

Market Week: June 1, 2020



The Markets (as of market close May 29, 2020)

With the stock market closed last Monday in observance of Memorial Day, Tuesday's trading led to solid returns for each of the benchmark indexes listed here. The S&P 500 climbed past the 3000 mark for the first time since March, only to trickle below by the end of the day. The small caps of the Russell 2000 led the indexes after climbing 2.77%, followed by the Dow (2.17%), the Global Dow (1.96%), and the Nasdaq (0.17%). Stocks soared for most of the day, only to be tempered later on Tuesday after a report arose that President Trump was considering imposing sanctions on Chinese officials.

The Dow closed up over 2.0% on Wednesday to reach 25,000 for the first time since early March. The S&P 500 gained nearly 1.5%, pushing past 3,000 for the first time since March 5. The Nasdaq was held back by some large tech stocks, yet still managed to close up by over 0.75%. The small caps of the Russell 2000 surged ahead by more than 3.0% by the close of trading last Wednesday. The possibility of cash incentives to get people back to work was another sign that the economy is slowly beginning to rally. Globally, the STOXX Europe 600 index rose 0.2% on the heels of the European Union's proposal of an \$825 billion recovery fund to help offset the economic ravages caused by the pandemic.

Fears that President Trump would take action against China sent markets reeling at the end of the day last Thursday. Stocks fell for the first time in four days as each of the U.S. benchmarks listed here closed the day in the red. Only the Global Dow posted a modest gain. Reopening economies provided optimism for foreign investors, pushing European stocks higher. Crude oil prices continued to climb, gaining nearly 2.0% on the day.

Investor optimism remains driven by the prospects of an economic recovery. Stocks surged ahead last Friday and for the week, despite President Trump's condemnation of China for its handling of the pandemic and its increasing attempt to exert control in Hong Kong, although he did not suggest the imposition of further economic sanctions.

For the week, each of the benchmarks listed here posted solid gains, led by the Global Dow, pushed ahead by growing economic hopefulness in both Europe and Asia. The Dow gained nearly 4.0%, followed by the S&P 500, the small caps of the Russell 2000, and the tech stocks of the Nasdaq. Year to date, the Nasdaq is close to 6.0% ahead of its 2020 starting point, while the S&P 500 is quickly closing the gap.

Crude oil prices vaulted ahead again last week, closing at \$35.34 per barrel by late Friday afternoon, up from the prior week's price of \$33.33. The price of gold (COMEX) rebounded last week, closing at \$1,745.80 by late Friday afternoon, up from the prior week's price of \$1,734.00. Gas at the pump continues to rise. The national average retail regular gasoline price was \$1.960 per gallon on May 25, 2020, \$0.082 higher than the prior week's price but \$0.862 less than a year ago.

Key Dates/Data Releases

6/1: *Markit Manufacturing Index, ISM Manufacturing Index*

6/3: *ISM Non-Manufacturing Index*

6/4: *International trade*

6/5: *Employment situation*

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 5/29	Weekly Change	YTD Change
DJIA	28,538.44	24,465.16	25,383.11	3.75%	-11.06%
Nasdaq	8,972.60	9,324.59	9,489.87	1.77%	5.76%
S&P 500	3,230.78	2,955.45	3,044.31	3.01%	-5.77%
Russell 2000	1,668.47	1,355.53	1,394.04	2.84%	-16.45%
Global Dow	3,251.24	2,640.16	2,749.85	4.15%	-15.42%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.65%	0.64%	-1 bps	-127 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The gross domestic product decreased at an annual rate of 5.0% in the first quarter of 2020, according to the second estimate released by the Bureau of Economic Analysis. The GDP increased 2.1% in the fourth quarter. Real gross domestic income decreased 4.2% in the first quarter, in contrast to an increase of 3.1% (revised) in the fourth quarter. The price index for gross domestic purchases increased 1.7% in the first quarter, compared with an increase of 1.4% in the fourth quarter. Consumer prices increased 1.3% in the first quarter, compared with an increase of 1.4% in the fourth quarter.
- Inflationary pressures remain low, while personal income soared in April, according to the latest figures from the Bureau of Economic Analysis. Prices paid by consumers for goods and services fell 0.5% last month and are up a scant 0.5% over the past 12 months. Personal income and disposable personal income increased 10.5% and 12.9%, respectively. The increased income didn't translate to increased consumer purchases, however. Personal consumption expenditures dropped 13.6% in April. Clearly, these figures were significantly impacted by the pandemic. For instance, personal income expanded but wages and salaries fell. The increase in personal income is attributable largely to unemployment benefits paid.
- The advance report on international trade in goods revealed a deficit of \$4.7 billion in April, 7.2% greater than the deficit in March. Exports decreased 25.2% last month. Imports fell 14.3% from March. Exports and imports for automotive vehicles fell dramatically, declining 68.5% and 55.2%, respectively.
- Sales of new single-family homes rose by 0.6% in April, according to the latest report from the Census Bureau. However, new home sales are down 6.2% from April 2019. The median sales price of new houses sold in April 2020 was \$309,900 (\$326,900 in March). The average sales price was \$364,500 (\$377,400 in March). The estimate of new houses for sale at the end of April was 325,000. This represents a supply of 6.3 months at the current sales rate.
- New orders for manufactured durable goods in April decreased \$35.4 billion, or 17.2%. This decrease, down three of the last four months, followed a 16.6% March decrease. Excluding transportation, new orders decreased 7.4%. Excluding defense, new orders decreased 16.2%. Transportation equipment, also down three of the last four months, led the decrease, down \$23.9 billion, or 47.3%. Shipments of manufactured durable goods in April, down three of the last four months, decreased \$41.5 billion, or 17.7%. Unfilled orders for manufactured durable goods in April, down two consecutive months, decreased \$17.5 billion, or 1.6%. Inventories of manufactured durable goods in April, up two consecutive months, increased \$0.7 billion, or 0.2%. On the other hand, nondefense new orders for capital goods in April increased \$3.8 billion, or 8.2%.
- For the week ended May 23, there were 2,123,000 claims for unemployment insurance, a decrease of 323,000 from the previous week's level, which was revised up by 8,000. According to the Department of Labor, the advance rate for insured unemployment claims decreased 2.6 percentage points to 14.5% for the week ended May 16. The advance number of those receiving unemployment insurance benefits during the week ended May 16 was 21,052,000, a decrease of 3,860,000 from the prior week's level, which was revised down by 161,000.

Eye on the Week Ahead

Key economic data out this week focuses on the employment numbers for May. April saw 20.5 million jobs lost and an unemployment rate that soared to 14.7%.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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