Weekly Market Matters

U.S. Stock Markets Have Big Week as NASDAQ Reaches Another New High and the S&P 500 Is Within 2% of Its February High

- It was a great week for stocks, as the major U.S. stock market indices all jumped, with the smaller-cap Russell 2000 climbing a whopping 6% on the week
- The DJIA outpaced the other two major indices this week, as the 30-stock DJIA gained 3.8%, followed by the 2.5% gain for both the S&P 500 and NASDAQ
- The gains were across the board, as all 11 S&P 500 sectors were up, with Industrials jumping 4.8% and Financials and Energy both up more than 3% on the week
- Health Care and Real Estate underperformed the indices on the week, as both managed gains of less than 1%, but they were still positive
- In terms of economic data, much of the focus was rightly on the labor market, including a report from ADP as well as the Labor Department's Employment Situation report which said that close to 1.8 million jobs were added in July and the unemployment rate dropped to 10.2%
- Further, construction spending was mixed and manufacturing data from the ISM showed improvement in July
- The 2-year Treasury yield increased to 0.13% and the 10-year yield increased to 0.56%
- WTI crude futures rose 2.6% to $41.17/barrel

Weekly Market Update – August 7, 2020

	Close	Week	YTD
DJIA	27,433	3.8%	-3.9%
S&P 500	3,351	2.5%	3.7%
NASDAQ	11,011	2.5%	22.7%
Russell 2000	1,569	6.0%	-5.9%
MSCI EAFE	1,855	1.9%	-8.9%
Bond Index*	2,398.22	0.17%	7.90%
10-Year Treasury	0.56%	0.02%	-1.6%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

New Highs for NASDAQ and Real Close for S&P 500

It was a good week for U.S. stock markets as the large tech names pushed NASDAQ to new highs and the S&P 500 is now less than 2% from its February peak. The smaller-cap Russell 2000 had a huge week, eating into its YTD losses significantly.

The week was driven by the mega-caps and the technology names as economic data from the previous month continued to pour in, including more bad news on the employment front, mixed news about construction spending and positive manufacturing data. Two of the three main media topics on the week – the 2020 presidential election and social unrest – appeared to have very little impact on Wall Street whereas the third – COVID-19 – did seem to influence markets in a positive way.

The news surrounding COVID-19 was twofold: more positive news about a potential vaccine and hopes that another U.S. government relief package was close, although it does appear that the two sides are fairly far apart.

As was the case last week, the FAAMG names – Facebook, Apple, Amazon, Microsoft and Google continued pushing the markets to new highs.

There was some tension in the air on Wall Street as the U.S. and China are once again not getting along well, underscored by news that the U.S. has sanctioned Hong Kong Leader Carrie Lam and after President Trump said he would ban TikTok unless it was under new ownership within 45 days.

Construction Spending Mixed

The U.S. Census Bureau announced Construction Spending for June 2020 on Monday, August 3rd.

Total Construction Spending:

- Construction spending during June 2020 was estimated 0.7% below the May estimate but 0.1% above the June 2019 estimate
- During the first six months of this year, construction spending amounted to $667.9 billion, 5.0% above the $636.0 billion for the same period in 2019

Private Construction:

- Spending on private construction was 0.7% below the May estimate
- Residential construction was 1.5% below the May estimate
- Nonresidential construction was 0.2% above the May estimate

Public Construction

- In June, public construction spending was 0.7% below the May estimate
- Educational construction was 2.7% below the May estimate
- Highway construction was 1.7% below the May estimate

Employment Situation Report

The Employment Situation Report was greeted with cautious optimism given the less-than-optimistic ADP Employment Change report from just a few days ago that said 167,000 jobs were added to private-sector payrolls.

On Friday, the Department of Labor reported that nonfarm payroll employment rose by 1.8 million in July and the unemployment rate fell to 10.2%. In Friday's press release, the DOL said that:

"These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic and efforts to contain it. In July, notable job gains occurred in leisure and hospitality, government, retail trade, professional and business services, other services, and health care."

Here are a few more data points released by the DOL:

- July nonfarm payrolls increased by 1.763 million
- July private sector payrolls increased by 1.462 million
- July unemployment rate was 10.2% versus 11.1% in June
- Persons unemployed for 27 weeks or more accounted for 9.2% of the unemployed versus 7.9% in June
- The U6 unemployment rate, which accounts for unemployed and underemployed workers, was 16.5%, versus 18.0% in June

- July average hourly earnings increased 0.2%
- Over the last 12 months, average hourly earnings have risen 4.8%, versus 4.9% for the 12 months ending in June
- The average workweek in July was 34.5 hours

Earnings Season Wrapping Up with Surprises

Close to 90% of S&P 500 companies have reported earnings results for the second quarter and research firm FactSet announced a few interesting statistics on Friday, including that:

- In terms of earnings, the percentage of companies reporting actual EPS above estimates (83%) is above the five-year average
- If 83% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008
- In aggregate, companies are reporting earnings that are 22.4% above the estimates, which is also above the five-year average.
- If 22.4% is the final percentage for the quarter, it will mark the largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008

Markets Overseas

- The European STOXX Europe 600 Index gained 2.03%
- Germany's Xetra DAX Index rose 2.94%
- France's CAC 40 gained 2.21%
- Italy's FTSE MIB rose 2.22%
- The UK's FTSE 100 Index gained 2.28%
- Japan's Nikkei 225 Stock Average rose 2.9%

Sources: *factset.com; census.gov; bls.gov; fidelity.com; msci.com; nasdaq.com; wsj.com; morningstar.com*