Jo

Weekly Update

Jobs Bounce Back in June

July 2, 2020

**The Economy**

* The June U.S. jobs report posted a better-than-expected 4.8 million gain, pushing the unemployment rate down to 11.1% from 13.3% in May. Although many investors are hopeful that an economic turnaround is near, a surge in new coronavirus infections may stifle the labor market’s budding recovery.
* The Conference Board’s index of consumer confidence improved to 98.1 in June from 85.9 in May. The reopening of the U.S. economy propelled the unexpected yet welcome boost in confidence. Consumers nevertheless remain anxious about personal financial prospects and appear reluctant to resume spending at pre-pandemic levels.
* U.S. manufacturing activity rebounded swiftly in June, hitting its highest level in 14 months. Markit’s manufacturing purchasing managers’ index (PMI) surged from 39.8 in May to 49.8 in June (readings of less than 50 indicate contraction). A similar report from The Institute for Supply Management showed an increase from 43.1 to 52.6 for the same period. Both reports hinted at early signs of economic recovery.
* The U.S. housing market appeared to have a strong start to the second quarter, as the S&P CoreLogic Case-Schiller Home Price Index grew by 0.3% in April and 4.0% year over year. Inventory remained tight as homebuyers slowly began returning to the market; these conditions may lead to bidding wars and push home prices even higher.
* Construction spending decreased by 2.1% in May, with residential expenditures down by 3.9% during the month. Construction is expected to face more headwinds in coming months amid virus-related uncertainty.
* The U.S. Census Bureau reported a sharp 8.0% rebound in new factory orders for May. This was the first improvement for the reading in three months.
* Mortgage-purchase applications sank by 1.0% for the week ending June 26—a possible indication of weakening consumer sentiment. In the same period, refinancing applications fell by 2.0%.
* Initial jobless claims continued to decelerate, from 1.48 million to 1.42 million during the week ending June 27. The reading remained high in historical terms: During the global financial crisis, jobless claims never exceeded 665,000 in any given week.
* The unemployment rate in the eurozone increased by 0.1% to 7.4% in May. Despite the severity of economic decline in the region, unemployment has been notably mild.
* China’s manufacturing PMI increased from 50.7 to 51.2 in June. Manufacturing activity continued to accelerate during the month.

**Stocks**

* Global equity markets were positive. Developed markets led emerging markets.
* U.S. equities were positive. Materials and utilities outperformed, while financials and energy lagged. Growth stocks led value, and large caps beat small caps.

**Bonds**

* The 10-year Treasury bond yield moved lower to 0.67%. Global bond markets were flat this week. Global corporate bonds led, followed by global government bonds and high-yield bonds.