Weekly Update
Markets Shrug Off Bad News
June 5, 2020

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The Economy

- Global equity markets around the world gained on increased optimism about the world's economy as countries began to slowly emerge from COVID-19-induced lockdowns; and investors apparently shrugged off escalating political stresses such as the protests against police violence across the U.S.; the condemnation by several governments (including the U.S.) of Beijing's resolution to impose new national-security laws on Hong Kong; and the North Korean missile strikes.
- The May U.S. jobs report stunned investors with a better-than-expected 2.5 million gain, pushing the unemployment rate down to 13.3% from 14.7% in April. Most of the improvement was due to rehiring after temporary pandemic-driven layoffs. Many experts believe an economic turnaround could be close, and that damage to employment is not as bad as forecasted.
- Markit's manufacturing purchasing managers' index (PMI) rose from 36.1 in March to 39.8 in April (readings of less than 50 indicate contraction). A similar report from The Institute for Supply Management showed an increase from 41.5 to 43.1 for the same period. The reports hinted at early signs of economic recovery.
- Construction spending decreased by 2.9% in April, with nonresidential expenditures down by 1.8% during the month. State and local government finances disrupted by the pandemic may jeopardize future infrastructure and construction spending.
- Motor-vehicle sales expanded by 12.2 million in May, as retail car buyers slowly returned to the market. Commercial car purchases were stagnant. Automakers' big incentives helped prevent a more significant slowdown in May sales.
- The U.S. Census Bureau reported a sharp 13.0% drop in new factory orders for April. Unfilled factory orders also retreated during the month as the pandemic disrupted global supply chains. The manufacturing sector is expected to struggle in regaining its footing in the first half of 2020.
- Markit's U.S. services purchasing managers' index surged from an 11-year low of 26.7 in April to 37.5 in May. The Institute for Supply Management's similar non-manufacturing index improved from 41.8 in April to 45.4 in May (readings of less than 50 indicate contraction).
- U.S. non-farm productivity narrowed by 0.9% in the first quarter of 2020 as output increased at a slower pace than number of hours worked.
- Mortgage-purchase applications jumped by 5.0% for the week ending May 29—a possible indication of strengthening consumer sentiment. Refinancing applications slid by 9.0%. The average interest rate on a 30-year fixed-rate mortgage inched higher from 3.15% to 3.18%.
- Initial jobless claims remained far above the high end of their pre-COVID-19 historical range, reaching 1.87 million during the week ending May 30. Approximately 42 million Americans lost their jobs since mid-March, which translates to about one out of every four American workers filing for unemployment benefits.

U.S. Economic Calendar

- June 10: Consumer Price Index
- June 11: Jobless Claims, Producer Price Index
- June 12: Consumer Sentiment Index

Stocks

- Global equity markets were positive. Emerging markets led developed markets.
- U.S. equities were positive. Financials and energy outperformed, while consumer staples and healthcare lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.89%.Global bond markets were positive this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of June 5, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	3.6%	-6.6%	4.6%	528.0
MSCI EAFE ($)	5.5%	-10.6%	-1.8%	1820.4
MSCI Emerging Mkts ($)	6.3%	-11.3%	-1.4%	988.8
U.S. & Canadian Equities				
Dow Jones Industrials ($)	6.7%	-5.1%	5.3%	27075.9
S&P 500 ($)	4.8%	-1.2%	12.2%	3190.7
NASDAQ ($)	3.3%	9.3%	28.8%	9805.3
S&P/ TSX Composite (C$)	4.2%	-7.2%	-2.4%	15831.6
U.K. & European Equities				
FTSE All-Share (£)	6.7%	-14.5%	-9.6%	3589.8
MSCI Europe ex UK (€)	4.9%	-9.6%	0.4%	1300.9
Asian Equities				
Topix (¥)	3.1%	-6.3%	5.7%	1612.5
Hong Kong Hang Seng ($)	7.9%	-12.1%	-8.1%	24770.4
MSCI Asia Pac. Ex-Japan ($)	6.6%	-8.1%	1.3%	507.9
Latin American Equities				
MSCI EMF Latin America ($)	11.8%	-32.0%	-26.8%	1984.6
Mexican Bolsa (peso)	7.6%	-10.7%	-9.9%	38882.6
Brazilian Bovespa (real)	8.6%	-17.9%	-2.3%	94927.9
Commodities ($)				
West Texas Intermediate Spot	11.4%	-35.2%	-24.8%	39.6
Gold Spot Price	-3.0%	10.5%	25.6%	1682.3
Global Bond Indexes ($)				
Bloomberg Barclays Global Aggregate ($)	0.2%	2.3%	5.0%	523.3
JPMorgan Emerging Mkt Bond	1.7%	-3.0%	2.3%	855.0
10-Year Yield Change (basis points*)				
US Treasury	23	-103	-123	0.89%
UK Gilt	17	-46	-47	0.35%
German Bund	17	-9	-4	-0.28%
Japan Govt Bond	5	6	17	0.05%
Canada Govt Bond	20	-97	-73	0.73%
Currency Returns**				
US$ per euro	1.7%	0.7%	0.1%	1.129
Yen per US$	1.7%	1.0%	1.2%	109.65
US$ per £	2.6%	-4.5%	-0.2%	1.267
C$ per US$	-2.4%	3.5%	0.6%	1.345

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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