

BECKER WEALTH MANAGEMENT, LLC

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Early highs tank later in week due to Covid concerns.

The S&P 500 briefly dipped its toe into the green on a YTD basis last week and the NASDAQ marked new record highs but concerns over the pace of an economic rebound and resurgent CoVid concerns took the market down sharply on Thursday.

Equity markets gave back all of the gains since Memorial Day weekend in one day. Cyclical sectors (energy, industrials, materials) bore the brunt on the week, pulling the S&P 500 to a loss of 4.8% while interest rates fell sharply on a UST and USD rally in sympathy with the counter cyclical move.

Market Anecdotes

- Relaxation of containment measures, lockdown fatigue, and mass protests make a second wave inevitable, although there is a strong case this is a continuation of the first wave. However, hard data and a clear lack of social, political, and economic support will make repeating the same lockdown containment measures and economic impacts far less likely.
- Targeted containment, improved treatments/therapies, higher herd immunity (the 'Sweden' approach), and improved testing/tracking will not circumvent equity market volatility in the short-term, but we remain constructive over a 12-month horizon.
- The FOMC expects no rate increases through the end of 2022 and remains fully committed to unlimited QE. Powell's presser sent a charge of anxiety into markets by expressing a dire assessment of overall economic conditions and outlooks.
- The Fed expanded the Main Street



Lending Program to increase support for small/mid-sized businesses by lowering the minimum loan amount, increasing the maximum loan size, pushing back principal repayment, and extending the loan term.

- NBER stated the obvious last week that the longest expansion in U.S. history (10yrs 8mo) peaked in February and entered recession in March.
- Stimulative global central banks have money growth rising rapidly around the world. M2 for the US (17%) is expanding at its fastest pace since World War II, Japan (5%) is at its quickest rate since January 1991, and the Euro area (8%) at its strongest level since the GFC.
- China's total social financing (liquidity) climbed in May even as new loans slowed down. M2 growth remained stable at 11.1% and M1 moved slightly higher to 6.8% (from 5.5%).
- Bespoke noted that betting markets (Predictit) have begun to turn on POTUS. Trump and Biden were neck in neck but have shifted to 43%/57% over the past two weeks.
- The semiannual ISM capex survey shows decline estimates for manufac-

turing (-19.1%) and non-manufacturing (-13.4%) this year and the NABE Outlook projects business fixed investment falling 10.8% in 2020 and +2.0% in 2021.

- Strategas noted two breadth measures registered in the 99.9th percentile of all recorded observations mid-week last week (% advancing, % advancing volume, % above its 50dma).

Economic Release Highlights

- The May NFIB small business optimism index surprised on the upside, registering 94.4 versus consensus expectation of 92.0.
- The April JOLTS report bolstered May's surprise payroll report with job openings coming in at 5.046mm versus an expected 5.75mm.
- Weekly initial jobless claims continued to be staggering but declining from March highs.
- No surprises in the May CPI report with anemic headline and core inflation of 0.1% and 1.2% respectively. The MoM readings declined 0.1% as expected.
- Weekly initial jobless claims remained extraordinarily high but still on a declining trajectory at 1.542mm.

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	25606	(5.51)	8.11	21.59	(9.20)	0.94	Oil (WTI)	38.17	20.51	61.14	54.09
NASDAQ	9589	(2.27)	6.64	33.50	7.38	24.35	Gold	1683.50	1609.00	1514.75	1485.30
S&P 500	3041	(4.73)	6.20	23.27	(4.98)	7.76	Currencies	Current	3/31/20	12/31/19	9/30/19
Russell 1000 Growth		(2.99)	5.83	29.09	5.39	20.72	USD/Euro (\$/€)	1.13	1.10	1.12	1.09
Russell 1000 Value		(7.02)	7.64	17.76	(15.68)	(5.96)	USD/GBP (\$/£)	1.27	1.25	1.33	1.23
Russell 2000		(7.89)	8.96	24.08	(16.28)	(7.29)	Yen/USD (¥/\$)	109.68	109.68	108.67	108.11
Russell 3000		(4.95)	6.73	23.98	(5.57)	6.62	Treasury Rates	Current	3/31/20	12/31/19	9/30/19
MSCI EAFE		(4.21)	7.51	19.88	(11.82)	(3.63)	3 Month	0.16	0.11	1.55	1.88
MSCI Emg Mkts		(1.52)	8.88	12.57	(10.65)	(1.03)	2 Year	0.19	0.23	1.58	1.63
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.33	0.37	1.69	1.55
US Aggregate	2.47	(0.01)	(0.06)	(0.24)	(0.24)	(0.25)	10 Year	0.71	0.70	1.92	1.68
High Yield	5.70	0.13	(0.28)	(0.44)	0.26	0.05	30 Year	1.45	1.35	2.39	2.12
Municipal	2.05	(0.01)	(0.05)	(0.12)	(0.09)	(0.13)					

Style Returns

	V	B	G
L	0.03	0.10	0.15
M	1.53	0.28	-1.22
S	1.07	-0.39	-1.50

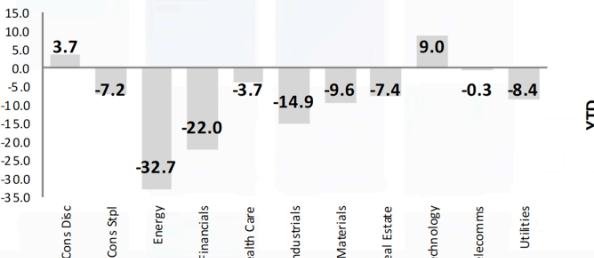
MTD

S&P 500 Sector Returns



	V	B	G
L	-15.68	-4.82	5.39
M	-17.76	-10.48	0.53
S	-24.85	-16.28	-8.05

YTD



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