Weekly Market Matters

Retail Sales Drive Stock Markets Higher as the Fed Promises to Buy More Corporate Bonds and Oil Jumps 10%

- The U.S. stock markets did not erase last week's losses, but did turn in some very healthy positive numbers for investors
- NASDAQ led the way with a gain of 3.7%, followed by the smaller-cap Russell 2000's gain of 2.2%, the 1.9% return for the S&P 500 and the 1.0% move for the DJIA
- Most of the 11 S&P 500 sectors ended the week in positive territory, as only 3 were negative with the Utilities sector losing 2.4% and the Energy and Real Estate sectors each losing less than 1%
- Health Care led the other 8 sectors with a 3.1% return on the week, followed by Information Technology (up 2.8%) and Consumer Staples (up 2.4%)
- The markets started the week lower, but on Tuesday the Commerce Department delivered a jolt of great news when it was announced that Retail Sales leapt 17.7% in May, far exceeding expectations
- Initial jobless claims for the week remained uncomfortably high at 1.5 million
- WTI crude futures jumped 10% on the week and ended just shy of $40/barrel
- The 2-year Treasury yield increased to 0.19% and the 10-year yield ended the week where it started
- The U.S. Dollar Index gained 0.4%

Weekly Market Update – June 19, 2020

	Close	Week	YTD
DJIA	25,751	1.0%	-9.3%
S&P 500	3,098	1.9%	-4.1%
NASDAQ	9,946	3.7%	10.8%
Russell 2000	1,419	2.2%	-15.0%
MSCI EAFE	1,804	2.0%	-11.5%
Bond Index*	2,356.48	0.19%	5.91%
10-Year Treasury	0.70%	0.0%	-1.2%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

Retail Sales Push Markets Higher

Stock markets reversed course from last week and pushed toward higher ground, mostly on the heels of far better-than-expected economic data, especially data that showed retail sales jumped significantly higher than anyone anticipated.

The markets also reacted well to news that the White House is working on a new infrastructure plan that could be worth as much as $1 trillion and the Fed's promise that it would buy more corporate bonds.

In addition, while initial jobless claims came in at a very uncomfortable 1.5 million, a silver lining was that it did represent 11 straight weeks of improvement.

The markets were somewhat tempered by news reports of increases in new COVID-19 cases, especially in Florida, Arizona and California. Further, news that Apple will be temporarily closing some stores again caused worries of another temporary shutdown that was a dark cloud hanging over markets for most of the week.

Retail Sales Stun the "Experts"

On Tuesday, the U.S. Commerce Department reported that U.S. retail sales surged a whopping 17.7% in May, as consumers returned to shopping and spending. Wall Street was especially cheerful knowing that consumer spending accounts for close to 70% of GDP.

The data from the Commerce Department was stunning since economists surveyed by Bloomberg only expected about an 8% increase and actual numbers were double expectations.

Layer on the fact that May employment numbers revealed that we added 2.5 million jobs – versus a consensus expected loss of jobs of 9 million – it's no wonder that healthy debate exists as to whether an economic recovery will be V-shaped or U-shaped later this year.

Here is what the Commerce Department released:

- Advance estimates of U.S. retail and food services sales for May 2020 increased 17.7% from the previous month, but are 6.1% below May 2019
- Retail trade sales were up 16.8% from April 2020, but 1.4% below last year
- Non-store retailers were up 30.8% from May 2019, while building material and garden equipment and supplies dealers were up 16.4% from last year

While the 17.7% jump received all the headlines – and rightly so since it was the biggest retail sales gain since 1992 – consider this additional data further buried in the Commerce Department's release:

- Clothing and clothing-accessories stores jumped 188%;
- Furniture and home-furnishing sales jumped 90%;
- Stores focused on sporting goods, hobbies, musical instruments and books jumped 88%;
- Electronics and appliance stores jumped 51%;
- Motor vehicle sales jumped 44%; and
- Restaurant sales jumped 29%.

More Positive Data

- The Philadelphia Fed Index for June turned positive and it went against consensus expectations as consensus predictions pegged the index at -25.0 and it came in at +27.5
- The Conference Board's Leading Economic Index for May increased for the first time since January
- The NAHB Housing Market Index for June increased to 58 from 37 in May

Overseas Markets

- The STOXX Europe 600 Index ended the week 3.3% higher
- Germany's Xetra DAX Index climbed 3.5%
- France's CAC 40 Index added 3.2%
- Italy's FTSE MIB Index advanced 4.0%
- The UK's FTSE 100 Index rose 2.9%
- Japan's Nikkei 225 Stock Average moved up 0.8%
- China's CSI 300 Index gained 2.4%

Sources commerce.gov; philadelphiafed.org; conference-board.org; nahb.org; dol.gov; census.gov; federalreserve.gov; standardandpoors.com; nyse.com; msci.com; nasdaq.com; dowjones.com; morningstar.com; bloomberg.com