

BECKER WEALTH MANAGEMENT, LLC

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Markets surge as Coronavirus economic slide flattens.

Equity markets surged for a third consecutive week on the back of persistent policy support and further evidence that the coronavirus economic trough is in the rearview mirror.

Cyclical sectors (energy, financials, industrials) again led the way, posting double digit gains on the week. The curve steepened and yields moved sharply higher with the 10yr UST rising 26bps to close at 0.91% while crude oil surged nearly 12%, closing just shy of \$40. Commodity currencies (Real, CAD, AUD) rallied versus the USD which weakened 1.4% for the week.

Market Anecdotes

- Last week's tide lifted all boats pushing small caps +11%, EAFE +7%, EM +8.5%, and commodities +4.5%. The S&P 500 is now only -1% YTD and -5.7% below the 2/19 high.
- Bespoke noted U.S. equity markets have surged 40% in the last 50 trading days, the strongest 50 day move since 1952.
- QQQ closed at a new all-time high last week, now +44% since the March lows. The combined market cap of Google, Apple, Amazon, Facebook, and Microsoft hit a new all-time high last week of \$5.73t.
- The impact of CoVid-19, police misconduct, mass protests, rioting, and social unrest on the November elections will take time to filter but clearly introduce material changes from the January 2020 picture on both economic and non-economic fronts.



- Markets surged on a stunning May jobs report reflecting 2.5mm jobs added and a U3 rate falling from 14.7% to 13.3% (U6 from 22.8% to 21.2%). Debate surrounding data collection errors (April & May) likely have 'adjusted' U3 near 16% and U6 near 23%.
- The Fed balance sheet has grown to \$7.165t, up over \$3t since March.
- Concerns surrounding commercial real estate loan delinquencies are mounting while residential stresses have been mitigated for now by the stimulus programs.
- The ECB pleasantly surprised markets last week announcing €600 billion of purchases to run at least through June 2021, while expectations were for only €500 billion.
- The June 4th Atlanta Fed GDPNow estimate for 2Q annualized GDP is -53.8%, which would qualify as the worst GDP quarter in U.S. history by a landslide.
- A KSA and Russian agreement to extend production cuts through July lifted

WTI to a sixth consecutive week of gains, now up over 85% since the beginning of May.

Economic Release Highlights

- The May jobs report reflected a surprise 2.5mm increase in payrolls and a 13.3% unemployment rate.
- Weekly claims continued to fall (1.88mm last week), continuing the weekly improvement trend since the 6.87mm reading in late March.
- The May PMI manufacturing index was unchanged from the flash reading of 39.8.
- May's ISM manufacturing index rose MoM (43.1 from 41.5) for the first time since January, beating the consensus estimate of 42.7.
- May's ISM services index rose MoM (41.8 to 45.4), still contractionary territory but tied for the largest MoM increase since September 2017.

INSIGHT

MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	3/31/20	12/31/19	9/30/19
Dow Jones	27111	6.85	13.99	4.51	(3.90)	8.79	Oil (WTI)	35.49	20.51	61.14	54.09
NASDAQ	9814	3.44	11.57	12.61	9.87	30.92	Gold	1728.70	1609.00	1514.75	1485.30
S&P 500	3194	4.96	11.63	6.19	(0.26)	15.31	Currencies				
Russell 1000 Growth		3.24	10.76	11.21	8.64	27.62	USD/Euro (\$/€)	1.13	1.10	1.12	1.09
Russell 1000 Value		7.58	14.34	0.70	(9.31)	2.35	USD/GBP (\$/£)	1.23	1.25	1.33	1.23
Russell 2000		8.13	18.52	2.34	(9.11)	1.55	Yen/USD (¥/\$)	107.77	107.77	108.67	108.11
Russell 3000		5.28	12.66	6.08	(0.65)	14.20	Treasury Rates				
MSCI EAFE		7.07	14.44	0.59	(7.95)	2.45	3 Month	0.15	0.11	1.55	1.88
MSCI Emg Mkts		7.88	12.28	(2.85)	(9.27)	2.77	2 Year	0.22	0.23	1.58	1.63
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.47	0.37	1.69	1.55
US Aggregate	2.48	(0.02)	(0.04)	(0.07)	(0.22)	(0.24)	10 Year	0.91	0.70	1.92	1.68
High Yield	5.57	(0.17)	(0.43)	0.06	0.13	(0.11)	30 Year	1.68	1.35	2.39	2.12
Municipal	2.06	0.00	(0.06)	(0.00)	(0.08)	(0.13)					

Style Returns

	V	B	G
L	7.58	5.10	3.24
M	9.62	7.04	3.96
S	11.42	8.13	5.65



	V	B	G
L	-9.31	-0.06	8.64
M	-11.21	-4.45	5.80
S	-17.16	-9.11	-1.37



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