

Weekly Update

Markets Weaken on Fiscal Aid Uncertainty

October 23, 2020

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New answers.®

The Economy

- Uncertainty about the timeline for fiscal relief measures weighed on financial markets during the week ending October 23 as prospects for a stimulus package passing Congress before the November 3 election grew fainter. Still, stocks got a boost from news of the FDA approving antiviral drug Remdesivir for the treatment of COVID-19.
- According to the National Association of Home Builders/Wells Fargo Housing Market Index, market conditions for single-family homes advanced from 83 in September to a record-breaking 85 in October. The combination of ultra-low mortgage rates and robust demand for single-family homes generated a strong bid for mortgages. Economists and analysts say that the housing market is leading the economic recovery in the U.S.
- U.S. housing starts grew by 1.9% in September to a 1.41 million annualized rate; meanwhile, permits for future homebuilding jumped by 5.2% to a rate of 1.55 million in the same month. The reality of living, working and attending school at home due to the COVID-19 pandemic is prompting many homeowners to search for larger suburban properties.
- U.S. economic health rose by 0.7% in September, a slower rate compared to the prior month, as measured by the Conference Board's Leading Economic Index (a composite of 10 forward-looking components). Sluggish growth is expected in the months ahead if the U.S. government fails to approve a major fiscal stimulus. A leading indicator is defined as any economic factor that changes before the rest of the economy begins move in a particular direction.
- Preliminary estimates for the October reading of Markit's U.S. purchasing managers' index showed that manufacturing activity remained in expansion territory (above 50), but continued to cool from an 18-month high in August. In contrast, services activity surged to 56.0 in October from 54.6 in September.
- Initial jobless claims decreased by 55,000 to 787,000 during the week ending October 17. The rate of new applications for unemployment benefits remained historically high despite falling sharply in May from a 7 million peak in March.
- Mortgage-purchase applications slid by 2.0% for the week ending October 21, while refinancing applications inched higher by 0.2%. The average interest rate on a 30-year fixed-rate mortgage edged lower from 2.81% to 2.80%. Mortgage rates have trended historically lower since February due to the sustained record-low rates on long-term U.S. Treasury securities.
- Preliminary estimates of consumer confidence in the eurozone showed that confidence fell to its lowest level in five months. Uncertainty spiked sharply during the month on the back of new restrictive COVID-19 measures.

Stocks

- Global equity markets were negative. Emerging markets led developed markets.
- U.S. equities were negative. Utilities and telecommunications were the top performers, while information technology and consumer staples lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.84%. Global bond markets were generally neutral this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of October 23, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	-0.5%	2.6%	9.3%	579.9
MSCI EAFE (\$)	-0.4%	-8.0%	-3.5%	1874.1
MSCI Emerging Mkts (\$)	1.1%	2.0%	9.6%	1136.5
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	-0.9%	-0.7%	5.7%	28336.6
S&P 500 (\$)	-0.6%	7.2%	15.0%	3462.6
NASDAQ (\$)	-1.1%	28.7%	41.1%	11548.3
S&P/TSX Composite (C\$)	-0.9%	-4.5%	-0.5%	16287.9
U.K. & European Equities				
FTSE All-Share (£)	-0.5%	-21.1%	-17.9%	3310.4
MSCI Europe ex UK (€)	-2.0%	-9.5%	-6.1%	1302.1
Asian Equities				
Topix (¥)	0.5%	-5.6%	-1.1%	1625.3
Hong Kong Hang Seng (\$)	2.2%	-11.6%	-7.0%	24918.8
MSCI Asia Pac. Ex-Japan (\$)	0.8%	5.9%	13.2%	585.0
Latin American Equities				
MSCI EMF Latin America (\$)	4.4%	-32.1%	-29.3%	1981.1
Mexican Bolsa (peso)	2.2%	-11.1%	-11.6%	38712.2
Brazilian Bovespa (real)	3.0%	-12.4%	-5.3%	101282.5
Commodities (\$)				
West Texas Intermediate Spot	-3.0%	-35.0%	-29.2%	39.7
Gold Spot Price	-0.1%	24.8%	26.6%	1901.1
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	0.0%	6.3%	6.5%	543.7
JPMorgan Emerging Mkt Bond	-0.9%	0.9%	2.7%	890.1
10-Year Yield Change (basis points*)				
US Treasury	9	-108	-93	0.84%
UK Gilt	10	-54	-34	0.28%
German Bund	5	-39	-17	-0.58%
Japan Govt Bond	2	5	18	0.04%
Canada Govt Bond	6	-106	-89	0.64%
Currency Returns**				
US\$ per euro	1.2%	5.8%	6.8%	1.186
Yen per US\$	-0.7%	-3.6%	-3.6%	104.71
US\$ per £	1.0%	-1.6%	1.5%	1.305
C\$ per US\$	-0.4%	1.1%	0.5%	1.314

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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