# Summit Snapshot: Week Of July 13th, 2020

**Global Markets: Many major equity indices kicked off second quarter earnings season on a positive note**

- **U.S. Equities** were mixed for the week. Large-cap stocks, as represented by the S&P 500 Index, rose 1.8%, while mid- and small-caps notched small losses. Domestic equity markets were led by media and technology stocks – many of which rose to fresh highs. This is evidenced by the S&P 500 sector performance as the best performing areas of the market included communication services (+4.9%) and IT (+2.7%). The consumer discretionary sector (+4.8%) also had strong results, boosted by a rise in Amazon's stock price. The energy sector (-4.6%) was a notable laggard, influenced by weak crude prices after oil fell back to $40 per barrel. Growth continued to best value by an historic margin so far this year. Year-to-date, the Russell 1000 Growth Index is now nearly 32% of the Russell 1000 Value Index.

- **International Equities** were generally positive, although emerging markets began to break out. The MSCI EAFE Index rose 0.5% in USD terms, held back by continued fears around a resurgence in coronavirus cases. Emerging market equities fared better (MSCI EM Index: +3.7%), boosted by sizable gains in Chinese equities (MSCI China Index: +7.5%). Chinese stocks surged following local, state-run publications boasting the country's recovery and endorsing a rally in equities.

- **Credit Markets** were generally positive, supported by a fall in the 10-year U.S. treasury yield to just under 0.65%. This represents the lowest level reached since April and reflects growing coronavirus concerns and a subsequent flight to quality. Strong demand for treasuries contributed to the underperformance of municipals, although the broad category was still positive for the week. That said, demand for municipals was robust as category funds received roughly $1 billion of inflows. Last week was also the ninth consecutive week of positive inflows for the asset class. It was a relatively quiet week for the corporate credit market. Both investment grade and high yield segments saw light trading volumes and modest new issuance.

**Economic Data/News: The U.S. continues to lead the world in new, daily coronavirus cases**

- **U.S.:** The domestic progress in combating the coronavirus continued to wane after more states announced new highs in daily diagnosed cases. At the end of last week, daily new cases in the U.S. had crossed 60,000 and the total had exceeded 3 million confirmed cases since the start of the pandemic. Much of the increase in new cases is concentrated in southern states, such as Florida, that fared better earlier on in the crisis. On a more positive note, progress towards a vaccine and treatment options also improved. More specifically, Gilead Sciences' treatment drug, remdesivir could reduce mortality rates in severely ill patients by nearly two-thirds. The resurgence in the virus also started to show up in some economic data and could contribute to a more volatile path to recovery. That said, economic reports last week generally surprised to the upside as most indicators are lagged. The ISM service sector activity index rose more than expected and almost returned to its February level. Job openings also rose more than anticipated while weekly initial jobless claims kept falling.

- **International:** Many countries in Europe also continued to grapple with the near impossible mandate of containing the coronavirus while preserving the economy. In the U.K., the finance minister pledged an additional GBP 30 billion to support employment, on top of GBP 130 billion already announced for the same mandate. EU Central Bank President, Christine Lagarde indicated that a recovery remains constrained, uncertain, and fragmented but does not expect that next week's policy meeting will result in additional stimulus as markets have calmed down meaningfully. Asia offers some interesting datapoints as many countries are further along in their reopening progress. In Japan, large venues reopened, and the number of people allowed at such gatherings has increased to 5,000 from 1,000. Sporting events across the nation reopened to fans after months of playing without live spectators. In China, growth estimates for the second quarter have been upgraded following positive economic data. Economists now expect that China's economy could grow between 2% and 3% for the full year.

**Odds and Ends: The Redskins vow to drop their team name, the suburbs are back in vogue, and Analog Devices agrees to buy rival**

- After decades of controversy, the **Washington Redskins** agreed to change its nearly 90-year old name which is widely recognized as a racial slur. The franchise has consistency gotten pressure from politicians, activists, sponsors, among others to do so. This comes as team owner, Dan Snyder, vowed never to change it contributing to his mixed appeal among Washingtonians. That was until recently, when a fresh wave of pressure came following renewed backlash stemming from national protests surrounding race. The NFL has also pivoted to present a more aggressive front to combat social injustices in the league. A new name has not yet been announced.

- Since the early 2000's, cities have been increasingly desirable places to live with people trading in single-family homes for 3-bedroom apartments. But a global pandemic and an economic downturn could have the potential to make the suburbs desirable again. Now, many families are trading in the amenities of the city for some more space and a front yard. Recent trends even have the potential to bail out previously poor state budgets. For instance, Connecticut is the only state in the northeast to never have its GDP recover from pre-2008 recession levels. A wave of potential new residents flocking to its coastlines and small towns has the potential to fill budget holes and create jobs that had otherwise never returned from a decade earlier.

- Consolidation in the semi-conductor industry entered a new phase after **Analog Devices** indicated its plan to buy rival **Maxim Integrated Products** for more than $20 billion. The new company would be valued at nearly $70 billion. The semi-conductor industry has historically been filled with waves of boom and bust cycles with excessive levels of competition and rapidly evolving technology. The industry has since undergone extensive consolidation, to the point where only a handful of major players remain. This deal helps both companies achieve additional scale as they seek to expand their portfolios in a world where nearly every device incorporates chips to connect to the internet.

**Resource of the week:**

- Stripe might not be a household name (yet) but its payments back-end has likely powered a variety of purchases you've made online. Co-founder, John Collison has the ambitious mission of increasing the GDP of internet by further enabling online businesses to get up and running with as little friction as possible. He started Stripe with his brother when he was only 19 years old and is now running a business recently valued at $36 billion. While this discussion touches upon John's experience at Stripe, it's wide reaching and also incorporates conglomerates, the internet economy, and the power of writing. If any of these topics interest you, this episode of *Invest Like the Best* is worth a listen. Please feel free to submit suggested resources to smelnick@sfr1.com.

    - **Podcast link**: http://investorfieldguide.com/collison/

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

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