This Week's Market Moves

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Stock prices consolidated near all-time highs last week, as investors weighed the Federal Reserve's concern over the economic recovery and Washington's gridlock against stronger-than-expected business activity and a booming housing market. Here are some other insights on the markets and the economy from this past week:

STOCK RECOVERY HAS BEEN UNEVEN

The S&P 500 Index reached a new all-time high last week, closing at 3397.16. The recovery is one for the history books, as it took just five months for the market to fully recoup its losses from the March 23rd low. However, the stock market recovery this year has been uneven, with mega-cap big-tech names vastly outperforming the broader markets and many companies within the S&P still suffering from losses.

APPLE'S MARKET CAP TOPS $2 TRILLION

Apple made history last week as the first publicly traded company in the U.S. to reach a $2 trillion market cap. The tech giant was also the first to surpass the $1 trillion milestone nearly two years ago. The spectacular rise in Apple's share price now makes it the most valuable company in the world, a title previously held by Saudi Aramco, the oil conglomerate.

TREASURY YIELDS RETREAT

After digesting the previous week's supply, U.S. Treasury yields resumed their downward trend this week, with the 10-year falling 7 basis points to 0.64%. The weaker-than-expected jobless claims data, dovish Fed minutes, and lack of an agreement on the next round of fiscal stimulus helped Treasuries recover some of the previous week's losses. Remember, bond prices move inversely with interest rates.

STIMULUS TALKS REMAIN GRIDLOCKED

Congress remains divided on what should be included in the next stimulus package. There are indications that House Democrats may be willing to scale back their $3.5 trillion spending proposal, which included $ 1 trillion in aid to state and local governments, in order to reach an agreement with the Senate Republicans. Unfortunately, the Senate Republicans are also looking to pare down their initial $1 trillion aid proposal. Given the lack of consensus within each party, the new round of fiscal relief is likely to remain in limbo for the time being.

JOBLESS CLAIMS RISE ABOVE 1 MILLION

Initial unemployment claims rose to 1.1 million last week, slightly higher than the market expected after the previous week's decline. This is a red flag that employers are still eliminating jobs, despite businesses reopening and some sectors, like housing, showing signs of improvement. The disappointing news was tempered by a decrease in continuing jobless claims, or the total number of Americans receiving unemployment benefits, which declined to 14.8 million last week.

THE FED REMAINS CONCERNED ABOUT THE ECONOMIC RECOVERY

The Federal Reserve's July policy meeting minutes struck a somber tone this past week, highlighting their concern about the downside risks to the economy, due to the ongoing coronavirus pandemic. The market was also disappointed that Fed officials did not provide any clues on a potential shift in their policy framework, or more specifically, whether officials would allow inflation to rise above their 2.0% target, which is widely expected to be announced in one of their upcoming meetings.

THE HOUSING MARKET IS BOOMING

Record low interest rates and strong demand from home buyers has lifted the housing market back to pre-pandemic levels. Reports last week showed that building permits and housing starts surged in July. While this is somewhat unusual, given the labor market woes and continued economic uncertainty, the coronavirus is causing city dwellers to move to the suburbs. This trend has led housing to become one of the bright spots in the recovery, as working from home and social distancing have become the norm.

THE RACE FOR THE WHITE HOUSE IS ON

The race for the White House is kicking into full gear, with just over 10 weeks to go before the next election. While stock prices have marched higher, investors seem oblivious to the fact that the months leading up to an election tend to be a time of rising uncertainty. This year brings an unusually large set of potential risks that could spook the market, from possible new coronavirus disruptions and the strong likelihood of a contested election result, to the prospect of higher taxes or even inflation.

Should you have additional questions, please contact your Cammack Retirement Group consultant or info@cammackretirement.com. Note that this article was published on August 24, 2020. Data represented is as of the publication date. The information contained herein has been obtained from sources that are believed to be reliable. However, Cammack Retirement Group does not independently verify the accuracy of this information.

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