

Weekly Market Performance – Markets Steadfast Amid Economic and Earnings Reports

Posted by [lplresearch](#)

Market Blog

Index Performance

S&P 500 Index: 1.7%

Dow Jones Industrial Average: -.2%

Nasdaq Composite: 3.7%

Equities

This week was another mixed week for the markets, as large cap growth earnings powered tech behemoths and the Nasdaq to more than 2% gains, while the Dow fell on the week. Real estate and technology led, while energy, financials, materials, and industrials lagged. Small and mid- caps fell slightly on the week, while growth handily outperformed value.

On the stimulus front, both parties continue talks, but remain apart on an agreement. Legislation could cover some form of a stimulus payment to eligible individuals, additional unemployment compensation, small business employment and return-to-work incentives, and rental assistance.

Big tech thrives despite pandemic

Quarterly earnings released this week put tech in the spotlight. The four largest US tech companies earned combined revenues of more than \$200 billion, and this continues to be a bright area in a challenging economy. We look further into big tech on the July 31 [LPL Research blog](#).

International Stocks

Foreign developed markets fell sharply on the week. The Eurozone reported its largest economic contraction on record, a 12.1% quarter-over-quarter decline, while Japan's Nikkei was hurt by a stronger yen.

Emerging markets were little changed on the week, though economic reports showed China's economy is making a comeback. The China manufacturing Purchasing Manager's Index (PMI) for July was reported to be better than expected. This along with China's non-manufacturing PMI have shown improvement since February.

Fixed Income

The bond markets enjoyed another solid week as yields moved lower across the curve. High-yield corporates outperformed as spreads relative to US Treasuries declined to their lowest level since early March. TIPS also continued their outperformance relative to their nominal counterpart as breakeven inflation rates pushed toward multi-month highs. Meanwhile, the 10-year Treasury yield touched its lowest level since the March 9 low of 0.31%.

Currencies and Commodities

The weakening dollar remains the dominant macro theme as the greenback continued its slide. WTI crude oil sank as members of OPEC+ have been in discussions to resume output after cuts to support prices earlier in the year.

The soft dollar continues to drive up the price of precious metals, with gold and silver recording their eighth straight weekly advance, up over 29% and 34% year-to-date, respectively. Gold traded to an all-time high July 27. We explain why we believe this rally may continue on the July 29 [LPL Research blog](#).

Economic Data Recap

Filings for initial jobless claims came in lower than expected at more than 1.4 million for the week ending July 25, but they edged higher on a week-over-week basis. Continuing claims increased to 17 million for the week ending July 18, from over 16 million the week prior (source: Bloomberg/US Bureau of Labor Statistics). The plateau in claims in recent weeks and uptick in continuing claims underscore the long road ahead for the job market recovery.

The US economy contracted over 32% in the second quarter, the largest decline on record. Not surprisingly, a sharp decline in consumer spending on services was one of the main contributors to the decline, but weakness was widespread across economic sectors. Non-defense spending by the federal government was an important exception, growing at an annualized rate of 40%. If there's a silver lining, it's that GDP is backward-looking. Data

suggests the decline is behind us, the economy actually expanded in May and June, and the Bloomberg-surveyed economists' consensus for third quarter growth sits at an annualized 18%. We delve into the second quarter GDP report in the July 30 [LPL Research blog](#).

Looking Ahead

Over 50 S&P 500 companies are scheduled to report earnings next week as we head toward the conclusion of earnings season. The uncertainty concerning COVID-19's future impact has been a major theme on many company conference calls. Economic data Monday begins with July PMI along with Institute for Supply Management (ISM) Manufacturing Report. June construction spending numbers from the US Commerce Department Census Bureau are also expected. Tuesday is all about Durable and Factory Orders for June. Wednesday, we will look at July auto sales.

Thursday provides investors another anticipated weekly unemployment claims report. Friday, the week will wrap up with a report on July hourly earnings and average workweek data, July manufacturing, and non-farm payrolls.

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