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Weekly Economic Update

August 17, 2020

In this week's recap: stocks rise, and consumer prices jump; COVID-19 cases slow; Congressional talks stall.

THE WEEK ON WALL STREET

Stock prices drifted higher in an otherwise quiet news week, as a slowdown in new COVID-19 cases outweighed a Congressional impasse on a new fiscal spending measure.

The Dow Jones Industrial Average gained 1.81%, while the Standard & Poor's 500 rose by 0.64%. The Nasdaq Composite Index inched 0.08% higher for the week. The MSCI EAFE Index, which tracks developed stock markets overseas, advanced 3.11%.^{1,2,3}

S&P 500 NEARS ALL-TIME HIGH

Stocks prices were supported by a falling rate of COVID-19 cases nationwide and optimism that – despite a lack of progress on a fiscal aid bill – Congress would eventually come to a spending agreement.⁴

The industrial and financial sectors saw solid gains, while technology stocks, after slipping earlier in the week, found some footing as the week came to a close.

The S&P 500 Index flirted all week with setting a new record high. At one point on Thursday, it traded above its February 2020 record close before closing slightly lower. Stocks treaded water into Friday, as Congress recessed for the summer.⁵

CONSUMER PRICES JUMP

On Wednesday, the Labor Department said that the Consumer Price Index rose 0.6% in July, matching the 0.6% increase in June. The increase was double the consensus estimate of 0.3%.

The general view is that the acceleration in consumer prices is more indicative of a healing economy than the beginning of a cycle of higher inflation.^{6,7}

The Fed does not appear concerned about these recent monthly price jumps. It remains more worried about disinflation. However, if inflation continues to pick up, the Fed may be forced to reconsider its COVID-19 monetary policy.⁸

TIP OF THE WEEK



Is your business structured to limit your liability? Your financial professional may be able to provide some insights about what business structures to consider.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Housing Starts.

Wednesday: Federal Open Market Committee (FOMC) Minutes.

Thursday: Jobless Claims. Index of Leading Economic Indicators.

Friday: Existing Home Sales.

Source: Econoday, August 14, 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: JD.com (JD).

Tuesday: Walmart (WMT), The Home Depot (HD), Kohls (KSS).

Wednesday: Nvidia (NVDA), Target (TGT), Lowe's (LOW).

Thursday: Alibaba Group (BABA).

Friday: John Deere (DE).

Source: Zacks, August 14, 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.

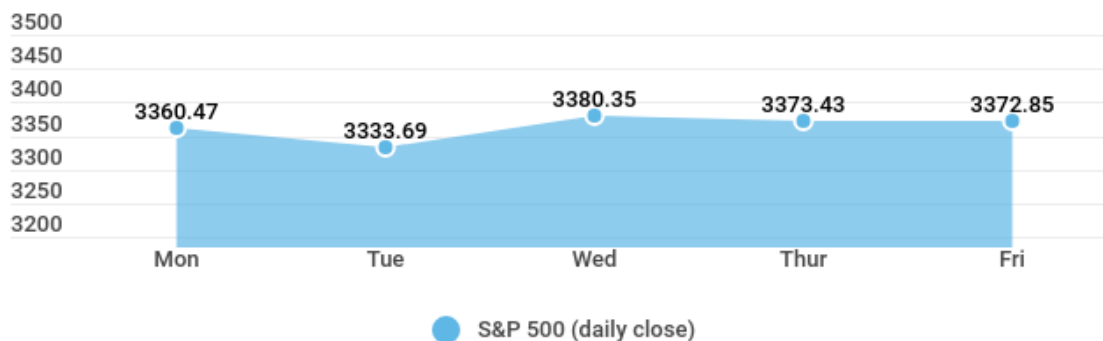
QUOTE OF THE WEEK




“Wise men make more opportunities than they find.”

SIR FRANCIS BACON

Market Index	Close	Week	Y-T-D
DJIA	27,931.02	+1.81%	-2.13%
NASDAQ	11,019.30	+0.08%	+22.81%
MSCI-EAFE	1,912.76	+3.11%	-6.10%
S&P 500	3,372.85	+0.64%	+4.40%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.71%	+0.15%	-1.21%

Sources: The Wall Street Journal, August 14, 2020; Treasury.gov, August 14, 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, August 7, to Friday, August 14, close. Weekly performance for the MSCI-EAFE is measured from Friday, August 7, open to the Thursday, August 13, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



What number should be next in this series: 9, 16, 25, 36?

LAST WEEK'S RIDDLE: Nancy was born in summer, yet she was born in January. How is this possible?

ANSWER: She was born in the southern hemisphere.

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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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, August 14, 2020
2. The Wall Street Journal, August 14, 2020

3. The Wall Street Journal, August 14, 2020
4. CNBC, August 12, 2020
5. CNBC, August 13, 2020
6. The Wall Street Journal, August 12, 2020
7. The Wall Street Journal, August 12, 2020
8. CNBC, August 12, 2020

CHART CITATIONS:

The Wall Street Journal, August 14, 2020
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treasury.gov, August 14, 2020