



Summit Snapshot: Week Of July 6th, 2020

Global Markets: Strong results abound regardless of the sharp rise in global coronavirus cases

- **U.S. Equities** recorded solid gains despite the four-day abbreviated week due to the Fourth of July holiday. Most indices continued to rise even though reported new coronavirus cases have recently reached new daily high levels in several states. Cases in some states in the South and West of the country are rising at increasing rates, driving the nation's daily new confirmed cases to above 50,000. At the same time cases are increasing at this exceedingly high level, but positive news around vaccine developments are improving investor sentiment which is reflected in the markets. Since technology stocks have led the way for equities in general for the year, the tech-heavy Nasdaq Composite Index ended the week just off its all-time high after rising by 4.6%. Similarly, the broader S&P 500 Index rose by 4.1% and is now only 2.1% below water for the year. Amazingly, the S&P also just closed out its best quarter since 1998 after it rose more than 20%. Within sectors, real estate, materials, and communication services all rose north of 5% and performed the best. The laggard sector, financials, only increased by 1.7% given the constrain of sustained, relatively low interest rate levels. Large-cap stocks (+4.1%) marginally beat small-cap stocks (+3.9%) and growth outperformed value expanding the already sizable year-to-date disparity as reflected by their respective Russell indices.
- **International Equities** largely reported positive results for the week. Emerging markets outpaced their developed markets counterparts, as the MSCI Emerging Markets Index rose by 3.7% compared to a 1.5% increase in the MSCI EAFE Index. One of the more notable international equity indices, the MSCI Japan Index, declined by 1.3% for the week in USD terms following weak economic data and a decline in investor sentiment even though the nation is not experiencing a surge in coronavirus cases like other countries. In a similar fashion, the strong positive news emanating out of China pushed its blue-chip stock CSI 300 Index to its highest level in two and a half years. The MSCI China Index rose by 5.2%, a large factor within emerging markets.
- **Credit Markets** were mostly flat, as yields remained largely unchanged for the week. The 10-year U.S. Treasury yield rose to 0.67%, only a minor increase of a few basis points from the week prior. Recently released, minutes from the latest Federal Open Market Committee meeting, indicated that a yield curve control discussion took place. This means the FOMC had considered measures to ensure that long-term yields will remain above short-term yields, and the yield curve will generally be upward sloping. Most sectors reported flat to slightly positive results, as the Bloomberg Barclays U.S. Aggregate Bond Index rose by only 0.1%. Although most sectors' returns were negligible, new deals continued to be offered in the primary market and were met by solid levels of demand.

Economic Data/News: Impressive economic news offsets ongoing coronavirus concerns

- **U.S.:** Stronger than expected economic reports lifted investors' viewpoints even though the coronavirus appears to be creating a second wave throughout several states. Some states, namely

California, Texas, and Florida, have temporarily paused their reopening plans given the spiking levels of new cases being reported. Despite this, there was some encouraging news of a joint vaccine, one of many, in development between Pfizer and BioNTech with hints of some early pleasing results and a quick timeline for approval. On Thursday, the Labor Department reported a gain 4.8 million nonfarm payrolls in June, that pushed the unemployment rate lower to 11.1% from 13.3%. To counteract this somewhat, the weekly unemployment claims were not as favorable since initial jobless claims only slightly declined week-over-week to 1.43 million through the week ending June 27th, not as much as predicted. Elsewhere, pending home sales shot up over 44% in May which intensified a dramatic increase in consumer confidence levels presented by the Conference Board.

- **International:** Europe is reporting optimistic news in many areas. First, the number of unemployed residents in Germany rose by a small amount to 2.9 million total, much less than was anticipated. Also, Germany's retail sales rose 3.8% year over year, a shocking reversal of the forecasted 3.5% decline. The Eurozone's June flash manufacturing PMI rose to 46.9 from 39.4 beating expectations while a similar flash PMI reading from the United Kingdom came in at 50.1, just slightly in expansion territory for the first time since the pandemic started. Bank of England Chief Economist Andy Haldane publicly said on a webinar that real-time economic data indicated the UK economy is "months into a recovery and rebounding faster than expected." Not all news is rosy though as a survey stemming from Japan showed that large manufacturers' sentiment level fell to -34 in June from -8 in May, its lowest level since 2009. Likewise, retail sales in May fell 12.3% year-over-year. China seems to be in full recovery mode as the nation's official manufacturing PMI survey reported a three-month high reading of 50.9 in June, and car sales rose 11% year-over-year.

Odds and Ends: Scientists search for subjects in next round of vaccine testing, restaurants face prolonged closures after some re-openings were paused, MLB baseball is back with a shorter season

- Researchers and scientists involved in the many clinical trials around the world are thinking of ways to recruit the thousands of volunteers needed. Picking the right candidates for the vaccine trials is crucial for manufacturers to confidently push forward in the development phase. Methods include recruiting through pharmacies, churches, and even employees extended families. In areas which pose a higher risk of contracting the virus, researchers are using automated algorithms to assist in the recruitment. Since most clinical trials for vaccines take years or even decades to finalize, COVID-19 has sped up all steps required in these trials. More than 100,000 volunteers are needed for the scheduled trials slated to begin in July, meaning the recruitment phase is in full force.
- After initial closures in March and April, restaurants were eagerly looking forward to slowly reopening in whatever fashion is necessary throughout June and July. However, the current surge in new coronavirus cases is threatening to delay or even cancel some of those re-openings. In a survey conducted by OpenTable, restaurant reservations were slowly climbing from early May to late June but have since retreated as cases surge. Also, many places are offering outdoor or to-go dining options, but restaurants will not be able to survive on these options alone given the overall decreased levels of demand. One can only hope that the food industry can power through this pandemic in whatever means necessary so that restaurants can survive for the long run.
- After squandering an amazing opportunity to take advantage of a sports-hungry captive audience stuck at home for months, it was seeming as though Major League Baseball was going to let their

season slip by. Then remarkably all parties finally came to an agreement a few weeks ago and MLB will hold a pandemic-shortened season after all, despite only being 60 games in length. This is only 37% of the length of a normal season, but it will be baseball, nonetheless. Opening day is scheduled for either July 23rd or 24th, and as any baseball fan wants, hopes, or pleads, it should not disappoint. There are strict virus protocols that will be adhered to by all players and staff, and a postseason that follows, with the hope of uniting Americans and reinvigorating the nation's famed pastime.

Resource of the week:

- Ever wonder what happens when a company files bankruptcy? More specifically what happens to the stock of that company if it is publicly owned, and what will transpire in the future? This conversation with casual investor, Alexis Harris, from *Planet Money* by NPR, offers some insight as to why she invested in the Hertz Corporation (HTZ) after it recently filed for Chapter 11 bankruptcy facing insolvency. After the filing, a very short window of opportunity flashed itself to Alexis who pounced and was able to turn a \$10,000 profit on a \$2,000 investment due to a supply/demand mismatch. Although a risky and uncommon outcome, this story was an interesting one to listen to and think through. Please feel free to submit suggested resources to smelnick@sfr1.com.
- **Spotify link:** <https://open.spotify.com/episode/3NVvRKmKroEh5w8MutSRuB?si=dsxGzX6rR6iYWGxxTWUDHg>

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update, worldometer.com

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