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18

Weekly Market Performance – September 18, 2020: Markets Show Resilience

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Market Blog

Index Performance

S&P 500 Index: -0.6%

Dow Jones Industrial Average: 0.0%

Nasdaq Composite: -0.6%

US and International Equities

The equity markets attempted to gain marginal ground this week, as the S&P 500 Index tried break a two-week losing streak, but couldn't. Energy, last week's biggest decliner, was this week's top performer, returning over 2.5% as oil prices rebounded. In addition, industrials and materials had solid performances, with both sectors returning over 1.5%. Communication services and consumer discretionary lagged, with both sectors giving back over 1%. Large value outperformed large growth. Small caps rebounded over 2% this week.

International equities had a better week compared to the prior week. Both the developed international markets, as denoted by the MSCI

EAFE Index, along with emerging markets, tracked by the MSCI EM Index, finished higher, with the emerging market index outpacing the developed international market benchmark.

Fixed Income, Currencies, and Commodities

Given monetary policy meetings from the Federal Reserve (Fed), the yield on the 10-year Treasury rose slightly, and despite a volatile month thus far in equity markets, corporate credit spreads appear well contained, a welcome signal for the broader market.

Commodities were broadly mixed this week. Gold and silver finished near flat, while copper prices traded to more than two-year highs. Crude oil rebounded back above \$40 per barrel, though natural gas prices fell approximately 10%. Currency markets were quiet, with the US Dollar Index posting a slight loss.

US Economic Data Recap

New economic forecasts released Wednesday at the conclusion of the Fed's two-day policy meeting saw a substantial upgrade in economic expectations. The median 2020 GDP forecast was lifted from -6.5% to -3.7%, although forecasts for 2021 and 2022 lost some ground. At the same time, the Fed continued to highlight ongoing downside risks from the pandemic. During his press conference, Fed Chairman Jerome Powell emphasized the role of fiscal policy in maintaining the recovery, while Congress remains at an impasse that may last into 2021.

"The Fed did what we expected, as they made it very clear that rates near zero are here to stay for potentially years," explained LPL Financial Chief Investment Officer Burt White. "What did surprise us is how much they increased their economic forecasts for 2020, signaling the economic rebound continues to surprise nearly everyone to the upside."

Initial jobless claim filings came in near expectations at 860,000 for the week ending September 12 (source: US Department of Labor), down over 30,000 from the upwardly revised 893,000 the prior week. Continuing claims also improved, falling by more than 900,000 to 12.6 million, handily beating Bloomberg's consensus forecast of 13 million. With claims currently above pre-pandemic record highs, the job recovery still has a ways to go, and it won't get any easier as stimulus fades, but improving continuing claims reflects progress.

August retail sales rose 0.6% month over month, but fell short of Bloomberg's consensus expectations for a 1% advance. The control group, excluding building materials, autos, and gas, fell and also missed estimates (source: US Census Bureau). The July 31 expiration of supplemental jobless benefits provided a headwind. Though the shortfall is disappointing during the important back-to-school shopping season, keep in mind that retail sales have recovered to pre-recession (pre-pandemic) levels in just five months, compared to 40 months during the 2008–09 financial crisis. Read more on this important report the [LPL Research blog](#).

Looking Ahead

Next week, the following economic data is slated to be released:

- On Tuesday, we get data on August existing home sales.
- Wednesday is all about July's Federal Housing Finance Agency (FHFA) home price index along with September's preliminary Purchasing Managers' Index (PMI) from Markit.
- Thursday provides investors with another anticipated weekly initial unemployment claims report. Moreover, August's new home sales and building permits will be announced.
- Friday wraps up the week with August durable orders.

Finally, Fed Chair Powell and Treasury Secretary Steven Mnuchin will testify before the House of Representatives and Senate on Tuesday and Wednesday.

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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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