

# BECKER WEALTH MANAGEMENT, LLC

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## Tech stocks lead the way in overall market decline.

**T**echnology heavy-weights led U.S. stock markets to a third consecutive weekly decline of -0.64%, leaving the S&P 500 down 5.4% over the three-week period. Interestingly, the cyclical oriented materials, industrials, and energy all posted gains as did the equal weight S&P 500. Markets were relatively strong through Wednesday's FOMC presser but traded off from that point through the end of the week. Commodities surged last week fueled by a 10% surge in oil prices and the yield curve flattened slightly in sympathy with risk assets.



### Market Anecdotes

- “UNCH” - get used to it. The FOMC meeting last week made clear its expectation of keeping rates low until 2023 when they expect labor markets and inflation to reach target levels.
- A characteristic becoming very clear is how the manufacturing sector is recovering much more sharply than service sectors. Cyclical are holding up relatively well and the DJIA Transports broke to a new 52-week high last week.
- Growth has outperformed value for a record eleven consecutive months but value's 7.4% advantage so far in September is on pace for the largest value win since March 2001.
- Non-U.S. stocks have held up better than their U.S. counterparts since the peak on 9/2 with Japan and India posting positive returns and major indices down less than 1.5%.
- While REITs have outperformed the broad market over the past few weeks, BBB tranches of the CMBS market are trading around \$0.70-\$0.80 on the dollar, not sharing the enthusiasm.
- Both the NY Fed and Bespoke

high frequency GDP indicators made notable moves lower over the past two weeks driven by deceleration in improvement in jobless claims.

- The EIA monthly report released last week is very lagged but a remarkable energy independence anecdote is that the US went from importing 2.5 trillion more BTUs of energy than it produced 2006 to exporting more energy than it imported last year.
- EU - UK free trade negotiations are drawing closer as the post-Brexit deal approaches another milestone. Expect more public posturing and grandstanding over the coming months but PM Johnson's popularity has fallen precipitously and the cost of a hard Brexit would be too tough to bear, suggesting hardball tactics will extract a few EU concessions but no hard Brexit.
- A bi-partisan group of House moderates released a \$1.52t relief package in what looks like a long-shot attempt at breaking the CoVid stimulus deadlock.

### Economic Release Highlights

- August retail sales fell short of

expectations on the headline number (0.6% vs 1.0%) and each subset group. However, we are now 1.5% above pre-CoVid level of retail sales.

- The September Empire Manufacturing report registered a big beat (17.0 vs 5.5) while the Philly Fed report fell sequentially but came in on top of expectations (15.0 vs 15.5).
- August MoM U.S. industrial production missed expectations coming in at 0.4% vs 1.2% consensus. Overseas, China and Japan posted more encouraging IP with the former rising 5.6% vs 5.1% y/y and the latter an annual -15.5% for July following a -26.3% recorded in May.
- August housing starts (1.416mm) and permits (1.470mm) fell sequentially and came up short of forecasts.
- After tying an all-time record high of 78 in August, the Housing Market Index came in well above consensus of 78 and higher than the high end of the range (75-81), registering 83 in September.

# 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	27657	(0.01)	(0.17)	6.66	(1.35)	4.34	Oil (WTI)	37.23	39.27	20.51	61.14
NASDAQ	10793	(0.53)	(3.64)	8.77	21.11	33.28	Gold	1947.40	1768.10	1609.00	1514.75
S&P 500	3319	(0.60)	(1.92)	7.01	4.17	12.53	<b>Currencies</b>	<b>Current</b>	<b>6/30/20</b>	<b>3/31/20</b>	<b>12/31/19</b>
Russell 1000 Growth		(0.84)	(2.89)	10.02	19.87	30.87	USD/Euro (\$/€)	1.18	1.12	1.10	1.12
Russell 1000 Value		0.52	(0.39)	4.53	(10.59)	(4.67)	USD/GBP (\$/£)	1.32	1.24	1.25	1.33
Russell 2000		2.68	(1.98)	8.03	(6.98)	(0.58)	Yen/USD (¥/\$)	106.34	106.34	107.53	108.67
Russell 3000		(0.03)	(1.71)	7.55	4.17	12.35	<b>Treasury Rates</b>	<b>Current</b>	<b>6/30/20</b>	<b>3/31/20</b>	<b>12/31/19</b>
MSCI EAFE		0.79	0.36	6.71	(4.12)	3.18	3 Month	0.10	0.16	0.11	1.55
MSCI Emg Mkts		1.59	0.48	12.50	1.44	11.40	2 Year	0.14	0.16	0.23	1.58
<b>Fixed Income</b>	<b>ΔYield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	5 Year	0.29	0.29	0.37	1.69
US Aggregate	2.33	0.00	(0.05)	(0.14)	(0.38)	(0.40)	10 Year	0.70	0.66	0.70	1.92
High Yield	5.47	0.01	(0.04)	(0.18)	0.03	(0.09)	30 Year	1.45	1.41	1.35	2.39
Municipal	2.00	(0.00)	0.00	(0.05)	(0.14)	(0.17)					

**Style Returns**

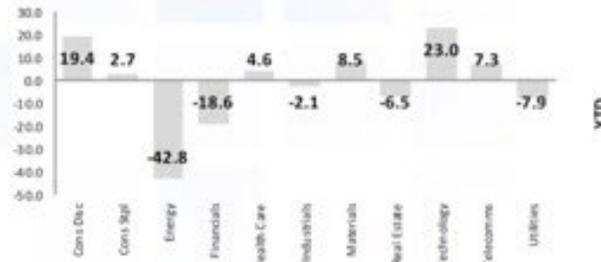
	V	B	G
L	-1.36	-4.96	-8.12
M	-0.91	-2.31	-4.84
S	-1.27	-1.53	-1.78

MTD



	V	B	G
L	-10.59	4.95	19.87
M	-11.63	-2.71	9.95
S	-18.76	-6.98	4.27

YTD



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