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# Market Week: October 5, 2020


## The Markets (as of market close October 2, 2020)

Stocks began last week on a high note, with bank and energy stocks leading the way. European shares vaulted to heights not seen in more than three months. News from a large pharmaceutical company that its COVID-19 vaccine was yielding very favorable results helped drive cyclical stocks higher, while industrials, airlines, and energy shares also rallied. By the end of trading last Monday, the Russell 2000 climbed 2.4%, the Global Dow jumped 2.0%, the Nasdaq gained 1.9%, the S&P 500 advanced 1.6%, and the Dow gained 1.5%. Treasury yields and crude oil prices while the dollar dipped.

Equities reversed course last Tuesday, giving back most of the gains garnered the day before. Each of the benchmarks listed here lost value, led by the Global Dow (-0.6%), followed by the Dow and the S&P 500, each of which lost 0.5%. The Russell 2000 dropped 0.4% and the Nasdaq fell 0.3%. Investors may have been waiting for the first presidential debate as trading was light. Energy, airlines, and bank stocks led the decline, while communications and technology stocks held their own. Crude oil, Treasury yields, and the dollar fell.

Following last Tuesday's presidential debate and renewed hopes for a fiscal stimulus package, stocks surged by the close of trading last Wednesday. The Dow jumped 1.2%, the S&P 500 gained 0.8%, the Nasdaq climbed 0.7%, the Global Dow advanced 0.3%, and the Russell 2000 added 0.2%. Crude oil prices and Treasury yields rose, while the dollar sank.

Last Thursday saw a dip in the number of jobless claims and ongoing negotiations between Congress and the White House toward more virus stimulus. Investors, buoyed by those favorable developments, turned to stocks. Tech stocks pushed the Nasdaq ahead 1.4%, while the S&P 500 (0.5%) and the Dow (0.1%) posted modest gains. The big winner last Thursday, however, was the Russell 2000, which surged by 1.6%. Crude oil prices, Treasury yields, and the dollar each fell by the end of trading.

Stocks slumped last Friday as news that President Trump tested positive for COVID-19 seemed to outweigh passage of a $2.2 trillion stimulus package in the House. Weakness in mega-caps and tech shares dragged the major indexes lower by the end of trading last Friday. The Nasdaq fell 2.2%, followed by the S&P 500 (-1.0%), the Dow (-0.5%), and the Global Dow (-0.1%). The Russell 2000 rebounded from a poor start to post a positive gain of 0.5%. The dollar was little changed, crude oil fell for the second consecutive day, and Treasury yields rose as bond prices fell.

Despite the drop last Friday, stocks still managed to gain over the prior week. The Russell 2000 climbed 4.4%, followed by the Dow, which gained 1.9%. The S&P 500 climbed 1.5%, followed by the Nasdaq (1.5%) and the Global Dow (1.4%). Year to date, the Nasdaq is 23.4% over last year's pace, followed by the S&P 500 (3.6%), the only two benchmark indexes ahead of their 2019 year-end closing marks.

Crude oil prices plunged last week, closing at $37.00 per barrel by late Friday afternoon, down from the prior week's price of $40.12. The price of gold (COMEX) surged last week, closing at $1,905.40, up from the prior week's price of $1,866.10. The national average retail price for regular gasoline was $2.169 per

***Key Dates/Data Releases***
***10/5: ISM Services Index***
***10/6: International trade in goods and services, JOLTS***

gallon on September 28, $0.001 higher than the prior week's price but $0.473 less than a year ago.

## Stock Market Indexes

| Market/Index | 2019 Close | Prior Week | As of 10/2 | Weekly Change | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 28,538.44 | 27,173.96 | 27,682.81 | 1.87% | -3.00% |
| **Nasdaq** | 8,972.60 | 10,913.56 | 11,075.02 | 1.48% | 23.43% |
| **S&P 500** | 3,230.78 | 3,298.46 | 3,348.42 | 1.51% | 3.64% |
| **Russell 2000** | 1,668.47 | 1,474.91 | 1,539.30 | 4.37% | -7.74% |
| **Global Dow** | 3,251.24 | 2,916.01 | 2,957.08 | 1.41% | -9.05% |
| **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% | 0.65% | 0.69% | 4 bps | -122 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

