

INSIGHT

A WEEKLY NEWSLETTER PUBLICATION OF ~~XXX~~ & ~~XX~~ (X-5) MANAGEMENT

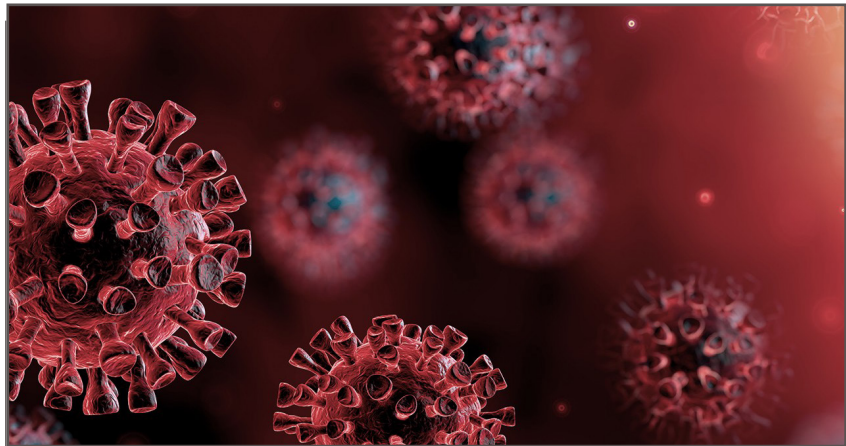
Markets down as COVID-19 fights back with fury.

Accelerating COVID-19 case counts, quarter-end trading activity, and powerful monetary/fiscal support churned markets last week pushing the S&P 500 to a 2.66% loss with non-U.S. markets down 0.80%.

Wednesday of this past week marked exactly three months from the low point of the pandemic stock market crash (3/23) with returns in the S&P 500 and EAFE of 37% and 32% respectively. Interest rates declined slightly with 10yr falling back below 0.70% and, despite its counter-cyclical nature, the USD fell 0.19% on the week.

Market Anecdotes

- A material rise in coronavirus data across the sunbelt hasn't resulted in a blanket return to lockdowns but that is missing the real issue which equity markets acknowledged last week: self-administered curtailment of consumer and business activity.
- Goldman's estimate of \$76b in U.S. equity selling (quarter-end rebalancing) and a market ripe for consolidation were non-virus-related factors playing into market action last week.
- Month-end July expiration of extended unemployment benefits, dwindling PPP funds, and precarious state and local municipality finances have us expecting action from DC, particularly given the election year backdrop.
- TIPS breakeven inflation rates have moved up considerably since mid-March. Back then, the 10-year TIPS breakeven rate troughed at 0.50%. It currently sits at 1.31%.
- Two sizable Treasury auctions last week were both met with robust demand. \$47b of 5-year notes and \$42b of 7-year notes were both record highs in size and record lows in yields.



- The IMF acknowledged the more sobering growth environment that previously thought by downgrading 2020 global growth expectations by 200bps and reducing 2021 forecasts.
- Oil traded lower last week on a large increase in inventories to a record high of 540.4mm bbls.
- The USD had fallen over 7.5% from its early spring peak through early June but has shown a bit of strength over the past several days. A CFTC COT report last week showed the largest open interest short shift (40.7%) since 2005.
- BCA Research's US Equity Strategy service analyzed the past three-dollar bear markets, observing that technology outperformed by at least 9.4% twice (ex USD bear '85-'95).

Economic Release Highlights

- May's personal income and outlays report showed income falling less than expected (-4.2% v -6.4%) from April's 10.5% government stimulus surge.
- Consumer spending increased 8.2% versus expectations for 8.6%, an expected recovery from April's 12.6% decline.
- May headline and core PCE of 0.5% and 1.0% illustrate the retreat we've seen in price data over the past several

months.

