

In this month's recap: stocks notched a solid gain, overcoming the rise of reported COVID-19 cases and plans of a slowdown in economic re-openings.

Monthly Economic Update

Presented by Accruent Advisors, July 2020

U.S. Markets

Stock prices climbed higher in June, as investors looked beyond an increase in COVID-19 cases as well as reports that several states planned to slow the pace of their economic re-opening.

The Dow Jones Industrial Average gained 1.69%, while the Standard & Poor's 500 Index tacked on 1.84%. The Nasdaq Composite, already up 6.75% in May, rose another 5.99%.¹

Momentum Lost

Stocks opened the month higher, but the momentum quickly stalled, as states struggled to re-open their economies while facing an increase in COVID-19 cases. Investor sentiment was further dampened by a subdued forecast of economic recovery issued by the Federal Reserve.

Focus Shifted

But the market turned and rallied on a series of upbeat news announcements. First, by the Fed, which said that it would extend its bond-buying program to include the debt of individual companies. Second, a strong retail sales report buoyed spirits. And finally, the news of an effective COVID-19 treatment for critically ill patients strengthened investor sentiment.

Bump Up in COVID-19

Market direction reversed late in the month, due to an increase in COVID-19 cases in Florida, Texas, and California, which prompted some states to roll back their re-opening plans.

However, stocks still closed out the month strong, posting back-to-back gains to cement a solid showing.

Sector Scorecard

Industry sectors were mixed in June, with gains in Consumer Discretionary (+1.54%), Industrials (+0.95%), Materials (+0.18%), and Technology (+4.78%), while losses were posted by Communication Services (-1.07%), Consumer Staples (-1.72%), Energy (-4.54%), Financials (-2.48%), Health Care (-4.49%), Real Estate (-0.98%), and Utilities (-5.81%).²

What Investors May Be Talking About in July

Assessing the economy has become increasingly difficult due to the uncertainties caused by the pandemic.

For example, May's employment report from the Bureau of Labor Statistics showed that the economy added 2.5 million new jobs. Wall Street economists were stunned by the news, having forecast a drop of 8.3 million.³

TIP OF THE MONTH



Take a second look at monthly payments you may have contracted years ago (cell phone usage, for example). Plan prices may have dropped. Are you overpaying?

Rise in Real-Time Data

This has left many economists and analysts to look for more creative ways to gauge “real-time” economic activity. In an effort to expand their toolset beyond traditional government reporting, forecasters are now mining a robust vein of real-time data, such as satellite imaging, to count cars parked at retail locations.

They also are looking at data, generated by Google and Apple, to determine traffic, pedestrian volumes, and the number of people taking public transportation. Restaurant apps are getting used too. They can help show whether people are returning to social settings.

Traditional economic indicators remain vital, but expect a growing focus on newer, “big data” tools that give critical real-time snapshots.

World Markets

Economic re-opening and supportive central bank policies propelled markets overseas, as the MSCI-EAFE Index gained 2.92%.⁴

European markets responded to a general easing of economic lockdown and fresh central bank support. Germany rose 6.25%, while France picked up 5.12%. The U.K. lagged, gaining only 2.16%.⁵

Pacific Rim stocks were mostly higher. Japan tacked on 1.88%, while Australia climbed 1.35%.⁶

Indicators

Gross Domestic Product: The final reading of GDP growth for the first quarter was unchanged, at -5.0%.⁷

Employment: The unemployment rate dropped to 13.3%, as employers added 2.5 million new jobs in May. Many of the sectors hit hardest by employment cuts, such as the travel, hospitality, and retail industries, led the rebound in hiring.⁸

Retail Sales: Retail sales leaped 17.7% in May. Clothing and furniture stores led the group.⁹

Industrial Production: Industrial production climbed 1.4%; though, manufacturing output managed a stronger increase of 3.8%.¹⁰

Housing: Housing starts increased 4.3% in May; though, permits for future home construction rose 14.4%. The increase in permits indicates that home building may be emerging from its COVID-19-related contraction.¹¹

Existing home sales dropped 9.7% in May.¹²

Sales of new homes rose 16.6%, which was above consensus estimates.¹³

Consumer Price Index: For the second straight month, consumer prices fell, dipping 0.1% in May. Core inflation, which excludes the more volatile food and energy components, also retreated by 0.1%.¹⁴

Durable Goods Orders: Orders for long-lasting goods jumped 15.8%, well above the consensus estimate of 10.3%.¹⁵



“Only those who will risk going too far can possibly find out how far one can go.”

T.S. ELIOT

The Fed

Following its Federal Open Market Committee two-day meeting in June, the Federal Reserve said that it planned to keep its federal funds rate near zero.

Fed Chair Jerome Powell confirmed that the Fed would maintain its monthly purchases of Treasury bonds and mortgage-backed securities.

The Fed also issued its forecasts for 2020 to 2022. It anticipates the federal funds rate remaining at zero, with inflation of 0.8% for 2020, 1.6% in 2021, and 1.7% in 2022.

Fed officials said that they expect the GDP to fall by 6.5% this year, but increase 5% in 2021 and 3.5% in 2022. Officials also expect unemployment to steadily decline over the next 2½ to 5½ years.¹⁶

MARKET INDEX	Y-T-D CHANGE	June 2020
DJIA	-9.55	1.69%
Nasdaq	12.11	5.99%
S&P 500	-4.04	1.84%

BOND YIELD	Y-T-D	June 2020
10 YR TREASURY	-1.27%	0.65%

Sources: Yahoo Finance, June 30, 2020

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. 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.

THE MONTHLY RIDDLE



Haretown and Tortoiseville are 44 miles apart. A hare travels at 8 miles per hour from Haretown to Tortoiseville, while a tortoise travels at 3 miles per hour from Tortoiseville to Haretown. If both set out at the same time, how many miles will the hare have to travel before meeting the tortoise en route?

LAST MONTH'S RIDDLE: Here's a food riddle. Someone strips away the outside of this food, leaving you free to boil, cook, or grill the inside. (So, what was the "inside" is now an uncovered outside.) You eat the new outside, and throw away the inside of that. What kind of food are you eating?

ANSWER: Corn on the cob.

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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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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.

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