

The Markets & the Economy - What We're Watching

Warmer days are bringing the green leaves of summer – and amid slow improvements starting to surface in our economy we saw that the same color green in the market this week! The Dow, S&P 500, and Nasdaq Composite headed into today's session on pace for their fourth weekly gain in five weeks.¹ We're not out of the woods yet though. The unemployment rate is still struggling, and coronavirus cases are on the rise in some states. As of Thursday, the initial US jobless claims totaled 1.5 million for the week, exceeding Dow Jones estimates of 1.3 million. This data indicates the pace of the recovery could be slowing and that Congress may need to extend benefits from the CARES Act, which is set to expire at the end of July. Meanwhile, coronavirus cases in a few states reported their biggest-ever one-day increase. Former hotspots, however look much better and there does not appear to be any appetite for resuming lockdown measures. On a week-to-week basis, the market has fared well, but investors remain indecisive and are grappling to make sense of near record highs amid a potential second wave of the virus and geopolitical tensions.

Key Takeaways from This Week:

- › Positive week and month for the S&P 500, but it is down for the year after last week's selloff
- › Better than expected May retail sales data
- › The Fed is beginning to buy corporate bonds, and corporate updates have continued to highlight improvement in end customer demand
- › Cases and hospitalizations are surging in Oklahoma, California, Florida, Arizona, and Texas leading to worries about re-imposed economic restrictions
- › Increased cases reported also in China leading to a lock down of certain parts of Beijing; US-China tensions escalating
- › The White House is planning to propose a ~\$1T stimulus package focused on transportation, 5G, and broadband infrastructure

The strengthening numbers in the economy are a great sign for the markets and our clients' portfolios. So much so that we are seeing performance up for the week, for the month, and trailing 1-year, but still down year-to-date. As the economy continues to firm up, the high quality companies we are invested in such as Home Depot, Walmart, Google, TJ Maxx, and Verizon, to name a few, are expected to take full advantage of the recovery. The selloff last week and rebound since then are signs of a return towards a more normally functioning market. Additionally, Chairman Powell testified this week in front of Congress noting the Fed plans to purchase less corporate bonds at this time than originally outlined because of the increased functioning in the markets. However, the Fed will continue to purchase them because they support 'liquidity and market functioning'. Some argue the Fed's support is falsely strengthening stocks that would have otherwise experienced decline as a result of the effects the pandemic has had on their business. Whatever turn the markets take, IMG client portfolios are well positioned to participate as the economy strengthens, and we have also enforced protections if economic restrictions are resurrected. We continue to be vigilant in our monitoring and management of client portfolios and remain on top of any new developments.

¹ CNBC

For questions or more information, please reach out to your Relationship Manager. For additional insights from IMG experts, please visit our website's [Stock Market Insights](#) page.

Commentary is reflective as of Thursday's close.

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