

## The Markets & the Economy - What We're Watching

### Key Takeaways from the Week:

- › Initial jobless claims fell below 1 million for first time since March
- › Billions has been invested in vaccines and progress is being made in an accelerated timeframe
- › Near all-time highs for S&P 500
- › US – China talks on phase one trade deal progress set for Saturday

The unemployment rate and the state of the coronavirus are closely linked, with one effecting the other. Recent initial jobless claims fell below 1 million for first time since March – this is after 20 consecutive weeks of initial claims above 1 million. Continuing claims - which refer to those collecting unemployment benefits for at least two weeks - from week ending August 1<sup>st</sup> were down to 15.486 million vs 16.090 million the week before. Although claims in other programs have risen, overall this is good news pointing to a recovering economy. Its longevity however, depends on the ability to sustain levels of the coronavirus and avoid significant increases which may lead to more stay at home orders.

As reported in prior letters, several pharmaceutical companies – Moderna, Johnson & Johnson, Sanofi and GlaxoSmithKline, Pfizer and BioNTech, Novavax, AstraZeneca – have been working diligently to develop, test, and ultimately distribute a vaccine to combat the coronavirus. Roughly \$10.79 billion has been invested into “Operation Warp Speed”, the program focused on accelerating the development, manufacturing, and distribution of vaccines led by several federal government departments. Progress is being made both at home and abroad to significantly increase the speed to market for these vaccines. Dr. Anthony Fauci told reporters in late July, “It is likely that at the beginning of next year we would have tens of millions of doses available.”

Investors are keeping a close eye on several developments – state of unemployment, vaccine development and rise in cases, as well as Congress and their decision on a new coronavirus-relief package. The market has factored in a new stimulus bill and as such, performing near record highs. The S&P 500 closed Thursday just 0.6% below its all-time intraday high set on Feb. 19<sup>1</sup>. Ned Clissold, chief U.S. strategist at Ned Davis Research commented that reaching an all-time high would mark the fastest reversal from a 30% drop on record.

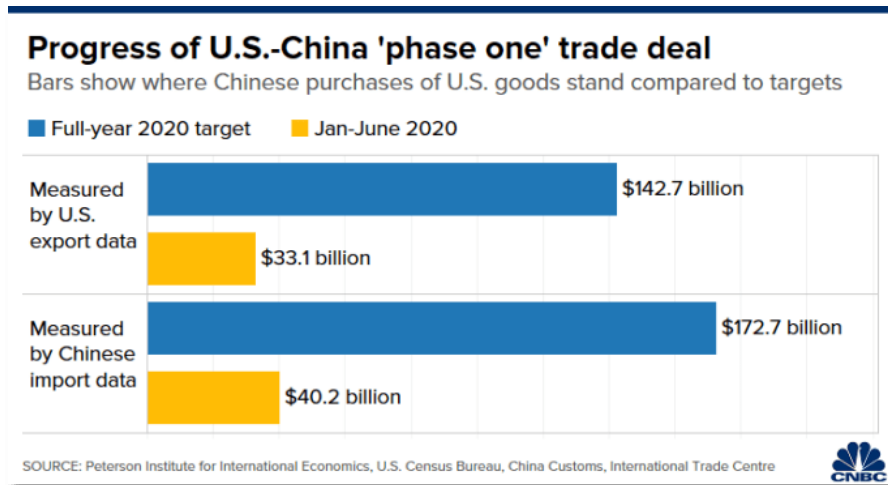
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<sup>1</sup> CNBC

The US and China have been battling in a trade war since 2018, leaving in their path some damage to the world economy.

The trade deal, signed by both parties in January, resulted in a commitment from China to purchase over two years' time at least \$200 billion more US goods and services in addition to their 2017 purchases. In the aftermath however,

tariffs were placed on goods as a means of retaliation and through the first half of 2020, China has not purchased nearly the amount expected – less than a quarter of their target has been purchased thus far under the trade deal. Both countries are expected to meet on Saturday to discuss the progress of the phase one agreement. Although there are several differences between the two countries, including Beijing's handling of the coronavirus outbreak and Washington's decision to close the consulate in Houston, trade does appear to be an area of cooperation. With the global economic pain from the coronavirus, both countries are best served by finding middle ground and a reasonable deal.



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*Commentary is reflective as of the close Thursday, August 13, 2020.*