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Economic recovery in full steam inch forward mode.

Despite less than encouraging bookends on the week, the S&P 500 overcame and went on to post a 1.9% return. Small caps (2.3%), NASDAQ (3.5%), and commodities (2.6%) were the biggest movers.

International and emerging markets were both up approximately 1% against the headwind of an appreciating USD (+0.31%). Interest rates and credit spreads didn't move notably on the week. Narratives of coronavirus concerns persisted and grew but were offset by a blowout retail sales number and solid housing market data. We expect the tug of war between coronavirus concerns and monetary/fiscal stimulus as they pertain to growth, consumer, economy, earnings to continue to churn for most of the summer.

Market Anecdotes

- CoVid-19 case counts have moved back into the front side of the news flow with data from Texas, Florida, Arizona, and California showing clear increases in numbers. There remains a stark contrast between the NYC breakout and what is happening in this cycle.
- The CoVid-19 economic recovery is in full steam inch forward mode. Airport volumes still -80% YoY, restaurant volumes -65% YoY, and cancellations of large gatherings through the fall.
- In the typical speaking circuit following FOMC meeting week, we had six Fed appearances last week. The tone remained similar to Powell's presser expressing caution on the fragility of the recovery and need for continued fiscal support.
- The Fed began purchasing direct



corporate bonds on Tuesday through the SMCCF, which took some time to set up. The PMCCF is not yet active and still in the process of being set up.

- Of interest is how the CoVid-19 crash barely even registers on the 200dma and that it is already moving higher again. Extended breadth levels have drawn back into neutral territory with the market consolidation over the past two weeks.
- Since 3/23, we've seen \$13b of equity ETF flows contrasted by a staggering \$67b of bond flows.
- Last week supported the notion that the U.S. economy is recovering better than expected as evidenced by the record high US Citi Economic Surprise Index. Non-U.S. markets are much more modest. The global index is in the 42nd percentile and not even positive yet.
- The June ZEW survey provided encouraging sentiment readings surrounding a recovery in the European industrial sector.
- Redfin reported homebuyer demand is 25% above pre-pandemic levels while new listings are -15% which partially explains why housing prices are climbing at a 4.9% annual rate.

Economic Release Highlights

- After declines in retail sales of -8.7% for March, -16.4% for April, the consensus forecast for May was a rebound to +7.5% but that number was crushed, registering 17.7% MoM growth.
- NY Fed Empire Manufacturing index blew out expectations on Monday (-0.2a vs -29.6e).
- The Philly Fed index crushed forecasts and surged in June to 27.5 from -43.1 in May, the largest single month increase on record dating back to its inception in 1968.
- Weekly initial claims continued to fall but are still over 1mm. Continuing claims have fallen from their early May peak of nearly 25mm but are still over 20mm.
- June's NAHB housing market index reading of 58 beat the consensus call of 44.
- MBA weekly mortgage applications came in much stronger than forecast, up 3.46%, a ninth consecutive weekly increase and the highest level since the post GFC period in early 2009.
- Housing starts of 974k fell short of the forecast of 1.1mm and permits of 1.220mm missed forecasts for 1.245mm.
- May's industrial production grew 1.4% versus consensus call for 2.9% growth off the low April hurdle number.

INSIGHT

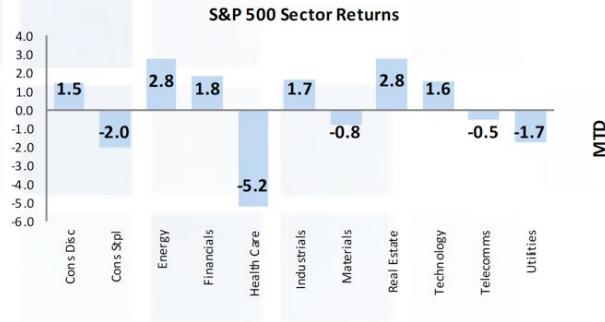
MARKET ANALYSIS

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					
Russell 1000 Growth		(2.99)	5.83	29.09	5.39	20.72	Currencies	Current	3/31/20	12/31/19	9/30/19
Russell 1000 Value		(7.02)	7.64	17.76	(15.68)	(5.96)	USD/Euro (\$/€)	1.13	1.10	1.12	1.09
Russell 2000		(7.89)	8.96	24.08	(16.28)	(7.29)	USD/GBP (\$/£)	1.27	1.25	1.33	1.23
Russell 3000		(4.95)	6.73	23.98	(5.57)	6.62	Yen/USD (¥/\$)	109.68	109.68	108.67	108.11
MSCI EAFE		(4.21)	7.51	19.88	(11.82)	(3.63)					
MSCI Emg Mkts		(1.52)	8.88	12.57	(10.65)	(1.03)	Treasury Rates	Current	3/31/20	12/31/19	9/30/19
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Month	0.16	0.11	1.55	1.88
US Aggregate	2.47	(0.01)	(0.06)	(0.24)	(0.24)	(0.25)	2 Year	0.19	0.23	1.58	1.63
High Yield	5.70	0.13	(0.28)	(0.44)	0.26	0.05	5 Year	0.33	0.37	1.69	1.55
Municipal	2.05	(0.01)	(0.05)	(0.12)	(0.09)	(0.13)	10 Year	0.71	0.70	1.92	1.68
							30 Year	1.45	1.35	2.39	2.12

Style Returns

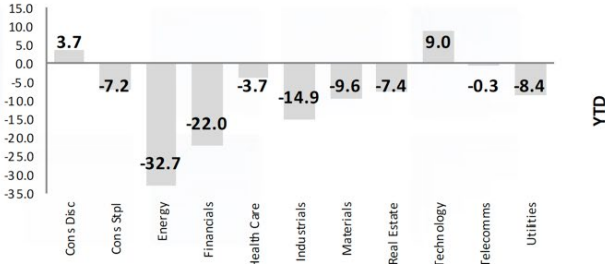
	V	B	G
L	0.03	0.10	0.15
M	1.53	0.28	-1.22
S	1.07	-0.39	-1.50

MTD



	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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