

Market Week: March 23, 2020



The Markets (as of market close March 20, 2020)

Following the Fed's latest interest rate cut last weekend, stocks opened markedly lower on Monday, prompting the third circuit breaker in the last six sessions as trading was halted only seconds after the opening bell. By midmorning on Monday, the Dow had lost 8.5%, the S&P 500 slid 7.7%, and the Nasdaq fell 7.8%. By the end of the day, the Dow posted its worst percentage decline since 1987, the S&P 500 fell 12.0%, and the Nasdaq was off 12.3%. Business disruptions, store closures, and travel restrictions continue to drive the massive sell-off.

A late rally Tuesday pushed the major indexes higher, but the momentum was short-lived. Wednesday's futures triggered yet another circuit breaker. The stock market is now firmly in bear territory — more than 20% off its 52-week high. Despite new measures by the Federal Reserve and the European Central Bank late Wednesday, stocks continued to fall.

After Thursday's passage of legislation intended to provide some relief to those who are unable to work, coupled with an extension to file income taxes until July, stocks rebounded, somewhat. While Thursday's gains provided a brief respite from the constant sell-offs, stock values remain depressed. The Dow was down more than 32% from its February 12 high, while the other major indexes have all fallen more than 20%.

By the end of the week, each of the benchmark indexes fell by more than 10%, led by the large caps of the Dow and the small caps of the Russell 2000. The federal government closed U.S. borders with Mexico and Canada to nonessential travel. States like New York, California, and Illinois ordered their respective workforces to stay home. Investors saw these moves as more reason to fear that the worst is yet to come from the COVID-19 pandemic, prompting more stock sell-offs.

Year-to-date, the Russell 2000 is nearly 40% below its 2019 closing value. The Dow and Global Dow are each more than 32% off last year's pace. The tech-heavy Nasdaq has given up more than 23% from last year, which was a stellar one for this index.

Oil prices continued to plunge last week, closing at \$19.84 per barrel by late Friday afternoon, down from the prior week's price of \$33.34. The price of gold (COMEX) also fell last week, closing at \$1,498.90 by late Friday afternoon, down from the prior week's price of \$1,532.80. The national average retail regular gasoline price was \$2.248 per gallon on March 16, 2020, \$0.127 lower than the prior week's price and \$0.300 less than a year ago.

Market/Index	2019 Close	Prior Week	As of 3/20	Weekly Change	YTD Change
DJIA	28,538.44	23,185.62	19,173.98	-17.30%	-32.81%
Nasdaq	8,972.60	7,874.88	6,879.52	-12.64%	-23.33%
S&P 500	3,230.78	2,711.02	2,304.92	-14.98%	-28.66%
Russell 2000	1,668.47	1,210.13	1,014.05	-16.20%	-39.22%
Global Dow	3,251.24	2,470.43	2,204.75	-10.75%	-32.19%
Fed. Funds target rate	1.50%-1.75%	1.00%-1.25%	0.00%-0.25%	-100 bps	-150 bps

Key Dates/Data Releases

3/24: New home sales

3/25: Durable goods orders

3/26: GDP, international trade in goods

3/27: Personal income and outlays

10-year Treasuries	1.91%	0.95%	0.93%	-2 bps	-98 bps
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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 Federal Open Market Committee accelerated its meeting time to last weekend, holding an emergency session on Sunday, March 15. Following that meeting, the Committee decided to lower the target range for the federal funds rate to 0.00%-0.25%. This target range is expected to be maintained until the Committee is confident that the economy has weathered the economic storm caused by the coronavirus. The FOMC also indicated that it will continue to monitor information for the economic outlook, public health, and global developments and will "use its tools and act as appropriate to support the economy." The Committee also indicated its intention to increase its holdings of Treasury securities by at least \$500 billion and its holding of agency mortgage-backed securities by at least \$200 billion, in an attempt to enhance the flow of credit to households and businesses.
- Not unexpectedly, retail sales fell in February, according to the latest report from the Census Bureau. Sales from retail and food services dropped 0.5% last month but remain 4.3% higher than sales from February 2019. Retail trade sales (manufactured goods resold to the general public) also fell 0.5% in February. Businesses suffering notable losses include electronics and appliance stores (-1.4%), building material and garden equipment and supplies dealers (-1.3%), gasoline stations (-2.8%), and food services and drinking places (-0.5%). Nostore (internet) retail sales increased 0.7% in February and are up 7.5% over the last 12 months ended in February.
- Housing construction slowed in February as issued building permits (-5.5%), housing starts (-1.5%), and housing completions (-0.2%) each decreased from their respective January totals. Dwindling multifamily home construction pulled these totals down last month. Single-family building permits, housing starts, and home completions were all up last month.
- Sales of existing homes rose significantly in February, climbing 6.5% from January. Overall, sales are up 7.2% year-over-year. The median existing-home price for all housing types in February was \$270,100, 1.4% ahead of January's \$266,300 median sales price. Total housing inventory sits at a 3.1-month supply. According to the National Association of Realtors®, February's encouraging sales pace is not reflective of the current impact of the coronavirus on the stock market and economy. Single-family home sales advanced 7.3% in February over the previous month. The median existing single-family home price was \$272,400 in February, up 8.1% from February 2019.
- According to the Federal Reserve, industrial production rose 0.6% in February after falling 0.5% in January. Manufacturing output edged up 0.1% in February, but it was still 0.4% below its level of a year earlier. Factory output was unchanged. The index for consumer goods rose 1.7% in February, as automotive products and energy products posted sizable gains. The index for mining declined 1.5%, but the index for utilities jumped 7.1%, as temperatures returned to more typical levels following an unseasonably warm January.
- The number of job openings rose by 411,000 in January and the job openings rate increased to 4.4%, according to the latest Job Openings and Labor Turnover report. Job openings increased in finance and insurance (+65,000), federal government (+38,000), and mining and logging (+8,000). In January, the number of total hires fell by about 100,000, as did the number of total separations.
- For the week ended March 14, there were 281,000 claims for unemployment insurance, an increase of 70,000 from the previous week's level. This is the highest level for initial claims since September 2, 2017, when it was 299,000. According to the Department of Labor, the advance rate for insured unemployment claims remained at 1.2% for the week ended March 7. The advance number of those receiving unemployment insurance benefits during the week ended March 7 was 1,701,000, an increase of 2,000 from the prior week's level, which was revised down by 23,000.

Eye on the Week Ahead

This week is likely to see more government action to help ease the economic pain caused by the coronavirus. Economic reports such as durable goods orders, the gross domestic product, and personal income and outlays are for February, and are not likely to reflect the full impact of the COVID-19 virus.

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);

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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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