This Week's Market Moves

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U.S. stocks suffered their biggest rout since March, with the S&P 500 Index declining 5.6%, the Dow Jones off 6.5% and the NASDAQ down 5.5% this past week. Concerns about growth resurfaced as coronavirus cases surged across the U.S. and Europe, and the timing of another stimulus package remained uncertain. Here are some other insights on the markets and economy from this past week:

STOCKS TUMBLE

Stock prices faced renewed selling pressure last week, as concerns about rising coronavirus infections and tougher restrictions stoked fears of another growth downturn. The S&P 500 Index suffered its worst weekly decline since March, closing down 5.6%. All 11 sectors of the S&P 500 Index closed lower, with the weakest sectors being information technology and industrials.

TECH STOCKS HEAD LOWER

America's largest tech companies have thrived throughout the pandemic, delivering strong earnings in the 3rd quarter. Despite better-than-expected results, the stock prices of many of the tech and internet leaders declined this past week. Investors were more concerned about big-tech's cautious guidance, particularly with such lofty valuations and their high concentration in the equity indices.

CREDIT SPREADS MARGINALLY WIDER

High-yield credit spreads marginally widened, as equity market weakness continued. The correlation between credit spreads and stocks is extremely tight, meaning that when stock prices begin to slide, corporate bond spreads typically widen. While spreads have moved off the lower end of their recent range, the lack of significant stress in the corporate bond markets right now is notable. This is because credit spreads typically act as a leading indicator for risk assets.

VOLATILITY SPIKES

Fear is creeping back into the market, as a new wave of infections spread across the U.S. and Europe. With many European leaders reimposing new lockdowns, concerns about another downturn in the global economy resurfaced. The VIX Index, the most widely watched gauge of investor anxiety, jumped to its highest level since June, as equity markets remained under pressure.

U.S. GROWTH REBOUND

U.S. growth surged at the fastest rate on record, rising at a 33.1% annualized rate in the 3rd quarter. While the strong advance was expected following the record plunge in the 2nd quarter, economic activity remains well below its pre-pandemic levels. With the virus spread still not contained, permanent job losses rising, and government stimulus further delayed, a full recovery is likely to take a while.

JOBLESS CLAIMS FALL

Initial claims for jobless benefits fell to 751,000, which is more than expected, suggesting that the labor market continues to gradually improve. However, an additional 359,000 people applied for Pandemic Unemployment Assistance. Continuing claims, which report those Americans currently receiving benefits, continued to inch lower to 7.76 million.

OIL PRICES PLUNGE AGAIN

Oil prices fell by more than 10% this past week, as fears of a new wave of the coronavirus soured market sentiment. Oil prices are now at $35.70 per barrel, the lowest level since early June. Investors are becoming increasingly concerned that the return of lockdowns in Europe will derail the global economic recovery and sap fuel demand again. A bigger-than-expected jump in crude oil stockpiles also weighed on prices.

ELECTION DAY INCHES CLOSER

Election day is right around the corner. This election is shaping up to be the most highly contested race since George Bush defeated Al Gore in 2000. The ongoing legal challenges relating to mail-in ballots suggest that we may not know the real outcome until well after Election Day. If, by some chance, the electoral count is close, it could come down to a handful of swing states to decide the winner. If this happens, it could set the stage for another Supreme Court challenge.

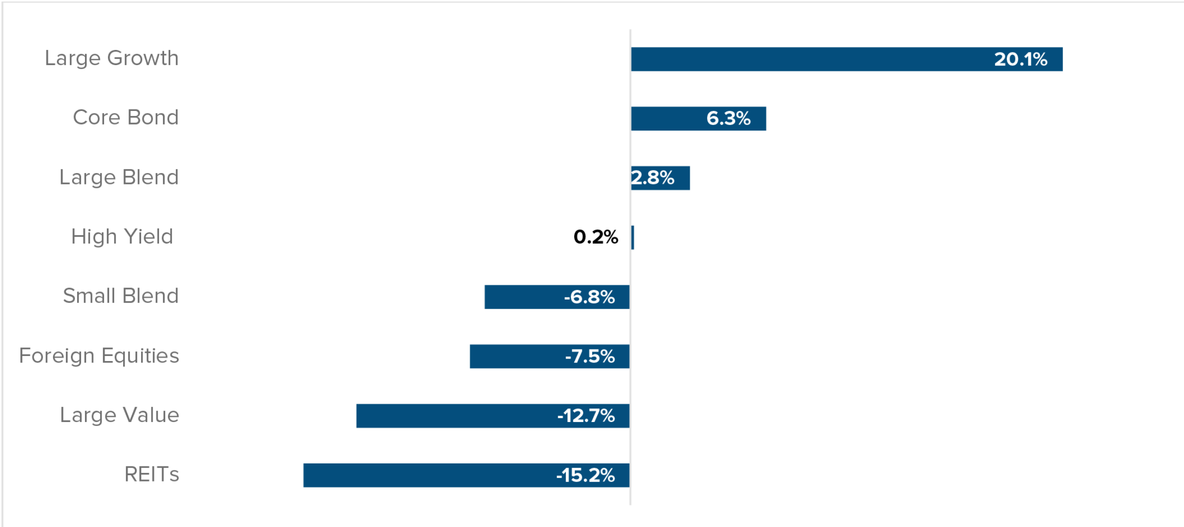
WHAT WILL THE FEDERAL RESERVE DO NEXT?

The Federal Open Market Committee is scheduled for a two-day meeting on November 4th and 5th. Until this week's bout of market volatility, it was believed they would take no further action for the time being. Rising coronavirus cases and the specter of additional shutdowns may spur them to action. While 3rd quarter GDP was record-breaking, there may be calls for accelerated asset purchases if shutdowns become imminent. Another measure they have already taken is to decrease the minimum amount for a small business loan to $100,000 from $250,000.

STRONG CONSUMER SPENDING

Personal consumption expenditures, a measure of household spending on goods and services, rose 1.4% in September. U.S. consumers boosted spending for a fifth straight month, helping the economy further dig out from the deep hole created by the pandemic. Consumers continued to spend more on goods rather than on services, with continued spending on items such on autos, clothing, and footwear.

TOTAL RETURNS BY ASSET CLASS YTD AS OF OCTOBER 30, 2020



Indices: Core Bond: Bloomberg Barclays U.S. Aggregate Index, High Yield: ICE BofA US High Yield, Large Value: Russell 1000 Value Index, Large Blend: S&P 500 Index, Large Growth: Russell 1000 Growth, Emerging Markets, MSCI EM NR USD, Foreign Equities: MSCI ACWI Ex USA NR USD, REITs: FTSE NAREIT All Equity, Small Blend: Russell 2000

Should you have additional questions, please contact your Cammack Retirement Group consultant or info@cammack retirement.com. Note that this article was published on November 2, 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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