Weekly Market Performance – Markets and Stimulus Measures

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Market Blog

Index Performance

S&P 500 Index: -0.3%

Dow Jones Industrial Average: -0.8%

Nasdaq Composite: -1.3%

Equities

Large cap US equities pulled back modestly this week, as technology-oriented stocks paused for the second consecutive week. The Nasdaq fell more than 1%, though the S&P 400 Midcap and Russell 2000 indexes bucked this trend and with modest gain.

With regard to sectors, energy, financials, and consumer discretionary led, while technology, communication services, and healthcare lagged. For the second straight week, large cap value outperformed growth.

Next week, Senate Republicans are expected to announce an additional 1 trillion dollar stimulus package. Unemployment benefits, state and local government funding, tax refunds, funding for COVID-19 testing and treatment, along with corporate liability protections are likely to be a part of the final package. In addition, payroll tax cuts and school aid are still under consideration.

International Stocks

International markets finished the week little changed, though dollar weakness helped to offset modest losses seen in local currency terms in the

European STOXX Europe 600 as well as the Shanghai Composite.

Fixed Income

It was another strong week for bond markets, led by emerging market debt on the back of continued weakness for the US dollar. The United States 10-year Treasury yield pulled back this week. High-yield bonds, as represented by the Bloomberg Barclays High Yield index, enjoyed another positive week with the index returning over 1%. Oil prices were little changed for the week, though briefly traded to their highest level since early March.

Currencies and Commodities

The dollar weakened by its most since mid-April this week, falling for the fourth consecutive week. The dollar's weakness and implications are analyzed here.

The softening dollar has continued to provide tailwinds in the commodities space, with the precious metals space a notable beneficiary. Silver prices have shown particular strength, rising over 18% for the week to the highest level since 2013 and gold prices have risen to within striking distance of all-time highs, crossing the $1900/oz. mark for the first time since 2011 on Friday.

Economic Data Recap

Initial jobless claims filings came in higher than expected at over 1.4 million for the week ending July 18. This was the first increase since March and, in addition, last week's claims ended the 15-week streak of declines per the US Bureau of Labor Statistics. Continuing claims fell to over 16 million for the week ending July 11, down more than 1 million from the prior week. This was much better than Bloomberg's consensus forecast of over 17 million. The improvement in continuing claims is positive, however the stall in new filings underscores the long road ahead for a job market recovery.

Looking Ahead

More earnings are on tap with well over 100 S&P 500 companies reporting next week. Given COVID-19, the uncertainty concerning pandemic's future impact are weighing in as a major theme on many calls. Economic data for the week starts with Durable Orders on Monday. Tuesday, we receive data on May's home prices with the S&P/Case-Schiller Home Price index, along with a reading of July's Consumer Confidence from The Conference Board.

On Wednesday, the markets will be anticipating the results from the FOMC meeting along with any comments from Federal Reserve (Fed) Chairman Powell. Moreover, wholesale inventories are announced for the prior month.

Thursday provides investors another anticipated weekly unemployment claims report, where progress has stalled over the past few weeks. Renewed declines in initial and continuing claims would potentially signal further progress in the job market recovery even though COVID-19 cases in the United States have risen in recent weeks. Thursday we see the preliminary report of second quarter GDP, widely expected to be the worst on record. Finally, the week will wrap up with a report on June's Personal Consumption Expenditures and Income, employment costs, along with the Michigan Sentiment on Friday.

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