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# INCISIVE INVESTOR

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## WEEK IN REVIEW

### STOCKS STAGE A LATE-DAY COMEBACK TO END HIGH



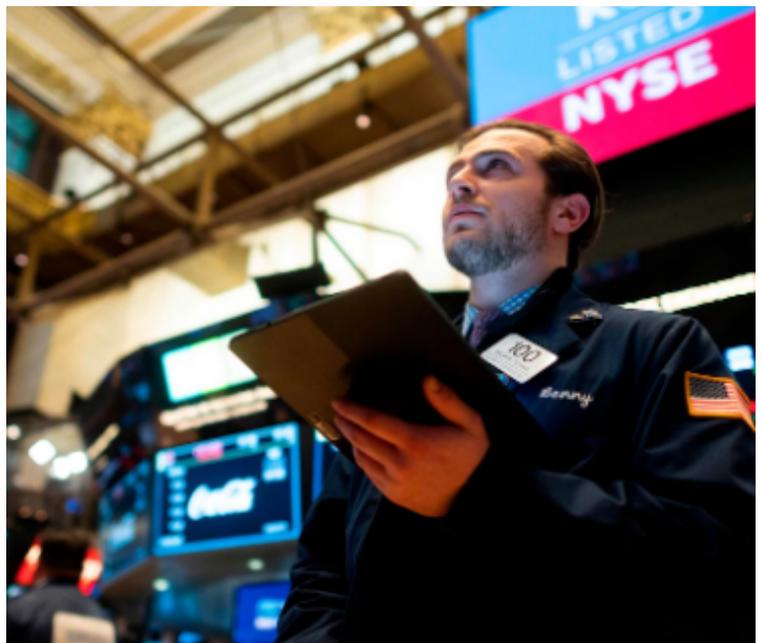
Stocks rebounded late Friday to close modestly higher after trading lower most of the day, weighed down by a mixed batch of earnings results, disappointing economic data, and a lack of progress on Capitol Hill toward another coronavirus aid package.

Inspired by blowout earnings from tech heavyweights Apple, Amazon, Facebook, and Google parent Alphabet, stocks rallied at the open, slipped into mostly negative territory during the session, and then recovered in the final hour.

The Dow Jones Industrial Average DJIA added 114.67 points, or 0.4%, to close at 26,428.32, while the S&P 500 SPX gained 24.90 points, or 0.8%, ending the trading day at 3,271.12. The tech-heavy Nasdaq Composite COMP closed at

10,745.27, up 157.46 points or 1.5%.

For the week, the Dow lost 0.2%, while the S&P 500 gained 1.7% and the Nasdaq surged 3.7%.



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## Economic impact of lockdowns meets expectations



Preliminary gross domestic product data for the second quarter was reported late this week, and the numbers, though eye-catching, were near what economists had forecasted. Growth in the United States slumped at an annualized rate of 32.9%.

## Coronavirus flare-ups reported worldwide

New COVID-19 cases in the US appear to have plateaued for the moment. Parts of the Midwest have seen rising numbers of positive tests, while recent hotspots such as California, Florida, and Texas appear to have stabilized.

## Fiscal cliff nears

US lawmakers did not reach an agreement on a fifth coronavirus relief package this week, at a time when enhanced unemployment benefits of \$600 per week are set to expire. Unable to agree on a comprehensive package, Republican negotiators offered to extend the present \$600 weekly benefit for several

months, but that was rejected by Democratic leadership. Democrats are looking for a package totaling about \$3 trillion in additional spending, while Republicans are aiming for one closer to \$1 trillion. Talks are expected to continue through the weekend.

## Fed preserves steady policy

The US Federal Reserve left policy unchanged at its latest meeting of the Federal Open Market Committee while highlighting the extremely uncertain economic outlook, which depends almost completely on how the pandemic evolves going forward. Chair Jerome Powell warned that more financial support for the economy will be necessary and that high-frequency data, which had shown the strong recovery seen in May and early June, had started to slow. Powell committed the Fed to use all its tools to steer the economy out of recession.

## Biden proposes a corporate minimum tax

Presumptive Democratic Presidential nominee Joe Biden proposed a 15% minimum corporate tax on reported profits this week, an addition to the previously proposed hike in the corporate tax rate from 21% to 28%. Critics counter that such a move would negatively impact corporate investment. The 77-year old former Vice President is expected to name his running mate next week ahead of the Democratic National Convention set to begin on August 17th.

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## EARNINGS NEWS



With around 62% of the constituents of the S&P 500 Index having reported for Q2 2020, blended earnings per share (which combines reported data with estimates for those that have yet to report) shows that earnings growth is running at -35.9%, while sales fell 9.67% compared with the same quarter a year ago, according to data from FactSet Research. So far this quarter, about 80% of the companies that have reported have gone beyond expectations.

## HEADLINERS

US consumer spending rose 5.6% in June but may have plateaued in recent weeks. Household income fell 1.1%. June durable goods orders rose 7.3%, following a 15.1% rise in May.

US pending homes sales rose 16.6% month over month, following a 44.3% jump in May.

Gold reached a record \$1985 on Friday amid continued safe-haven demand.

According to ICE Data, 86% of the global bond market traded with yields no higher than 2% as of June 30th.

## MAJOR STOCK MOVES



A graphic with the text "MAJOR STOCK MOVES" in white on a dark blue background. It features a colorful, abstract pattern of lines and dots, resembling a stock market data visualization.

Shares of Apple soared 10.5% higher, after the iPhone maker reported record profit, crushing Wall Street expectations, and announced a 4-for-1 stock split that will change the pecking order of the price-weighted Dow Jones Industrial Average.

Amazon shares were up 3.7% after delivering results that soared past forecasts for sales and earnings.

Facebook shares rose 8.2% after the social-networking giant easily topped expectations for earnings and revenue.

Alphabet shares were down 3% after the Google parent met expectations despite a dip in advertising revenue.

Shares of Dow component Caterpillar Inc CAT lost 2.8% after the construction-equipment giant reported earnings and revenue that fell less than

expected.

Oil company Chevron Corp. CVX saw shares fall 2.7% after delivering a wider-than-expected loss and revenue that lagged estimates.

Shares of oil giant Exxon Mobil Corp. XOM closed up 0.5% after trading in the red most of the day and despite disappointing earnings and revenue. Chevron and Exxon Mobil are also members of the Dow.

Ford Motor Co. F shares initially rose after delivering a narrower-than-expected adjusted loss in the second quarter, with sales cut in half in comparison with a year ago but in line with Wall Street forecasts but closed 2.1% lower.

Shares of Merck & Co. Inc. MRK rose 1.6% after its earnings and revenue beat expectations and the drug-maker raised its outlook.

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## PULLBACKS, CORRECTIONS, AND BEAR MARKETS

Clearing up confusion from the economic downturn following COVID-19 and how it might affect your financial strategy. [Click to learn more.](#)

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