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Weekly Economic Update

August 3, 2020

In this week's recap: stocks have a mixed reaction to earnings, economic data, and a potential stimulus.

THE WEEK ON WALL STREET

Stocks were mixed last week amid a busy week of earnings, some troubling economic data, and seemingly little progress on a new fiscal stimulus package.

The Dow Jones Industrial Average slipped 0.16%, while the Standard & Poor's 500 increased by 1.73%. The Nasdaq Composite Index surged 3.69% for the week. The MSCI EAFE Index, which tracks developed stock markets overseas, dipped 0.75%.^{1,2,3}

STOCKS BUFFETED BY CROSSWINDS

Stocks rode a roller coaster last week, reacting to a conflicting stream of corporate events and economic data.

Investors were optimistic on Monday about the ability of mega-cap technology companies to thrive in an uncertain economy, but worried on Tuesday about pending Congressional testimony involving the CEOs of these firms.

On the economic front, a strong June durable goods orders report on Monday bolstered investor sentiment. But the optimism faded on a disappointing jobless claims number and a troubling second-quarter GDP number that – while anticipated – was a bit unsettling.^{4,5,6}

Following some exceptional earnings results from the mega-cap technology companies, stocks managed to rally in the final hour of trading on Friday.

U.S. DOLLAR CONTINUES ITS DECLINE

Since peaking in mid-March, the U.S. dollar has dropped nearly 9%. Some of the potential beneficiaries of a weak dollar are global American businesses whose products and services become less expensive in overseas markets.⁷

Conversely, international companies may suffer lower sales in the U.S. as their products become more expensive. It's a mixed bag of potential outcomes, but Wall Street has become more and more focused on the dollar's trajectory.

FINAL THOUGHTS

August has historically been a particularly volatile month. For instance, in 2019, the S&P 500 posted moves of more than one percent in 22 trading days.⁸

One of the possible reasons is that many traders are away on vacation, resulting in light volume, which may amplify market volatility. But this year, it's uncertain whether traders will be away on vacation due to the pandemic. Should markets become volatile in the weeks ahead, investors may want to remind themselves of the seasonal trends that may be at work.

TIP OF THE WEEK



If your life or financial situation changed notably this year (a new job, a marriage, an addition to the family), then now should be a time to review the state of your personal insurance and your risk management approach. We can assist you with this.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Purchasing Managers Index (PMI) Manufacturing Index. Institute for Supply Management (ISM) Manufacturing Index.

Wednesday: Automated Data Processing (ADP) Employment Report. Purchasing Managers Index (PMI) Services Index. Institute for Supply Management (ISM) Non-Manufacturing Index.

Thursday: Jobless Claims.

Friday: Employment Situation Report.

Source: Econoday, July 31, 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

Monday: The Clorox Company (CLX), American International Group (AIG).

Tuesday: The Walt Disney Company (DIS), Twilio (TWLO), Prudential Financial (PRU), Emerson Electric (EMR).

Wednesday: CVS Health (CVS), Humana (HUM), Regeneron Pharmaceuticals (REGN), Wayfair (W).

Thursday: Bristol Myers Squibb (BMY), Booking Holdings (BKNG), Becton Dickinson (BDX), T-Mobile (TMUS).

Source: Zacks, July 31, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. 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.

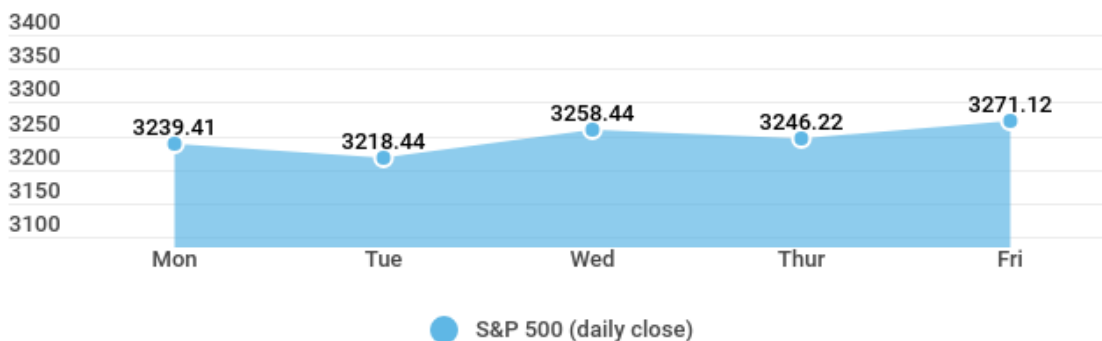
QUOTE OF THE WEEK




“Live in such a way that you would not be ashamed to sell your parrot to the town gossip.”

WILL ROGERS

Market Index	Close	Week	Y-T-D
DJIA	26,428.32	-0.16%	-7.39%
NASDAQ	10,745.27	+3.69%	+19.76%
MSCI-EAFE	1,845.95	-0.75%	-9.38%
S&P 500	3,271.12	+1.73%	+1.25%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.55%	-0.04%	-1.37%

Sources: The Wall Street Journal, July 31, 2020; Treasury.gov, July 31, 2020

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, July 24, to Friday, July 31, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 24, open to the Thursday, July 30, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



You spend 20% of the money in your wallet. Then you spend 20% of what remains in your wallet after that. You spend

\$72.00 total. How much money did you originally have in your wallet?

LAST WEEK'S RIDDLE: How many 9s are in the range of numbers from 1 to 100? (Remember, the number 99 has two 9s in it.)

ANSWER: 20, counting 99, which has 2 nines in it.

Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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CITATIONS:

1. The Wall Street Journal, July 31, 2020
2. The Wall Street Journal, July 31, 2020
3. The Wall Street Journal, July 31, 2020
4. CNBC.com, July 27, 2020
5. CNBC.com, July 30, 2020

6. BEA.gov, July 30, 2020
7. Reuters.com, July 28, 2020
8. CNBC.com, August 31, 2019

CHART CITATIONS:

The Wall Street Journal, July 31, 2020
The Wall Street Journal, July 31, 2020
treasury.gov, July 31, 2020