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Weekly Market Performance – Markets Move Ahead

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Market Blog

Index Performance

S&P 500 Index: 1.3 %

Dow Jones Industrial Average: 2.3 %

Nasdaq Composite: -1.1 %

Equities

US equities delivered modest gains this week, with indexes representing both the midcap and small cap spaces faring best. Both the S&P 400 Midcap and Russell 2000 indexes finished up over 2%.

With regard to sectors, materials, industrials, and healthcare were up over 5%. Technology and consumer discretionary lagged this week. Large cap value outperformed growth by over 4%.

Talks of another round of stimulus are in the works. While the size and composition of the bill remains uncertain, direct payments and additional unemployment benefits are possibilities. State and local government funding will almost certainly be included in this legislation as well, along with a potential return-to-work bonus and COVID-19 liability protection for businesses.

International Stocks

It was a mixed week for the MSCI EAFE and the MSCI Emerging Markets Indexes. The emerging market index gave back some ground while the MSCI

EAFE was up over 2%. European markets, represented by the STOXX Europe 600 Index, finished modestly higher.

China's second quarter gross domestic product (GDP) grew faster than expected as its economy reopened, rebounding from the 6.8% contraction in the first quarter driven by lockdowns to contain COVID-19. China's first quarter GDP contraction was its first since at least 1992, when official quarterly records began.

Fixed Income and Commodities

The United States 10-year Treasury yield closed slightly lower this week. Likewise, investment grade corporates did well in the midst of Federal Reserve asset purchases. High-yield bonds, as represented by the iShares High Yield Corporate Bond ETF enjoyed an over 1% return this week.

Moreover, the August contract for West Texas Intermediate crude oil (WTI) along with gold were up a fraction this week. Year to date, the precious metal has gained over 19%. The dollar continued to hold its own versus the euro this week.

Economic Data Recap

Initial jobless claim filings totaled 1.3 million for the week ending July 11, which was above the Bloomberg's consensus forecast of 1.25 million. Claims have fallen 15 straight weeks, and continuing claims fell to over 17 million for the week ending July 4. However, the still-elevated jobless numbers and leveling off of the trend suggest the job market likely may take some time to heal, and the latest COVID-19 outbreak may have slowed the progress.

June's retail sales beat expectations with an over 7% month-over-month increase, compared with Bloomberg's consensus expectations for a 5% increase. Consumer spending along with the employment picture have a long way to go to return to 2019 levels; however, the strong rebound in May and June is positive.

Bond Flows Continue to Dominate

After pulling back in the first quarter of 2020, flows into both bond mutual funds and exchange-traded funds (ETFs) dominated stocks in the second quarter, as they've done 15 of 18 quarters since the start of 2016, according to ICI data. While bonds remain an important part of a diversified portfolio, returns are likely to become more modest due to low yields along with the potential for an economic recovery.

Looking Ahead

We are heading into the heart of earning season, with a variety of technology, industrial, and healthcare companies on tap to report next week. Economic data for the week starts with the Chicago Fed National Activity Index Tuesday. On Wednesday, May's Federal Housing Finance Agency (FHFA) Home Price Index and the existing National Association of Realtors (NAR) June home sales are published.

Thursday provides investors another anticipated weekly unemployment claims report, where progress has stalled over the past couple weeks, and the Conference Board's Leading Economic Index. Renewed declines in initial and continuing claims would potentially signal further progress in the job market recovery even as COVID-19 cases in the United States have risen in recent weeks. The week wraps up with July's Kansas City Fed Manufacturing Index on Thursday and Markit's preliminary Purchasing Manager's Index (PMI) for July and U.S. Census Bureau's new home sales for June on Friday.

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For a list of descriptions of the indexes referenced in this publication, please visit our website at lplresearch.com/definitions.

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