consumers canceled, restricted, or redirected their spending.
- The international trade in goods deficit was $64.2 billion in March, up $4.3 billion from $59.9 billion in February. Exports of goods for March were $127.6 billion, $9.1 billion less than February exports. Imports of goods for March were $191.9 billion, $4.8 billion less than February imports.
- According to the IHS Markit final U.S. Manufacturing Purchasing Managers' Index™, purchasing managers reported unprecedented contraction in manufacturing for April, directly related to the COVID-19 virus. The purchasing managers' index registered 36.1, down from March's 48.5, marking the lowest reading for more than 11 years. Manufacturing output saw the steepest decline in the history of the series.
- The other major purchasing managers' report, the Manufacturing ISM® Report On Business®, revealed declines in manufacturing similar to those from the Markit report. The April purchasing managers' index fell 7.6 percentage points from the March figure, new orders decreased 15.1 percentage points, production dropped 20.2 percentage points, and employment decreased 16.3 percentage points.
- For the week ended April 25, there were 3,839,000 claims for unemployment insurance, a decrease of 603,000 from the previous week's level, which was revised up by 15,000. According to the Department of Labor, the advance rate for insured unemployment claims was 12.4% for the week ended April 18, an increase of 1.5 percentage points from the previous week's rate. This marks the highest level of insured unemployment rates in the history of the series. The advance number of those receiving unemployment

insurance benefits during the week ended April 18 was 17,992,000, an increase of 2,174,000 from the prior week's level, which was revised down by 158,000. Nevertheless, this marks the highest level of insured unemployment in the history of the series.

Eye on the Week Ahead

The most anticipated economic information out this week is the labor report for April. It is expected to reveal significant job reductions and soaring unemployment.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

Wealth Management