

August 2020 Market Watch

Stocks rebounded despite the ongoing coronavirus pandemic due to the central bank liquidity tailwind, massive fiscal stimulus, vaccine optimism, and positive economic readings. As global lockdowns were slowly lifted for the summer, markets across the world continue to remain optimistic for a vaccine. There have also been discussions about improvements in coronavirus daily case counts (with U.S. numbers declining), positive test rates and hospitalizations, and the FDA's emergency approval for the use of antibody-rich blood plasma as a treatment for severely ill coronavirus patients.

U.S. economic data showed moderate growth in August. The U.S. economy added 1.4 million jobs for the month, signaling that the labor market is rebounding, as the unemployment rate fell to 8.4%. However, the pace of hiring has dropped off. Manufacturing PMI data, U.S. pending home sales and housing starts all beat expectations. And as Q2 earnings season ended, 84% of companies beat analysts' expectations.

At the end of the month, the Federal Reserve unveiled a policy framework shift and said that they will allow inflation to run above 2% and prioritize maximum employment. This was a dovish shift that caused further USD underperformance.

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	8/31/20	8/24/20	% chg*	7/31/20	% chg*	8/31/19	% chg*	% chg*
DJIA	28,430.1	28,308.5	0.4%	26,428.3	7.6%	26,403.3	7.7%	-0.4%
S&P 500	3,500.3	3,431.3	2.0%	3,271.1	7.0%	2,926.5	19.6%	8.3%
NYSE Comp Index	13,045.6	12,972.9	0.6%	12,465.1	4.7%	12,736.9	2.4%	-6.2%
NASDAQ Composite	11,775.5	11,379.7	3.5%	10,745.3	9.6%	7,962.9	47.9%	31.2%
Russell 2000	1,561.9	1,568.5	-0.4%	1,480.4	5.5%	1,494.8	4.5%	-6.4%
MSCI EM (Emerging Markets)	1,101.5	1,108.2	-0.6%	1,078.9	2.1%	984.3	11.9%	-1.2%
MSCI EAFE	1,910.0	1,905.5	0.2%	1,820.2	4.9%	1,842.6	3.7%	-6.2%
Japan Nikkei 225	23,139.8	22,985.5	0.7%	21,710.0	6.6%	20,704.4	11.8%	-2.2%
FTSE 100	5,963.6	6,104.7	-2.3%	5,897.8	1.1%	7,207.2	-17.3%	-19.0%
SSE Comp Index	3,395.7	3,385.6	0.3%	3,310.0	2.6%	2,886.2	17.7%	11.3%

US Equity Sector Performance

	Aug	YTD	1 Yr Ret.
Consumer Discretionary	9.5%	28.0%	34.9%
Consumer Staples	4.7%	5.7%	11.3%
Energy	-1.0%	-39.3%	-33.5%
Financials	4.3%	-17.3%	-4.4%
Health Care	2.7%	7.3%	22.5%
Industrials	8.6%	-3.3%	5.2%
Information Tech	12.0%	36.0%	57.9%
Materials	4.4%	4.1%	14.2%
Communication Services	9.1%	16.1%	27.1%
Utilities	-2.6%	-6.7%	-2.0%
Real Estate	-0.1%	-4.3%	-4.3%

US Equity Style Performance

	Aug	YTD	1 Yr Ret.
Dow Jones Utilities	-3.3%	-8.6%	-5.0%
DJ TRANS Avg.	12.2%	3.8%	12.3%
Russell 1000 Value	4.1%	-9.3%	0.8%
Russell 1000 Growth	10.3%	30.5%	44.3%
Russell 2000 Value	5.4%	-17.7%	-6.1%
Russell 2000 Growth	5.9%	6.2%	17.3%

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Bond Markets (%)

Major U.S. domestic equity indices all closed higher in August. The S&P 500 index broke above its February highs to set a fresh record close, lifting its total gains higher from March lows. From a sector standpoint, the leading performers were Technology (+12.1%), Consumer Discretionary (+9.5%) and Communication Services (+9.1%); while utilities (-2.6%) and energy (-1.0%) led losses.

	8/31/20	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.11	0.10	1.98
US Benchmark Bond – 6 Mth	0.13	0.11	1.87
US Benchmark Bond – 2 Yr	0.13	0.10	1.50
US Benchmark Bond – 5 Yr	0.26	0.21	1.39
US Benchmark Bond – 10 Yr	0.70	0.54	1.50
US Benchmark Bond – 30 Yr	1.46	1.20	1.96

Internationally, Emerging Market (MSCI EM -0.6% MTD) and Developed International Equities (MSCI EAFE +0.2% MTD) closed mixed. The U.S. and China reaffirmed their commitment to a Phase 1 trade deal in a phone call, giving a boost to financial markets. The Chinese economy continued to recover with the manufacturing PMI reported at 52.8, indicating expansion. Chinese equities also gained +5.4% MTD. The European Commission has concluded exploratory talks with Johnson & Johnson to purchase a potential vaccine while cases have increased in France and Spain.

U.S. government debt yields hovered around record lows as the Fed's new policy framework has all but ensured no rate hikes for years to come. Treasury rates increased very slightly across the board. The 10-Yr yield closed at 0.70% while the 2-Yr closed at 0.13%.

The Bloomberg Commodity Index gained +6.8% in the month, but is down -9.4% YTD. Crude oil recovered +5.8%, but is down -30.2% YTD. Gold lost -0.4% MTD, but is overall up +29.9% YTD.

US Bond Sector Performance

	Aug	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.19%	5.88%	5.44%

Exchange Rates (per US dollar)

	8/31/20	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.303	1.340	1.329
Mexican Peso	21.886	22.192	20.067
Euro	0.836	0.846	0.908
British Pound	0.747	0.762	0.821
Swiss Franc	0.900	0.910	0.989
Chinese Yuan	6.855	6.980	7.145
Indian Rupee	73.608	74.813	71.408
Japanese Yen	106.045	105.730	106.145

Commodities (In US dollars)

	8/31/20	1 Mth Ago	1 Yr Ago
Gold	1,978.60	1,985.90	1,529.40
Crude Oil	42.61	40.27	55.10
US Dollar Index	92.13	93.32	98.86
Bloomberg Commodity Index	73.32	68.68	77.00

Interest Rates (%)

	8/31/20	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	5.50
Federal Funds Rate	0.09	0.06	2.41
Labor Rate 30 Day	0.15	0.16	2.22
Labor Rate 3 Months	0.25	0.30	2.27
30yr Fixed Mortgage	2.99	3.13	3.75

Economic Sentiment

	8/31/20	1 Yr Ago
Unemployment Rate	8.40%	3.70%
Average Single Family Home	340,200	317,000
Capacity Utilization	70.60%	77.80%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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