



# Weekly Commentary

August 24, 2020

## THE MARKETS

The shortest bear market in history is over.

The Nasdaq Composite and Standard & Poor's 500 Indices finished at new highs last week. The stock market is considered to be a leading economic indicator, so strong stock market performance suggests economic improvement ahead.

There was a caveat to last week's gains, though. One large technology company was responsible for 60 percent of the S&P's weekly gains (0.7 percent), reported Ben Levisohn of *Barron's*. The same large company is also a component of the Dow Jones Industrials Index, which finished the week flat. Without that stock, the Dow would have finished the week lower. Levisohn wrote:

"The S&P 500 might have hit a record last week, but most stocks have been having bad days. On Friday, for instance, just 220 stocks in the S&P 500 closed higher for the day, and that was far from an anomaly. The S&P 500's cumulative advance/decline line – a measure of the number of stocks finishing higher versus those finishing lower that technicians use to gauge the market's underlying strength – has been falling even as the S&P 500 progressed to a record."

One reason for the U.S. stock market's rise to date may be dividends, reported Lawrence

Strauss of *Barron's*. "...equities remain attractive relative to 10-year U.S. Treasuries. The yield on that bond was recently at 0.67 percent, about one percentage point below the S&P 500's yield."

The story told by last week's jobs data was as uncertain as the one told by the U.S. stock market. The *Department of Labor* reported jobless claims moved higher with 1.1 million people filing new claims for the week of August 15. During the previous week, new claims had fallen below one million. The four-week moving average for new claims continued to trend lower.

The unemployment rate dropped from 10.6 percent to 10.2 percent. That's an improvement over April's 14.4 percent, but the rate remains historically high. As a point for comparison, during the Great Recession, the unemployment rate peaked at 10.6 percent in January 2010, according to Rakesh Kochhar of *Pew Research Center*.

There was also a decline in the number of jobs posted. (Job postings provide insight to labor market activity in real time.) The *Indeed Hiring Lab* reported postings were down more than 20 percent year-over-year as of August 14, 2020. It was the first decline in the number of job listings since April 2020. Fewer jobs were available in hospitality, tourism, childcare, banking, finance, and software development.

Data as of 8/21/2020	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	0.7%	5.2%	16.2%	11.8%	11.5%	12.3%
Dow Jones Global ex-U.S.	-0.6	-5.6	5.4	0.2	3.1	2.8
10-year Treasury Note (Yield Only)	0.6	NA	1.6	2.2	2.1	2.6
Gold (per ounce)	-1.1	26.4	28.0	14.2	10.7	4.6
Bloomberg Commodity Index	0.9	-11.7	-7.0	-4.9	-4.0	-5.9

Notes: S&P 500, DJ Global ex US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.



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## IMPROBABLE RESEARCH

The *Annals of Improbable Research* publishes “...research that makes people LAUGH, then THINK. Real research, about anything and everything, from everywhere – research that’s maybe good or bad, important or trivial, valuable or worthless.” In that spirit, here are a few notable scientific studies that may inspire awe and/or skepticism:

- **Coffee improves longevity.** There has been a lot of research exploring whether coffee helps people live longer or shortens their life spans. A metastudy published in the *European Journal of Epidemiology* found people who drank two to four cups of coffee a day were likely to live longer than those who drank no coffee.

- **People don’t know what they don’t know – and they don’t know it.** The Dunning-Kruger Effect is a cognitive bias in which people wrongly overestimate their knowledge or ability in a specific area. “Not only do these people reach erroneous conclusions and make unfortunate choices, but their incompetence robs them of the metacognitive ability to realize it.” Notably, when the unskilled are trained and develop skills, they recognize the limits of their abilities.

- **Insights about alligators on treadmills.** Researchers at the University of Utah found, “... alligators, unlike lizards, are able to walk and breathe at the same time by using a

rocking pubic bone – part of the pelvis – to help them inhale and exhale,” reported *Science Daily*. A study published in the *Journal of Comparative Physiology* reported alligators that trained on treadmills for 15 months improved their peak oxygen rate by 27 percent.

- **Arachnids fly the friendly skies.** Venomous pseudoscorpions, which are tiny predatory arachnids, have perfected the art of hitchhiking. They attach to flying insects, such as beetles, when they want to travel to new hunting grounds, reported *National Museum Publications*.



## WEEKLY FOCUS – THINK ABOUT IT

“All sorts of things can happen when you’re open to new ideas and playing around with things.”

--Stephanie Kwolek,  
Chemist and inventor of Kevlar



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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA™ – Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike’s prior experience was with PaineWebber, Merrill Lynch and Lehman Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan, Mona Shores Education Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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