- June UofM consumer sentiment came in at 78.1, slightly lower than expected but up nearly 7 points from May's reading.
- June flash U.S. PMI readings (46.8c, 49.6m, 46.7s) came in above forecasts and on the high end of the range. Euro area manufacturing PMI jumped from 39.4 in May to 46.9 while services PMI surged from 30.5 to 47.3.
- May's existing home sales fell 9.7% (3.91mm) from April's 4.33mm figure (-26.6% from last year). New home sales (676k) came in better than the 636k forecast.
- Chicago Fed National Activity Index followed the Philly and NY upside surprises last week. After falling to a record -16.74 in April, May smashed forecasts (-4.0), surging to a record high of 2.61 in the largest sequential MoM on record.
- May's durable goods orders increased 15.8% over April. Only a 10% increase was expected.
- Weekly initial jobless claims fell for a 12th straight week and continuing claims dropped below 20mm for the first time since mid-April.

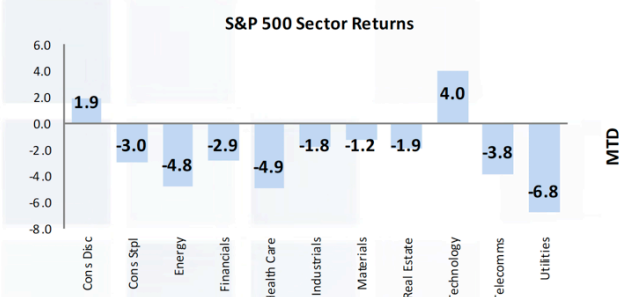
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MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	3/31/20	12/31/19	9/30/19
Dow Jones	25016	(3.31)	0.30	11.62	(11.26)	(3.38)	Oil (WTI)	40.60	20.51	61.14	54.09
NASDAQ	9757	(1.90)	4.54	25.44	9.28	24.63	Gold	1734.80	1609.00	1514.75	1485.30
S&P 500	3009	(2.86)	0.73	14.98	(5.95)	5.34					
Russell 1000 Growth		(1.87)	3.26	22.20	6.63	20.80					
Russell 1000 Value		(4.18)	(2.06)	8.58	(18.77)	(10.41)					
Russell 2000		(2.80)	(0.91)	17.24	(16.79)	(7.79)					
Russell 3000		(2.85)	0.86	16.19	(6.40)	4.60					
MSCI EAFE		(1.29)	4.76	15.22	(11.17)	(4.07)					
MSCI Emg Mkts		(0.14)	8.20	18.24	(9.40)	(2.05)					
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Treasury Rates	Current	3/31/20	12/31/19	9/30/19
US Aggregate	2.46	(0.00)	(0.06)	(0.14)	(0.24)	(0.24)	3 Month	0.14	0.11	1.55	1.88
High Yield	5.78	0.12	(0.02)	(0.52)	0.34	0.17	2 Year	0.17	0.23	1.58	1.63
Municipal	2.06	(0.00)	(0.01)	(0.08)	(0.09)	(0.13)	5 Year	0.30	0.37	1.69	1.55
							10 Year	0.64	0.70	1.92	1.68
							30 Year	1.37	1.35	2.39	2.12

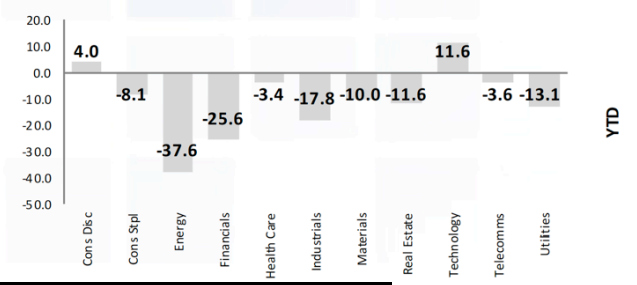
Style Returns

	V	B	G	
L	-3.64	-0.80	1.33	MTD
M	-2.28	-1.25	-0.01	
S	-2.40	-1.00	0.05	



Style Returns

	V	B	G	
L	-18.77	-5.68	6.63	YTD
M	-20.85	-11.85	1.76	
S	-27.44	-16.79	-6.60	



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