Weekly Update
COVID Takes Titanic Toll on U.S. GDP
July 31, 2020

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The Economy

- The U.S. economy contracted by a historic 32.9% annualized rate during the second quarter of 2020, registering the largest quarterly reduction on record. Consumer spending (which drives about two-thirds of economic activity) plummeted by 34.6% during the three-month period. The devastating decline in economic activity was a result of the shutdown of large parts of the U.S. economy amid the coronavirus pandemic. Economists expect an extended recovery time from the deepest recession since the U.S. government began measuring gross domestic product in 1947.
- The Federal Reserve (Fed) reiterated its pledge to take aggressive action in an effort to aid an eventual economic recovery.
- The price of gold surged to a record high during the week as investors gravitated toward the perceived safety and inflation sensitivity of the "safe-haven" asset. The strong bid for gold arrived amid a grim outlook for the U.S. economy.
- Durable-goods orders accelerated by 7.3% in June. Orders for machinery and primary metals surged. However, a new outbreak of coronavirus cases is expected to challenge some manufacturers in making a rapid recovery.
- The U.S. housing market continued to gain steam, as the S&P CoreLogic Case-Schiller Home Price Index grew by 0.4% in May and by 3.7% year over year. Home prices received support from record-low mortgage rates, generating more purchasing power for buyers.
- The Conference Board's index of consumer confidence fell from 98.3 in June to 92.6 in July. The reduction in confidence arrives amid a flare-up in infection rates across the U.S. Overall, consumers have grown less optimistic about the short-term outlook for the economy. Consumers remained anxious about personal financial prospects and appeared reluctant to resume spending at pre-pandemic levels.
- The U.S. goods trade deficit narrowed by 6.1%, to $70.6 billion in June. Total exports strengthened by 13.9%, while total imports swelled by 4.8%. The global pandemic is expected to further disrupt the flow of goods and services, and to continue affecting the trade deficit in the near term.
- Initial jobless claims increased from 1.42 million to 1.43 million during the week ending July 25—marking the eighteenth consecutive week of more than one million Americans claiming unemployment benefits. This marks the second consecutive weeks that jobless claims climbed.
- Mortgage-purchase applications slid by 2.0% for the week ending July 24, while refinancing applications diminished by 0.4%. In the same period, the average interest rate on a 30-year fixed-rate mortgage inched lower to 2.99% from 3.01%. Mortgage rates have been persistently low due to the Fed's near-zero benchmark interest rate.

Stocks

- Global equity markets were generally positive. Emerging markets led developed markets.
- U.S. equities were positive. Information technology and consumer discretionary outperformed, while energy and materials lagged. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield moved lower to 0.54%. Global bond markets were positive this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of July 31, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.7%	-2.4%	6.0%	551.9
MSCI EAFE ($)	-0.7%	-9.4%	-2.6%	1846.0
MSCI Emerging Mkts ($)	2.0%	-2.9%	5.6%	1082.1
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-0.2%	-7.4%	-0.6%	26428.7
S&P 500 ($)	1.3%	0.8%	10.3%	3257.6
NASDAQ ($)	3.7%	19.8%	32.5%	10745.3
S&P/ TSX Composite (C$)	0.9%	-5.4%	-1.5%	16133.7
U.K. & European Equities				
FTSE All-Share (£)	-3.3%	-21.8%	-20.6%	3282.0
MSCI Europe ex UK (€)	-2.3%	-10.5%	-4.4%	1287.9
Asian Equities				
Topix (¥)	-4.9%	-13.1%	-4.5%	1496.1
Hong Kong Hang Seng ($)	-0.4%	-12.8%	-10.8%	24595.4
MSCI Asia Pac. Ex-Japan ($)	2.0%	0.1%	7.7%	553.2
Latin American Equities				
MSCI EMF Latin America ($)	2.0%	-28.0%	-24.8%	2101.9
Mexican Bolsa (peso)	-1.1%	-15.1%	-8.4%	36963.2
Brazilian Bovespa (real)	0.6%	-11.0%	0.8%	102951.3
Commodities ($)				
West Texas Intermediate Spot	-2.1%	-34.0%	-25.4%	40.3
Gold Spot Price	3.8%	29.6%	39.0%	1973.2
Global Bond Indexes ($)				
Bloomberg Barclays Global Aggregate ($)	0.9%	6.2%	7.7%	543.5
JPMorgan Emerging Mkt Bond	0.4%	1.4%	3.8%	894.1
10-Year Yield Change (basis points*)				
US Treasury	-5	-138	-136	0.54%
UK Gilt	-4	-71	-49	0.10%
German Bund	-8	-34	-7	-0.53%
Japan Govt Bond	0	3	15	0.02%
Canada Govt Bond	-3	-123	-93	0.47%
Currency Returns**				
US$ per euro	1.1%	5.1%	6.3%	1.178
Yen per US$	-0.3%	-2.6%	-1.4%	105.84
US$ per £	2.3%	-1.3%	7.9%	1.309
C$ per US$	-0.1%	3.1%	1.4%	1.340

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.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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