

BECKER WEALTH MANAGEMENT, LLC

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Encouraging news fuels strong market open on Monday.

A 'whatever it takes' interview on 60 minutes from Jerome Powell last Sunday night and modestly encouraging news on vaccine developments.

Here (Moderna) and abroad fueled a strong open on Monday but the remainder of the week was up and down finishing with a solid 3.5% gain (small caps +8%). Oil had another strong week (+13%) finishing above \$30 and industrial metals participated in the risk rally as well. Rates steepened slightly, creeping 2bps-7bps higher across the curve and the USD softened 0.54% for the week. Overall economic data last week improved from April levels, reflecting slowly emerging activity, but is still very mixed and solidly in contractionary territory.

Market Anecdotes

- FactSet reported Q1 earning season's unofficial conclusion last week with blended S&P earnings and revenue of -14.6% and 0.8%. Over one-third of companies withdrew guidance.
- Several FOMC speaking engagements last week continued to beat a relatively dire drum with regard to their economic outlook - certainly more so than politicians and financial markets.
- The Fed balance sheet topped \$7t for the first-time last week, up over \$3t in the past three months and money supply (M2) has grown 31.3% over the past 13 weeks.
- The semiconductor index made a new relative high versus the S&P 500 last week, an encouraging internal market dynamic.



- Bespoke noted last Tuesday was the 40th trading day since the S&P 500 low in March. Performance of +31% in that time has occurred five times since the 1920's with encouraging average and median returns over the following 1, 3, 6, 12 months.
- Energy was the second-best performing sector last week (to industrials) and is now up 60% since the March lows, but is still down over 30% year to date.
- Despite the big small cap gain of 8% last week and positive returns in four of the past five weeks, the Russell 2000 has only clawed back half of its losses and is over 8% below its 200dma.
- BCA highlighted how the federal government ramped up spending relative to 2008 in addition to Fed asset purchases soaking up nearly all additional UST issuance. 'Debt monetization' like this should translate to higher current account deficits, low real yields, and a negative for the USD.

Economic Release Highlights

- May's Markit flash PMIs improved from April levels but remain well below 50 (delineation between contraction/expansion). Respective U.S., Eurozone, and Japan manufacturing readings were 39.8, 39.5, and 38.4 with service readings of 36.9, 28.7, and 23.5.
- Weekly jobless claims of 2.438mm moved lower for a seventh consecutive week and was the lowest weekly claims number since the depths back in March.
- The NAHB Housing Market Indicator climbed from 30 to 37, the seventh largest monthly increase since 1985 and confirmation of relatively healthy housing market conditions.
- April's leading indicators fell 4.5%, and improvement from March's 7.4% fall. The LEI/CEI ratio surged in April, historically a sign of economic bottoming and emergence.
- April's Black Knight mortgage data showed record low foreclosure rates (moratoriums), but loan delinquencies doubled to 6.45%.

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	24465	3.43	4.54	(15.05)	(13.40)	(2.68)	Oil (WTI)	31.83	20.51	61.14	54.09
NASDAQ	9325	3.48	9.90	(2.36)	4.36	21.58	Gold	1735.40	1609.00	1514.75	1485.30
S&P 500	2955	3.27	5.80	(10.97)	(7.77)	5.58	Currencies	Current	3/31/20	12/31/19	9/30/19
Russell 1000 Growth		3.15	8.96	(3.66)	3.01	19.47	USD/Euro (\$/€)	1.10	1.10	1.12	1.09
Russell 1000 Value		4.09	3.48	(19.85)	(19.27)	(9.40)	USD/GBP (\$/£)	1.21	1.25	1.33	1.23
Russell 2000		7.87	12.96	(18.89)	(18.29)	(10.15)	Yen/USD (¥/\$)	107.27	107.27	108.67	108.11
Russell 3000		3.79	6.92	(11.74)	(8.47)	4.20	Treasury Rates	Current	3/31/20	12/31/19	9/30/19
MSCI EAFE		3.03	3.99	(16.95)	(18.20)	(9.02)	3 Month	0.12	0.11	1.55	1.88
MSCI Emg Mkts		0.49	2.01	(16.02)	(18.24)	(6.53)	2 Year	0.17	0.23	1.58	1.63
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.34	0.37	1.69	1.55
US Aggregate	2.51	(0.01)	(0.03)	(0.11)	(0.19)	(0.23)	10 Year	0.66	0.70	1.92	1.68
High Yield	5.84	(0.19)	(0.17)	0.46	0.40	0.20	30 Year	1.37	1.35	2.39	2.12
Municipal	2.07	(0.02)	(0.06)	(0.02)	(0.08)	(0.13)					

Style Returns

	V	B	G
L	-0.95	2.10	4.46
M	-0.24	2.60	6.17
S	-1.37	3.54	7.51



	V	B	G
L	-19.27	-7.78	3.01
M	-22.77	-14.43	-1.81
S	-28.72	-18.29	-8.31



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