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Monthly Economic Update

May 2020

In this month's recap: Stocks rebounded sharply, fueled by a flattening of the COVID-19 curve and positive results from clinical trial investigating a treatment for the virus.

U.S. Markets

Stocks rebounded sharply in April, fueled by a flattening pandemic curve and positive results from a clinical trial investigating a treatment for COVID-19.

The Dow Jones Industrial Average, which dropped 14% in March, jumped 11.08%. The Standard & Poor's 500 Index rose 12.68%, and the NASDAQ Composite surged 15.45%.¹

Slowdown in Infections

Just as it appeared that April might be a repeat of March, stocks turned higher with signs of a slowdown in COVID-19 infections, especially in Italy and New York state. Though jobless claims were breathtakingly high, they were expected, allowing investors to focus on positive developments. A more stable bond market also helped support the rally.

The stock market struggled to move higher, as a weak start to earnings season and troubling economic data created some underlying crosscurrents.

Gains Despite Stalled Momentum

Momentum stalled as oil prices drifted lower, but accelerated again on the news of positive results from a clinical trial investigating a treatment for COVID-19.

Stocks continue to climb higher as more states begin the initial phase of reopening their economies and others have announced target reopening dates.

Sector Scorecard

All industry sectors moved higher in April, with increases in Communication Services (+18.10%), Consumer Discretionary (+19.66%), Consumer Staples (+10.19%), Energy (+37.17%), Financials (+11.28%), Health Care (+17.88%), Industrials (+11.24%), Materials (+20.81%), Real Estate (+9.45%), Technology (+16.83%), and Utilities (+5.26%).²

What Investors May Be Talking About in May

The national dialogue over the COVID-19 outbreak has shifted toward restarting the economy, with state and national leaders devoting more attention to plans of loosening the shelter-in-place and social-distancing guidelines.

There are two key aspects that investors may be watching as they try to figure out the pace of the recovery.

State by State

The first factor is the nature of the reopening. The White House plan for restarting the economy involves a three-step process, but leaves the decision-making to the governors of the states. The reopening timing and process may vary depending on health experts' assessments of the risk profile of each state as well as voter sentiment to return to their usual activities.

The second factor is the public's confidence in resuming their pre-quarantine routines. How soon will people be showing up to work, going out to eat, and traveling? That is a clear unknown at this time.

TIP OF THE MONTH



How large should an emergency fund be? There is no “one-size-fits-all” answer. The ideal amount may depend on your financial situation and lifestyle. For

example, if you own a home or have dependents, you may be more likely to face financial emergencies.

World Markets

Rising global optimism worldwide propelled stocks upward, lifting the MSCI-EAFE Index to a 6.75% gain. European markets were broadly higher, with gains in France (+4.01%), Germany (+9.32%), and the U.K (+7.97%). Pacific Rim stocks saw similar gains, as Australia jumped 8.78%, Japan added 6.75%, and Hong Kong rose 4.41%.^{3,4,5}

Indicators

Gross Domestic Product: The U.S. economy shrank at a 4.8% annualized rate during the first quarter, which was the biggest drop in GDP since the fourth quarter of 2008.⁶

Employment: The unemployment rate jumped to 4.4%, up from the previous month's 3.5% rate, as employers shed 701,000 jobs in March. Keep in mind that this month's jobs report did not fully reflect the jobless claims filed during the last two weeks of March.⁷

Retail Sales: Spending by American consumers dropped in March, with retail sales falling 8.7%. It was the deepest decline since the tracking of retail sales began in 1992.⁸

Industrial Production: Industrial output fell 5.4%, the sharpest decline since 1946. Motor vehicles and parts were hit particularly hard, sliding 28%.⁹

Housing: Housing starts were affected by the downturn, falling by 22.3%. Existing home sales declined by 8.5% as buyer-and-seller activity slowed New home sales tumbled 15.4% in March, representing the biggest drop since July 2013.^{10,11,12}

Consumer Price Index: The cost of consumer goods fell by 0.4% in March, led by declines in energy (-5.8%), apparel (-2.0%), and transportation services (-1.9%). Excluding food and energy, the CPI fell by 0.1%.¹³

Durable Goods Orders: Orders of long-lasting goods shrank 14.4%, weighed down by orders for aircraft and their corresponding parts.¹⁴

QUOTE OF THE MONTH



*“Every individual matters. Every individual has a role to play.
Every individual makes a difference.”*

JANE GOODALL

The Fed

Minutes from the Federal Reserve’s two unscheduled meetings in March were released during the month.

The meetings resulted in a 50 basis point rate cut in the federal funds rate, followed by another 100 basis point cut. The meeting notes reflected how alarmed Fed officials were about the economic situation and the disruptions in the financial markets.¹⁵

Following the conclusion of the April 28th-29th meeting of the Federal Open Market Committee, Fed Chair Jerome Powell did not announce any new policies, but did emphasize the Fed’s commitment to using all available tools to support economic recovery.¹⁶

MARKET INDEX	Y-T-D CHANGE	April 2020
DJIA	-14.69%	11.08%
NASDAQ	-0.93%	15.45%
S&P 500	-9.85%	12.68%

BOND YIELD	Y-T-D	March 2020
10-YR TREASURY	-1.22%	0.70%

Sources: wsj.com, bigcharts.com, treasury.gov - 4/30/20

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.
10-year Treasury real yield = projected return on investment, expressed as a percentage, on the U.S. government’s 10-year bond.

THE MONTHLY RIDDLE



Its teeth are sharp, and its spine is straight. It is not innately vicious, it does not hunt, but to cut things up is definitely its fate. What is it?

LAST MONTH'S RIDDLE: While most English words can be pluralized by adding the letter S on the end, there is one word that can be pluralized just by the addition of the letter C. What is it?

ANSWER: Dice. The singular form is "die," i.e., to cast a die or to throw a single die. Sometimes people talk about "tossing a dice" rather than "tossing dice."

Know someone who could use information like this?

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leading companies in leading industries of the U.S. economy. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The CBOE Volatility Index[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the “NYSE”) and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx[®], and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The FTSEurofirst 300 Index comprises the 300 largest companies ranked by market capitalisation in the FTSE Developed Europe Index. The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. Established in January 1980, the All Ordinaries is the oldest index of shares in Australia. It is made up of the share prices for 500 of the largest companies listed on the Australian Securities Exchange. The S&P/TSX Composite Index is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The FTSE TWSE Taiwan 50 Index is a capitalization-weighted index of stocks comprises 50 companies listed on the Taiwan Stock Exchange developed by Taiwan Stock Exchange in collaboration with FTSE. The MSCI World Index is a free-float weighted equity index that includes developed world markets and does not include emerging markets. The Mexican Stock Exchange, commonly known as Mexican Bolsa, Mexbol, or BMV, is the only stock exchange in Mexico. The U.S. Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

CITATIONS:

- 1 - The Wall Street Journal, April 30, 2020
- 2 - FactSet Research, April 30, 2020
- 3 - MSCI.com, April 30, 2020
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- 5 - MSCI.com, April 30, 2020
- 6 - The Wall Street Journal, April 29, 2020
- 7 - The Wall Street Journal, April 3, 2020
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- 9 - MarketWatch.com, April 15, 2020
- 10 - CNBC.com, April 16, 2020
- 11 - Reuters.com, April 21, 2020
- 12 - Reuters.com, April 23, 2020
- 13 - The Wall Street Journal, April 10, 2020
- 14 - The Wall Street Journal, April 24, 2020
- 15 - The Wall Street Journal, April 8, 2020
- 16 - The Wall Street Journal, April 29, 2020