

BOW BECKER WEALTH MANAGEMENT, LLC

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Summer begins with strong gains and no move in rates.

Last week's holiday shortened sessions marked the unofficial beginning of summer with a rally in cyclical areas of the equity markets and no real discernible move in rates.

Strong gains in financials, industrials, and REITs drove the S&P 500 to a 3% gain while oil (+5%) and industrial metals pushed commodity markets higher. The USD lost ground relative to most commodity currencies in sympathy with the cyclical rally and rates didn't move meaningfully on the week.

Market Anecdotes

- The Euro jumped higher on the announcement of a €750b (\$823b) EU stimulus package last week to be used for loans (\$500b) and grants (\$250b).
- European economic data seems worse off by index levels and trends but the U.S. and emerging markets have clearly bottomed and are beginning to recover versus expectations.
- Financials and industrials (cyclicals) have led the market higher over the past 2 weeks, assuming leadership from energy, tech, healthcare in place since 3/23.
- Bespoke noted the rare short term 'overbought' magnitude of the S&P with only four prior periods getting this high after having been -70% in the prior 50 trading days.
- Moderna, Novavax, and Pfizer, among others moved headlines last week in the hopeful quest for a CoVid vaccine, a truly global Manhattan project.
- POTUS signed an executive order targeting social media companies by removing existing liability protections and instructing the FTC to increase regulato-



ry oversight and enforcement actions.

- The Dallas Fed Social Distancing Index highlighted by Bespoke shows a clear downtrend from early April levels but still remains far above pre-CoVid levels.
- MBA purchase applications have risen six consecutive weeks which is historically an encouraging sign for housing and homebuilders.
- AAI bearish sentiment of 42.13 relative to bullish sentiment of 33.07 refutes the suggestion that this has been predominantly a 'retail' oriented rally.
- KSA and their Gulf allies made oil production cuts of 1.2mbpd in addition to those agreed by OPEC 2.0 in April, a material factor in the strong move in oil since late April.

Economic Release Highlights

- PCE dropped a record 13.6% in April, missing the -12.9% consensus and followed up a 7% fall in March.
- Personal income unexpectedly jumped by a record 10.5% (consensus -5.0%) thanks to an unprecedented 160.4% surge

in government transfer receipts (unemployment insurance +1.93% and stimulus checks 13.9%).

- The PCE Price Index dropped 0.5%, while the core was down 0.4%, the most since 9/11. On a y/y basis, PCE prices eased to 0.5%, the least since December 2015, while core inflation slipped to 1.0%.
- Q1 GDP declined 5% (4.8% expected).
- Durable goods plunged -17.2% MoM in April.
- The March Case-Shiller HPI was up 0.5% MoM and 3.5% YoY.
- After plummeting 30 points in April to 85.7, May's Conference Board consumer confidence reading edged slightly higher to 86.6.
- April's new home sales registered 623k, well over the consensus estimate of 495k and a very surprising number during a month of record economic declines.
- UofM consumer sentiment reading for May softened from the preliminary reading to 72.3, down 27.7% from one year ago and the lowest level since October 2008.

INSIGHT

MARKET ANALYSIS

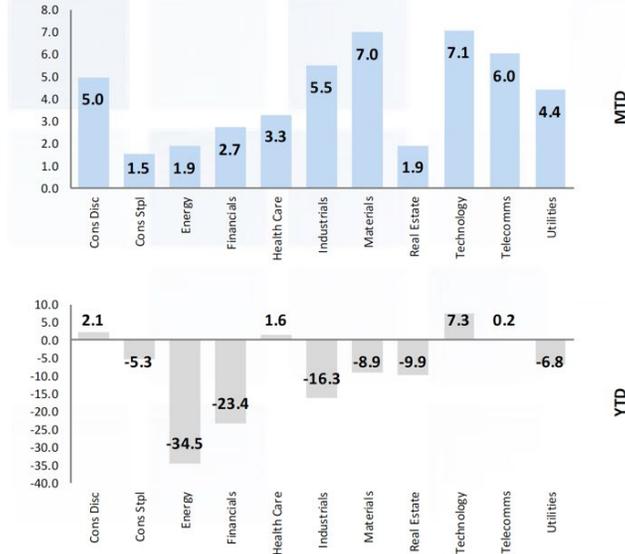
Equity							Commodities				
Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Current	3/31/20	12/31/19	9/30/19		
Dow Jones	25383	3.84	3.43	0.55	(10.06)	3.59	Oil (WTI)	34.70	20.51	61.14	54.09
NASDAQ	9490	2.23	6.60	11.07	6.22	27.08	Gold	1733.60	1609.00	1514.75	1485.30
S&P 500	3044	3.30	3.80	3.59	(4.97)	11.62	Currencies				
Russell 1000 Growth	2.64	6.61	10.45	5.23	25.17	USD/Euro (\$/€)	1.10	1.10	1.12	1.09	
Russell 1000 Value	4.45	1.14	(4.61)	(15.70)	(2.86)	USD/GBP (\$/£)	1.22	1.25	1.33	1.23	
Russell 2000	3.48	2.59	(5.18)	(15.95)	(5.00)	Yen/USD (¥/\$)	107.50	107.50	108.67	108.11	
Russell 3000	3.41	4.09	2.89	(5.63)	10.25	Treasury Rates					
MSCI EAFE	5.11	3.99	(3.49)	(14.03)	(2.95)	3 Month	0.14	0.11	1.55	1.88	
MSCI Emg Mkts	2.87	1.37	(6.88)	(15.90)	(2.76)	2 Year	0.16	0.23	1.58	1.63	
Fixed Income							3 Month				
Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year <td>0.30</td> <td>0.37</td> <td>1.69</td> <td>1.55</td>	0.30	0.37	1.69	1.55	
US Aggregate	2.50	(0.00)	(0.03)	(0.09)	(0.20)	(0.22)	10 Year	0.65	0.70	1.92	1.68
High Yield	5.75	(0.10)	(0.18)	0.20	0.31	0.05	30 Year	1.41	1.35	2.39	2.12
Municipal	2.06	(0.01)	(0.10)	(0.02)	(0.08)	(0.14)					

Style Returns

	V	B	G
L	3.43	5.28	6.71
M	4.64	7.03	10.05
S	2.87	6.51	9.45

MTD

S&P 500 Sector Returns



	V	B	G
L	-15.70	-4.91	5.23
M	-19.00	-10.73	1.77
S	-25.65	-15.95	-6.65

YTD



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