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INSIGHT

A WEEKLY NEWSLETTER PUBLICATION OF 

5) MANAGEMENT

4th of July week markets end with a healthy bang.

Fourth of July fireworks continued into last week with strong bookends (M&F) delivering healthy gains driven once again by larger cap and tech-oriented names.

The S&P 500 finished up 1.8% while small caps lost 0.64%. Strength at the top end of the market cap weighted S&P 500 continued to be pronounced. Commodities posted a respectable 1.52% gain on the back of a rally in industrial and precious metals (WTI was flat). Neither rates nor credit spreads moved meaningfully either way but the USD lost ground for a third consecutive week.

Market Anecdotes

- FactSet reports the estimated 2Q earnings decline is -44.6% which, if met, would mark the largest year-over-year decline in earnings reported by the index since Q4 2008 (-69.1%). The forward 12-month P/E ratio for the S&P 500 is 21.8.
- BCA made an interesting case that combining analysts' expected temporary decline in earnings with the actual decline in real bond yields translates to a 15% increase in S&P 500 fair value since 12/31/19.
- Bespoke dissected the market rally since March 23 lows into three distinct 'Acts', the initial rally (3/23-5/13), the reopening rally (5/13-6/8), and a renewed tech/FAANG rally.
- An amazing testament to the turnaround rally is seen in the NASDAQ 100 (QQQ) which was up 10% on the year into February, collapsed over 30% on CoVid-19 developments in March, then went on to rally to a 20% YTD gain by mid-July.



- Tesla, not even a member of the S&P 500, surpassed Toyota this week as the world's largest global automobile company (by market cap).
- Citadel indicated retail volume is now approximately 15% of volume but surges to nearly 25% during market peaks.
- Put/call ratio has plummeted since late March leaving the five-day average in the bottom 1% of all readings since 2001, according to Bespoke.
- The Philly SOX made a convincing breakout through prior resistance levels (February and June).
- The NY Fed WEL improved for a tenth consecutive week last week after enduring twelve consecutive weeks of deterioration ending with a new low water mark of -11.48 on April 25th.
- Google search trends (vacation, used car, RV, dentist, hotel, salon) show consumers are ready for some self-care and travel, just not by air or water.
- While we expect posturing aplenty in DC over the next two weeks, we caution investors that it was a mistake to bail in March and every time the debt-ceiling issue came to the forefront in the past.
- U.S. Treasury released details on the

PPP last week claiming the program retained over 31mm jobs across a wide range of industries.

- China's stock market has made both headlines and substantial gains over the past few weeks. The Shanghai Index is +16% over the past 20 days, helped in part by an SOE newspaper making a strong case for domestic investors not to miss out on the 'bull market.'

Economic Release Highlights

- The June PMI Service index improved from May's 37.5 read to 47.9, above consensus and outside of the top end of forecasted range.
- June's ISM Non-Manufacturing Index improved from May's 45.4 to a 57.1, above consensus and outside of the top end of forecasted range.
- June's ISM Composite Index jumped to 56.6, its highest level since February 2019.
- May's JOLTS was expected to show openings falling 3% to 4.9mm (after April's 16% drop), but instead increased to 5.397mm.

INSIGHT

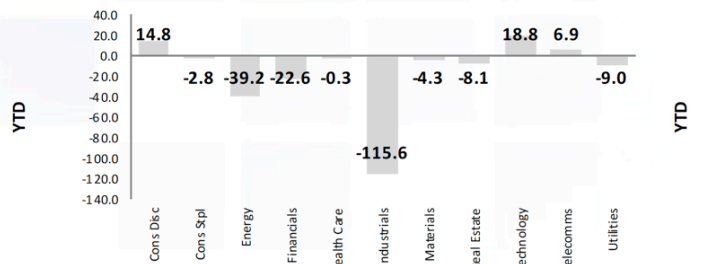
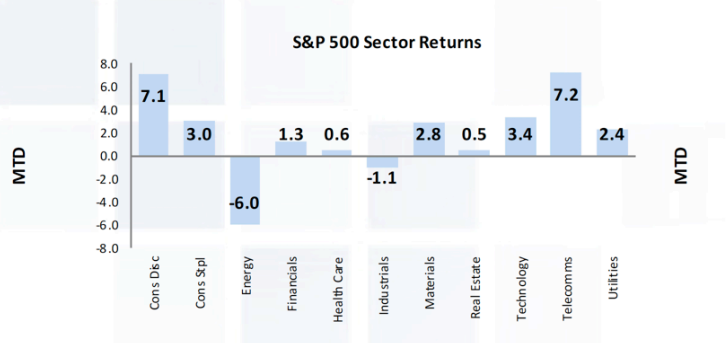
MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	6/30/20	3/31/20	12/31/19
Dow Jones	26075	0.98	(3.27)	10.61	(7.44)	(0.52)	Oil (WTI)	40.51	39.27	20.51	61.14
NASDAQ	10617	4.02	6.03	30.52	18.95	30.77	Gold	1772.90	1768.10	1609.00	1514.75
S&P 500	3185	1.79	(0.01)	14.71	(0.38)	8.53	Currencies	Current	6/30/20	3/31/20	12/31/19
Russell 1000 Growth		3.50	4.91	26.10	15.71	26.66	USD/Euro (\$/€)	1.13	1.12	1.10	1.12
Russell 1000 Value		0.29	(5.01)	4.78	(15.80)	(9.31)	USD/GBP (\$/£)	1.25	1.24	1.25	1.33
Russell 2000		(0.63)	(2.92)	14.49	(14.09)	(7.75)	Yen/USD (¥/\$)	107.55	107.55	107.53	108.67
Russell 3000		1.79	0.12	16.00	(0.82)	7.64	Treasury Rates	Current	6/30/20	3/31/20	12/31/19
MSCI EAFE		0.51	(1.73)	13.55	(9.38)	(2.66)	3 Month	0.13	0.16	0.11	1.55
MSCI Emg Mkts		3.67	6.28	21.65	(2.60)	4.84	2 Year	0.16	0.16	0.23	1.58
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.30	0.29	0.37	1.69
US Aggregate	2.42	(0.01)	(0.04)	(0.11)	(0.28)	(0.30)	10 Year	0.65	0.66	0.70	1.92
High Yield	5.71	(0.02)	0.10	(0.05)	0.27	0.11	30 Year	1.33	1.41	1.35	2.39
Municipal	2.04	(0.00)	(0.02)	(0.06)	(0.10)	(0.14)					

Style Returns

	V	B	G
L	0.54	3.00	5.37
M	-0.46	0.92	3.46
S	-3.21	-1.27	0.58

	V	B	G
L	-15.80	0.10	15.71
M	-18.46	-8.29	7.76
S	-25.95	-14.09	-2.50



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