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# The S&P 500 is no longer in deeply overbought territory.

**N**o longer is the S&P 500 in deeply overbought territory after wrapping up a holiday shortened and second consecutive week of declines.

Heavy index concentration in a small number of tech-oriented names drove headline index volatility higher. Energy, technology, and Amazon led equity markets on the downside while materials, industrials, and utilities held up fairly well on the week. The risk off move last week took oil, commodities, and UST yields lower while the USD found a flight to safety bid rallying 0.66%.

### Market Anecdotes

- The NASDAQ moved into correction territory last week, setting a record for the fastest move from record high to correction on record.
- One distinctive feature of the S&P 500 decline was an absence of any extreme downside breadth which is a very different characteristic compared to March 2020.
- Bespoke noted The NAAIM sharp drop in exposure over the past two weeks from 94.7 to 53.1, a rare magnitude over such a short period.
- ICI reported \$28.3b in equity-oriented MF/ETF outflows for the week ending 9/2.
- The ECB last week kept rates and asset purchases unchanged, disappointing onlookers expecting a more dovish communique and more asset purchases.
- Despite a slight uptick in CPI,



- market-based measures including real yields (-1%), 10yr UST yield 0.67%, 2s30s at 128bps, and a 10yr breakeven of 1.7% are hardly showing signs of concern.
- CoVid-19 stimulus package DC negotiations went nowhere with a \$300b package rejected by Team D and White House economic advisor Kudlow suggesting it's not needed regardless.
- Bespoke assigned odds of 29% to some kind of fiscal easing and 71% of the status quo with a Trump or Biden POTUS and a Democratic congress producing the highest odds for stimulus.
- BCA's highlighted the strong possibility of a contested POTUS election given an expected close outcome in November. Market implications of heightened volatility are clear.
- The (politically?) timely KSA announcement of oil price cuts for October sent a shock into global oil prices last week.
- The share of the Ginnie Mae

- universe in forbearance is currently 9.54%, roughly double that seen in conventionals, according to the latest Mortgage Bankers Association report.
  - Black Knights mortgage monitor showed delinquencies (6.91%) falling for a second consecutive month, foreclosures at record lows of 0.355% (moratoriums).
- ### Economic Release Highlights
- According to the NFIB Small Business Optimism Index, small US firms felt better in August. The headline index rose from 98.8 to 100.2, easily beating expectations of 99.
  - The July JOLTS report shows 6.618mm openings, higher quit rates, and lower layoffs.
  - The Bloomberg Consumer Comfort index of 47.8 registered its largest one-week increase since April 2009.
  - August headline and core CPI of 1.3% and 1.7% both came in slightly higher than expectations.

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# INSIGHT

## MARKET ANALYSIS

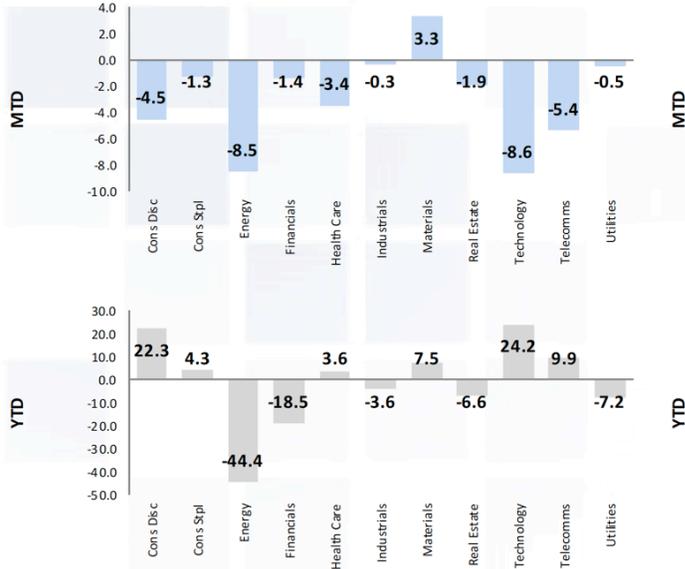
Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	6/30/20	3/31/20	12/31/19
Dow Jones	27666	(2.17)	0.26	10.74	(1.34)	4.44	Oil (WTI)	36.87	39.27	20.51	61.14
NASDAQ	10854	(5.27)	0.74	14.55	21.76	34.15	Gold	1926.30	1768.10	1609.00	1514.75
S&P 500	3341	(3.28)	0.40	11.76	4.80	13.49					
Russell 1000 Growth		(4.94)	2.15	15.93	20.89	32.50	<b>Currencies</b>	<b>Current</b>	<b>6/30/20</b>	<b>3/31/20</b>	<b>12/31/19</b>
Russell 1000 Value		(1.62)	(1.40)	7.36	(11.05)	(5.08)	USD/Euro (\$/€)	1.18	1.12	1.10	1.12
Russell 2000		(3.04)	(4.82)	10.75	(9.40)	(3.58)	USD/GBP (\$/£)	1.33	1.24	1.25	1.33
Russell 3000		(3.35)	0.10	11.92	4.20	12.60	Yen/USD (¥/\$)	105.30	105.30	107.53	108.67
MSCI EAFE		1.45	0.63	6.62	(4.87)	2.85	<b>Treasury Rates</b>	<b>Current</b>	<b>6/30/20</b>	<b>3/31/20</b>	<b>12/31/19</b>
MSCI Emg Mkts		(0.67)	0.20	11.01	(0.15)	10.18	3 Month	0.11	0.16	0.11	1.55
<b>Fixed Income</b>	<b>Δ Yield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	2 Year	0.13	0.16	0.23	1.58
US Aggregate	2.32	(0.01)	(0.05)	(0.15)	(0.38)	(0.40)	5 Year	0.26	0.29	0.37	1.69
High Yield	5.46	0.00	(0.06)	(0.30)	0.02	(0.11)	10 Year	0.67	0.66	0.70	1.92
Municipal	2.01	(0.00)	0.01	(0.05)	(0.14)	(0.15)	30 Year	1.42	1.41	1.35	2.39

Style Returns

	V	B	G
L	-1.88	-4.79	-7.34
M	-1.75	-3.37	-6.29
S	-3.20	-4.10	-4.94

	V	B	G
L	-11.05	5.15	20.89
M	-12.38	-3.77	8.27
S	-20.35	-9.40	0.90

S&P 500 Sector Returns



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