

Market Week: June 22, 2020



The Markets (as of market close June 19, 2020)

Equities began the week edging higher following the Federal Reserve's announcement that it would buy corporate bonds under an emergency lending program. The Russell 2000 closed up 2.3%, the Nasdaq gained 1.4%, while the S&P 500 and the Dow eked out gains of less than 1.0%, respectively. After last week's tailspin, crude oil prices rebounded while the yield on 10-year Treasuries advanced slightly. Investors remain weary, however, as more than 20 states are seeing an uptick in reported cases of COVID-19, and new hotspots in Beijing and India are raising concerns of a resurgence of the pandemic.

Following an impressive retail sales report, stocks jumped higher last Tuesday. Led by the Global Dow (2.45%), each of the benchmark indexes listed here posted gains of at least 1.75% (Nasdaq). Also climbing were crude oil prices (2.24%), gold (0.47%), and the yield on 10-year Treasuries (7.69%). Most sectors advanced, with the best performers being energy, health care, and materials. Along with the robust retail sales report, the Trump administration announced that it is preparing a \$1 trillion infrastructure proposal aimed at accelerating the economy.

The Nasdaq inched ahead on Wednesday, but that was the only benchmark to gain. The large caps of the Dow and S&P 500 fell 0.65% and 0.36%, respectively. The Russell 2000 sank 1.77%, and the Global Dow changed negligibly. The yield on 10-year Treasuries dropped 3.04% while crude oil prices decreased 1.75% to \$37.71 per barrel. It appears increases in reported COVID-19 cases were enough to pull investors from stocks.

Stocks were mixed last Thursday as concerns over the escalating number of reported virus cases, coupled with another 1.5 million new claims for unemployment insurance, caused investor uneasiness. The Dow fell 0.15% while the S&P 500, the Nasdaq, and the Russell 2000 all posted marginal gains. Energy stocks helped buoy stocks following a pledge from major oil-producing countries to continue to limit output.

Friday closed what may be best described as a roller-coaster ride for stocks. The Dow fell 0.80%, the S&P 500 dropped 0.56%, the Russell 2000 lost 0.59%, and the Global Dow gave back 0.29%. Only the tech-heavy Nasdaq eked out a 0.03% gain. Earlier in the day, stocks rallied following reports out of China that it would comply with phase one of the trade deal by accelerating purchases of U.S.-exported farm goods. Nevertheless, record increases of COVID-19 reported cases in Florida and Arizona drew stocks back from earlier gains.

For the week, the ups and downs experienced by equities ended with the benchmark indexes closing ahead, led by the Nasdaq, followed by the Russell 2000, the S&P 500, the Global Dow, and the Dow. The yield on 10-year Treasuries closed the week where it began. Year to date, the Nasdaq is safely ahead of last year's closing value, while the other benchmark indexes have yet to catch up to their respective 2019 year-end marks.

Crude oil prices are back on the upswing after major oil-producing countries agreed to continue to limit output. The week ended with oil prices hovering around \$39.50 per barrel by late Friday afternoon, up from the prior week's price of \$36.41. The price of gold (COMEX) continued to climb last week, closing at \$1,755.10 by late Friday afternoon, up from the prior week's price of \$1,738.40. The national average retail regular gasoline price was \$2.098 per gallon on June 15, 2020, \$0.062 higher than the prior week's price but \$0.572 less than a year ago.

Key Dates/Data Releases

6/22: Existing home sales

6/23: New home sales

6/25: Durable goods orders, GDP, international trade in goods

6/26: Personal income and outlays

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 6/19	Weekly Change	YTD Change
DJIA	28,538.44	25,605.54	25,871.46	1.04%	-9.35%
Nasdaq	8,972.60	9,588.81	9,946.12	3.73%	10.85%
S&P 500	3,230.78	3,041.31	3,097.74	1.86%	-4.12%
Russell 2000	1,668.47	1,387.68	1,418.64	2.23%	-14.97%
Global Dow	3,251.24	2,799.51	2,838.87	1.40%	-12.68%
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%	0.69%	0.69%	0 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

- Retail sales spiked in May, advancing 17.7% from the previous month. Sales are down 6.1% from May 2019. Retail trade sales also increased, climbing 16.8% last month. Nonstore (online) retail sales increased 9.0% in May and are up 30.8% since May 2019. Last month, a tremendous spike in sales was seen by some retailers including clothing and clothing accessories stores (188.0%), motor vehicle and parts dealers (44.1%), furniture and home furnishing stores (89.7%), electronics and appliance stores (50.5%), and sporting goods, hobby, musical instrument, and book stores (88.2%).
- New home construction should be on the rise in June as May saw building permits jump by 14.4%. Housing starts climbed 4.3% last month but housing completions fell by 7.3%, likely due to a scale-back of construction work due to the pandemic.
- Total industrial production increased 1.4% in May as many factories resumed at least partial operations following suspensions related to the COVID-19 pandemic. Nevertheless, total industrial production remains 15.4% below its February pre-virus level and 15.3% below its May 2019 rate. Manufacturing rebounded from consecutive monthly decreases by advancing 3.8% in May, with most major industries posting increases, the largest of which coming from motor vehicles and parts. Mining and utilities fell 6.8% and 2.3%, respectively.
- For the week ended June 13, there were 1,508,000 claims for unemployment insurance, a decrease of 58,000 from the previous week's level, which was revised up by 24,000. According to the Department of Labor, the advance rate for insured unemployment claims was 14.1% for the week ended June 6. The advance number of those receiving unemployment insurance benefits during the week ended June 6 was 20,544,000, a decrease of 62,000 from the prior week's level, which was revised down by 323,000.

Eye on the Week Ahead

Several important economic reports are out this week. The final estimate for the first-quarter gross domestic product is released this week. It is not expected that much will change from the prior estimate, which had the economy slow at a rate of 5.0%. May home sales figures are also available this week. Existing home sales plunged in April, while new home sales were little changed. The durable goods orders report for May is also out this week. Orders fell more than 17.0% in April. May should show some improvement.

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.

Securities may be offered through Kestra Investment Services, LLC, (Kestra IS), member FINRA/SIPC. Investment Advisory Services may be offered through Kestra Advisory Services, LLC, (Kestra AS) an affiliate of Kestra IS. Kestra IS and Kestra AS may or may not be affiliated with the firm branded on this material.