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| |  | | --- | | July 20, 2020  **The Markets**  Is the United States economy recovering or faltering?  It depends on who you ask and which data you consider. For example, last week, the *Department of Labor* reported fewer people applied for first-time unemployment benefits during the week of July 11. That could be a tick in the positive data column. Week-to-week the number declined from 1.31 million to 1.30 million. The lackluster decline could be a tick in the negative data column since the long-term weekly average is about 20 percent of that number.  There was positive news about progress on COVID-19 vaccines last week. The hope it inspired was tempered by reports the number of new cases continued to grow in a majority of U.S. states.  Concern about the resurgence of the virus negatively affected consumer sentiment during the first half of July. The University of Michigan Consumer Sentiment Survey reported, “The promising gain recorded in June was reversed, leaving the Sentiment Index in early July insignificantly above the April low (+1.4 points).”  Uncertainty is reflected in the divergent stories told by stock and bond markets.  The year-to-date return for the Standard & Poor’s 500 Index moved briefly into positive territory last week before finishing slightly down, reported *Financial Times*. That’s an impressive run for a benchmark that was down more than 30 percent in late March. Meanwhile, the tech-heavy Nasdaq Composite has been in positive territory for a while.  Last week, Mike Wilson, Chief U.S. Equity Strategist at *Morgan Stanley* said, “The bottom line, equity markets have been telling us growth is going to surprise on the upside.”  Bond markets have been less optimistic. Yields on U.S. Treasuries remain exceptionally low, suggesting investors continue to seek safe havens amidst uncertainty about the future. On January 2, 2020, 10-year Treasury notes yielded 1.88 percent. Last week, the yield was 0.63 percent.  On a recent earnings call, Jamie Dimon, chairman of *JPMorgan Chase*, shared his thoughts on the state of the economy. “Can I just amplify it? In a normal recession unemployment goes up, delinquencies go up, charge-offs go up, home prices go down; none of that's true here…Savings are up, incomes are up, home prices are up. So you will see the effect of this recession; you're just not going to see it right away because of all the stimulus…you're going to have a much murkier economic environment going forward than you had in May and June, and you have to be prepared for that…”  Markets may remain volatile until the economic picture gains some clarity.    **STOP MAKING CENTS?** You may not have noticed, but there is a coin shortage in the United States. *National Public Radio* explained:  “Supermarkets and gas stations across the U.S. are asking shoppers to pay with a card or produce exact change when possible. [A big box store] has converted some of its self-checkout registers to accept only plastic. [A grocery chain] is offering to load change that would normally involve coins onto loyalty cards.”  Social distancing, and other safety measures taken to slow the spread of COVID-19, also slowed the U.S. Mint’s coin production. In June, the Federal Reserve began rationing coins, and convened a task force to investigate the issue.  With coins in the public eye, it may be time to resurrect the ‘Kill the penny’ movement, suggested Greg Rosalsky of *Planet Money*.  In 2019, 60 percent of the coins produced by the U.S. Mint were pennies. The majority of the Mint’s coin-producing time was spent making about seven billion pennies. The problem is pennies cost more to produce than they are worth as currency.  According to the *U.S. Mint’s 2019 Annual Report*, “The unit cost for both pennies (1.99 cents) and nickels (7.62 cents) remained above face value for the fourteenth consecutive fiscal year.” In other words, the Mint lost more than $72 million making pennies last year.  How often do you use pennies and nickels?  **Weekly Focus – Think About It**  “Money often costs too much.” *--Ralph Waldo Emerson, Philosopher and essayist*  \* These views are those of Carson Coaching, and not the presenting Representative, the Representative’s Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice. \* This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer. \* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate. \* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. \* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index. \* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index. \* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index. \* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market. \* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce. \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998. \* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones. \* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal. \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system. \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets. \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. \* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains. \* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. \* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. \* Past performance does not guarantee future results. Investing involves risk, including loss of principal. \* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete. \* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. \* Asset allocation does not ensure a profit or protect against a loss. \* Consult your financial professional before making any investment decision.  Sources: https://www.dol.gov/ui/data.pdf https://fred.stlouisfed.org/series/ICSA https://finance.yahoo.com/news/stock-market-news-live-july-15-2020-221127015.html https://www.cnbc.com/2020/07/17/us-reports-77200-new-coronavirus-cases-shattering-one-day-record.html http://www.sca.isr.umich.edu https://www.ft.com/content/f6047438-1ea1-4524-8eb1-288f611ece54 (or go to https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/07-20-20\_FinancialTimes-Stocks\_Close\_Higher\_for\_Third\_Straight\_Week-Footnote\_6.pdf) https://www.barrons.com/market-data?mod=BOL\_TOPNAV (or go to https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/07-20-20\_Barrons-Market\_Data-Footnote\_7.pdf) https://www.morganstanley.com/ideas/thoughts-on-the-market-wilson (or go to https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/07-20-20\_MorganStanley-US\_Markets\_Weight\_Optimism\_Uncertainty-Footnote\_8.pdf) https://www.jpmorganchase.com/corporate/investor-relations/document/2q20-earnings-transcript.pdf https://www.npr.org/sections/coronavirus-live-updates/2020/07/16/892060801/exact-change-please-walmart-kroger-cvs-are-feeling-the-coin-shortage https://www.npr.org/sections/money/2020/07/14/890435359/is-it-time-to-kill-the-penny https://www.usmint.gov/about/reports (Click on 2019, page 10) https://www.forbes.com/sites/robertberger/2014/04/30/top-100-money-quotes-of-all-time/#7ec10d224998 | |