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INCORPORATED

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Market Week: April 20, 2020



The Markets (as of market close April 17, 2020)

Last weekend, Russia, Saudi Arabia, and other major oil-producing countries agreed to slash production as oil prices had fallen about 50% from their January peak. Lack of demand, primarily due to COVID-19, has sent oil prices tumbling. The stock market started out slowly on Monday but picked up some steam to pare losses. Of the major benchmark indexes listed here, only the Nasdaq closed the day up. Investors seemed to worry about what the pandemic would do to corporate earnings and shunned stocks for other investments, such as gold, which rose to its highest price in more than seven years.

Stocks rose sharply last Tuesday as each of the benchmark indexes listed here posted gains of between 1.97% (Global Dow) and 3.95% (Nasdaq). Investors had their hopes buoyed by growing optimism that the peak of the pandemic has been reached and a gradual reopening of the economy is not too far away.

Gains from earlier in the week were given back on Wednesday. Investors were hit with the harsh reality of the impact of COVID-19 on businesses as reflected in sagging corporate earnings. Energy companies and banks reported significant declines in earnings. And crude oil continued to fall, plunging below \$19.00 per barrel by the end of the day.

Despite some rather sour economic news, Thursday saw investors generally stay the course as the Dow, S&P 500, and Nasdaq recorded gains by the close of trading. But strong economic reports did not drive the market. In fact, the latest report from the Department of Labor revealed more than 5 million new claims for unemployment insurance, bringing the 4-week total to over 22 million. Some large financial institutions reported steep drops in quarterly earnings, home construction plummeted, and retail sales sank.

Stocks closed higher Friday to finish in the black for the second week in a row. Word of a possible treatment for COVID-19, coupled with President Trump's three-phase process for restarting the economy, gave investors the fortitude to stick with stocks. Each of the benchmark indexes listed here closed the week comfortably ahead, except for the small caps of the Russell 2000. The tech-heavy Nasdaq posted solid gains and is nearing its year-end closing value.

Crude oil prices continued to tumble last week, closing at \$18.34 per barrel by late Friday afternoon, down from the prior week's price of \$23.19. The price of gold (COMEX), which had been soaring, receded last week, closing at \$1,694.50 by late Friday afternoon, down from the prior week's price of \$1,715.40. The national average retail regular gasoline price was \$1.853 per gallon on April 13, 2020, \$0.071 lower than the prior week's price and \$0.975 less than a year ago.



Key Dates/Data Releases

4/21: Existing home sales

4/23: New home sales

4/24: Durable goods orders

Market/Index	2019 Close	Prior Week	As of 4/17	Weekly Change	YTD Change
DJIA	28,538.44	23,719.37	24,242.49	2.21%	-15.05%
Nasdaq	8,972.60	8,153.58	8,650.14	6.09%	-3.59%
S&P 500	3,230.78	2,789.82	2,874.56	3.04%	-11.03%
Russell 2000	1,668.47	1,246.73	1,229.10	-1.41%	-26.33%
Global Dow	3,251.24	2,580.98	2,607.73	1.04%	-19.79%
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%	0.72%	0.65%	-7 bps	-126 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

- Prices for U.S. imports fell 2.3% in March, following a 0.7% decline the previous month. The March drop was the largest monthly drop since import prices fell 3.2% in January 2015. Import prices also fell on a 12-month basis, declining 4.1% from March 2019 to March 2020. The decrease was the largest over-the-year drop since the index fell 4.7% for the 12 months ended June 2016. The decline in import prices was largely driven by fuel prices, which fell 26.8% in March, marking the largest decrease in import fuel prices since November 2008, when prices dropped 27.8%. U.S. export prices decreased 1.6% in March, after falling 1.1% in February. The March decrease was the largest monthly drop in export prices since the index declined 1.7% in January 2015. Decreasing prices for both nonagricultural exports and agricultural exports contributed to the March decrease. U.S. export prices fell 3.6% for the year ended in March, the largest 12-month decrease since a 4.5% decline from May 2015 to May 2016.
- Advance estimates for retail sales in March saw a decrease of 8.7% from the previous month's totals. Retail sales are down 6.2% from March 2019. Retail trade sales are also down 6.2% for the month and 3.8% from last March. Some particularly retailers were hit hard in March, including motor vehicle and parts dealers (-25.6%), furniture and home furnishing stores (-26.8%), food services and drinking places (-26.5%), sporting goods and similar stores (-23.3%), and clothing and clothing accessories stores (-50.5%). Retailers who saw an uptick in sales include internet retailers (3.1%) and food and beverage stores (25.6%).
- According to the Federal Reserve, total industrial production fell 5.4% in March, as the COVID-19 pandemic led many factories to suspend operations late in the month. Total industrial production was 5.5% lower than a year earlier. Manufacturing output fell 6.3%; most major industries posted decreases, with the largest decline registered by motor vehicles and parts. The decreases for total industrial production and for manufacturing were their largest since January 1946 and February 1946, respectively. The indexes for utilities and mining declined 3.9% and 2.0%, respectively.
- Building permits issued, housing starts, and housing completions each fell notably in March. Building permits dropped 6.8% from February but are 5.0% above the March 2019 rate. Housing starts plunged 22.3% below the previous month's rate and are only 1.4% ahead of last year's total. Housing completions also receded, dropping 6.1% from February and 9.0% from March 2019.
- In what could be a sign that the impact of COVID-19 may be reaching a peak, claims for unemployment insurance dropped last week. For the week ended April 11, there were 5,245,000, a decrease of 1,370,000 from the previous week's level, which was revised up by 9,000. According to the Department of Labor, the advance rate for insured unemployment claims jumped to 8.2% for the week ended April 4, an increase of 3.1 percentage points from the previous week's rate. This marks the highest level of insured unemployment rates in the history of the series. The advance number of those receiving unemployment insurance benefits during the week ended April 4 was 11,976,000, an increase of 4,530,000 from the prior week's level, which was revised down by 9,000.

Eye on the Week Ahead

Stocks have posted solid gains each of the last two weeks. More positive developments this week in the fight against COVID-19 would likely push prices higher for the third consecutive week. On the economic front, the housing sector is front and center in this week's important reports. Both new and existing home sales reports are out for March. Sales of existing homes posted solid gains in February while new home sales fell. Lower mortgage interest rates may have aided in advancing sales of both new and existing homes last month.



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 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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