- Employment rose by 661,000 in September after adding 1.5 million new jobs the previous month. September's job gains was below their February level by 10.7 million, or 7.0%. Notable job gains occurred in leisure and hospitality, in retail trade, in health care and social assistance, and in professional and business services. Employment declined in government, mainly in state and local government education. Last month saw the unemployment rate decline by 0.5 percentage point to 7.9%, and the number of unemployed persons fell by 1.0 million to 12.6 million. Both measures have declined for five consecutive months but are higher than in February, by 4.4 percentage points and 6.8 million, respectively. In September, 22.7% of employed persons teleworked because of the COVID-19 pandemic, down from 24.3% in August. Also last month, 19.4 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. In September, average hourly earnings, at $29.47, increased by $0.02 over the prior month. Over the past 12 months, average hourly earnings have increased by 4.65%. The average work week rose by 0.1 hour to 34.7 hours in September.
- The third and final estimate for the second-quarter gross domestic product showed the economy regressed at an annual rate of 31.4%. The decline in second-quarter GDP reflected the response to COVID-19, as "stay-at-home" orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued to work remotely and consumers and businesses canceled, restricted, or redirected their spending. The decrease in GDP reflected decreases in personal consumption expenditures (consumer spending), exports, nonresidential (business) fixed investment, private inventory investment, residential fixed investment, and state and local government spending that were partly offset by an increase in federal government spending. Imports, which are a subtraction in the calculation of GDP, decreased. Consumer spending, as measured by personal consumption expenditures, contracted by an annual rate of 33.2%. The price index for gross domestic purchases decreased 1.4% in the second quarter, in contrast to a 1.4% increase in the first quarter. The personal consumption expenditures (PCE) price index (prices for consumer goods and services) decreased 1.6%, after increasing 1.3% in the first quarter. Excluding food and energy prices, the PCE price index decreased 0.8%, following a 1.6% gain in the first quarter.
- Personal income decreased in August, falling 2.7% after advancing 0.5% in July. Disposable, or after-tax, personal income also dropped, decreasing 3.2% in August after climbing 0.3% the previous month. Consumer spending, as measured by personal consumption expenditures, ticked up 1.0% following July's 1.5% gain. Prices for consumer goods and services, as measured by the personal consumption expenditures price index, rose 0.3% in August after advancing 0.4% in July. Over the past 12 months, consumer prices have risen 1.4%.
- The international trade in goods deficit was $82.9 billion in August, up 3.5% from July's deficit. August exports were $118.3 billion, 2.8% greater than July exports. Imports in August were $201.3 billion, 3.1% above July imports. Exports of industrial supplies increased 10.6% in August over July, while automotive vehicle exports fell 0.7% after vaulting 46.3% in July. Driving imports were consumer goods (7.0%) and automotive vehicles (6.2%).
- According to the latest Manufacturing ISM® Report On Business®, manufacturing grew in September, but at a slower pace than in August. The September purchasing managers index (PMI®) registered 55.4%, down 0.6 percentage point from the August PMI®. Any reading over 50.0% indicates growth.

The New Orders Index fell 7.4 percentage points from the August reading of 67.6%. The Production Index dropped 2.3 percentage points compared to the August reading of 63.3%. The Employment Index increased 3.2 percentage points from the August reading of 46.4%. The Inventories Index came in 2.7 percentage points higher than the August reading of 44.4%. The Prices Index climbed 3.3 percentage points compared to the August reading of 59.5%. The New Export Orders Index increased of 1 percentage point compared to the August reading of 53.3%. And the Imports Index was1.6 percentage point lower than the August reading of 55.6%.

- For the week ended September 26, there were 837,000 new claims for unemployment insurance, a decrease of 36,000 from the previous week's level, which was revised up by 3,000. According to the Department of Labor, the advance rate for insured unemployment claims was 8.1% for the week ended September 19, a decrease of 0.6 percentage point from the prior week's rate, which was revised up by 0.1 percentage point. The advance number of those receiving unemployment insurance benefits during the week ended September 19 was 11,767,000, a decrease of 980,000 from the prior week's level, which was revised up by 167,000.

## Eye on the Week Ahead

This week is a slow one for market-moving economic information. The Institute for Supply Management® report on the services sector for September is out this week. Services grew in August for the third consecutive month, and September is expected to continue that trend. Also out this week is the latest report on the international trade deficit for August. The July trade deficit was $63.6 billion, an increase of $10.1 billion over the June deficit.

*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 largest, publicly traded 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.*

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