

In this week's recap: increase in COVID-19 cases, matched with downbeat Federal Reserve forecast, weighed on markets.

Weekly Economic Update

Presented by Fulcrum Financial Group, June 15, 2020

THE WEEK ON WALL STREET

Investor sentiment turned negative last week, amid an increasing number of COVID-19 cases in states where re-opening has been underway as well as a subdued economic forecast from the Federal Reserve.

The Dow Jones Industrial Average dropped 5.55%, while the Standard & Poor's 500 lost 4.78%. The Nasdaq Composite Index slipped 2.30% for the week. The MSCI EAFE Index, which tracks developed stock markets overseas, fell 3.10%.^{1,2,3}

REALITY BITES

The optimism that drove stock prices higher these past several weeks slipped away on reports of a jump in COVID-19 cases, which sparked worries of a second wave slowing the economic recovery. A sober forecast for the economy by the Federal Reserve further dampened investor sentiment.

The week started upbeat with "re-opening" stocks, e.g., financials, transportation, retailers, travel and leisure, and industrials, leading the way higher. But the momentum was soon lost as stocks turned mixed on Tuesday and Wednesday and then moved decidedly downward, with the S&P 500 losing 5.9% on Thursday.⁴

Amid a volatile week, big technology companies resumed their market leadership, with the NASDAQ Composite closing above 10,000 for the first time. Stocks pared their losses on Friday, but it wasn't enough.⁵

FED FORECASTS ECONOMIC GROWTH AND INTEREST RATES

On Wednesday, the Federal Reserve said that it would keep the federal funds rate near zero and maintain its monthly purchases of Treasury bonds and mortgage-backed securities.

The Fed also issued its forecasts for 2020-2022, indicating that it saw its benchmark federal funds rate remaining at zero, with inflation at 0.8% for 2020, increasing to 1.6% in 2021, then to 1.7% in 2022. Fed officials also expect the economy to shrink by 6.5% this year, with Gross Domestic Product growing 5% and 3.5% in 2021 and 2022, respectively. Their forecast for unemployment predicts a steady decline over the next 2½ years, from 9.3% by the end of 2020 to 5.5% in 2022.⁶

TIP OF THE WEEK



If you're trying to save money or track your spending, consider using cash. Cash is real. You can see it, and you know when you're out of it. Money becomes more abstract when you use a credit or debit card, leaving you more open to financial choices that you may later regret.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Retail Sales. Industrial Production.

Wednesday: Housing Starts.

Thursday: Jobless Claims. Index of Leading Economic Indicators.

Source: Econoday, June 12, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Oracle (ORCL), Lennar (LEN).

Thursday: Kroger (KR).

Source: Zacks, June 12, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame and risk tolerance. The return and

principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

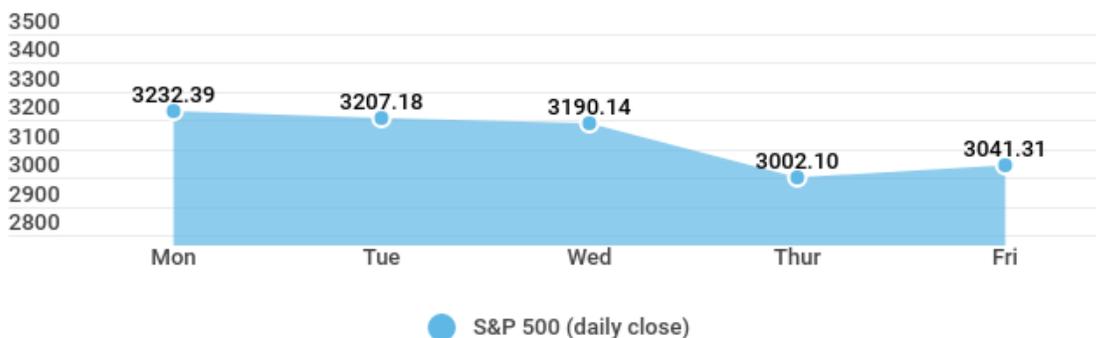
QUOTE OF THE WEEK



“Character is much easier kept than recovered.”

THOMAS PAINE

Market Index	Close	Week	Y-T-D
DJIA	25,605.54	-5.55%	-10.28%
NASDAQ	9,588.81	-2.30%	+6.87%
MSCI-EAFE	1,789.20	-3.10%	-12.16%
S&P 500	3,041.31	-4.78%	-5.86%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.71%	-0.20%	-1.21%

Sources: The Wall Street Journal, June 12, 2020; Treasury.gov, June 12, 2020

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, June 5 to the Friday, June 12 close. Weekly performance for the MSCI-EAFE is measured from the Friday, June 5 open to the Thursday June 12 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

THE WEEKLY RIDDLE



The names of two U.S. state capital cities rhyme, but they share no vowels. Can you name the two cities?

LAST WEEK'S RIDDLE: What is the timepiece with the most moving parts? (It's been around for centuries.)

ANSWER: The hourglass.

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CITATIONS:

- 1 – The Wall Street Journal, June 12, 2020
- 2 – The Wall Street Journal, June 12, 2020
- 3 – The Wall Street Journal, June 12, 2020
- 4 – The Wall Street Journal, June 11, 2020

5 – CNBC, June 12, 2020

6 – CNBC, June 10, 2020

CHART CITATIONS:

The Wall Street Journal, June 12, 2020

The Wall Street Journal, June 12, 2020

Treasury.gov, June 12, 2020