

Market Week: August 24, 2020



The Markets (as of market close August 21, 2020)

Tech stocks rallied last Monday, and the S&P 500 once again spent some of the day above its record high, only to tail off by the end of trading. The Nasdaq jumped 1.0%, thrust higher by a surge in mega-tech stocks. The Dow fell 0.3%, the S&P 500 gained 0.3%, the Russell 2000 climbed 0.5%, and the Global Dow inched ahead 0.1%. Industrials fell, pulled lower by falling airline, aerospace, and defense stocks. Energy shares also dropped, despite a bump higher in crude oil prices. The dollar and Treasury yields declined by the close of trading last Monday.

The market was another mixed bag of results last Tuesday as the Nasdaq, the S&P 500, and the Global Dow posted modest gains, while the Dow and the Russell 2000 lost value. Treasury yields, crude oil, and the dollar fell, but gold prices rebounded to close the day higher. Mega-stocks and technology led the advance, while cyclical stocks dropped. A strong housing starts report drove the S&P 500 to a record high earlier in the day, but the index fell back as investors sold to capture gains.

Only the small caps of the Russell 2000 finished last Wednesday ahead, as the remaining benchmark indexes listed here fell. The Dow fell 0.3%, the S&P 500 dropped 0.4%, and the Nasdaq tumbled 0.6%. The dollar and Treasury yields rose, while crude oil prices sank.

Despite a spike in weekly jobless claims, stocks rebounded last Thursday. Market sectors fairing well included technology and communications, while financials, materials, industrials, and energy fell. The Dow rose 0.2%, the S&P 500 climbed 0.3%, and the Nasdaq surged 1.1% (reaching a new record). The Russell 2000 and the Global Dow fell 0.5% and 0.8%, respectively. Treasury yields, crude oil prices, and the dollar all lost value.

Last Friday saw tech stocks soar, pushing the Nasdaq to a record high. The Dow and the S&P 500 also advanced, gaining 0.7% and 0.3%, respectively. The Russell 2000 fell for the second consecutive day, dropping 0.8%. Crude oil prices and Treasury yields fell while the dollar rose.

For the week, the Nasdaq advanced 2.7%, followed by the S&P 500, which gained 0.7%. After reaching a record high last Tuesday, the S&P 500 recorded the fastest recovery from a bear market in history, as determined by *Barron's* and Dow Jones Market Data. For the week, tech stocks and communication shares performed well, while energy and financials underperformed.

Crude oil prices ended the week at \$42.29 per barrel by late Friday afternoon, up from the prior week's price of \$42.18. The price of gold (COMEX) fell for the second consecutive week, closing at \$1,946.20, down from the prior week's price of \$1,954.10. The national average retail price for regular gasoline was \$2.166 per gallon on August 17, unchanged from the prior week's price and \$0.432 less than a year ago.

Key Dates/Data Releases

8/25: New home sales

8/26: Durable goods orders

8/27: GDP

8/28: International trade in goods, personal income and outlays

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 8/21	Weekly Change	YTD Change
DJIA	28,538.44	27,931.02	27,930.33	0.00%	-2.13%
Nasdaq	8,972.60	11,019.30	11,311.80	2.65%	26.07%
S&P 500	3,230.78	3,372.85	3,397.16	0.72%	5.15%
Russell 2000	1,668.47	1,577.88	1,552.48	-1.61%	-6.95%
Global Dow	3,251.24	3,049.45	3,028.45	-0.69%	-6.85%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.70%	0.64%	-6 bps	-127 bps

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

- July saw housing starts jump by 22.6%, the largest monthly increase since 2016. Housing starts are 23.4% above the July 2019 rate. Single-family housing starts in July were 8.2% above the June total. Building permits also soared in July, climbing 18.8% above the June total and 9.4% higher than the July 2019 mark. Building permits for single-family homes increased by 17.0% in July. Housing completions rose by 3.6% last month and are 1.7% ahead of the July 2019 pace. Single-family home completions increased by 1.8% for the month.
- Existing home sales followed a robust June with a strong July. Total home sales jumped 24.7% over June's totals, setting a new record for monthly home sales. Total home sales are 8.7% ahead of last year's pace. Single-family home sales increased 23.9% in July. The median existing home price for all housing types in July was \$304,100 (\$295,300 in June), up 8.5% from July 2019. The median existing single-family home price was \$307,800 in July. Total housing inventory sits at a 3.1-month supply at the current sales pace, down from 3.9 months in June.
- For the week ended August 15, there were 1,106,000 new claims for unemployment insurance, an increase of 135,000 from the previous week's level, which was revised up by 8,000. According to the Department of Labor, the advance rate for insured unemployment claims was 10.2% for the week ended August 8, a decrease of 0.4 percentage point from the prior week's rate. The advance number of those receiving unemployment insurance benefits during the week ended August 8 was 14,844,000, a decrease of 636,000 from the prior week's level, which was revised down by 6,000.

Eye on the Week Ahead

The last week of the month brings with it some important economic reports. The second estimate of the gross domestic product for the second quarter is available this week. According to the advance estimate, the economy slumped at a rate of nearly 33.0% in the second quarter. July's report on personal income and outlays should show that consumer income increased last month, as did the cost of consumer goods and services. While inflation is inching upward, it is still well below 2.0%.

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); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

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 largest, publicly traded 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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