

Weekly Market Matters

Small Caps Skyrocket as Major U.S. Markets Claw Back to Early-March Levels Despite a Ton of Negative Housing Data

- Despite a lot of negative economic news all week, especially within the housing sector, all of the major U.S. stock markets jumped forward, led by the small-caps
- The smaller-cap Russell 2000 Index skyrocketed 7.8%, followed by NASDAQ's gain of 3.4%, the DJIA's move of 3.3% and the S&P 500's gain of 3.2%
- The week started out on a very positive note after it was reported that a COVID-19 vaccine candidate yielded positive Phase 1 clinical results
- Almost all of the 11 S&P 500 sectors were positive on the week and 9 of the 11 were up by more than 3%, led by Industrials (up 7.2%) and Energy (up 6.1%)
- The Health Care sector was the lone sector painted red, as it declined 0.8%
- The housing market was hammered all week, as housing starts, building permits, existing home sales and construction jobs all cratered
- Jobless claims decreased from the week before, but the total from the past 9 weeks stands at over 38 million
- Tensions between the U.S. and China spiked as President Trump ratcheted up his criticism of China's coronavirus actions, its trade practices and human rights violations
- Oil prices continued their march upwards, rising over 13% on the week, which is on the heels of last week's 18% gain, pushing the price north of \$33/barrel

Weekly Market Update – May 22, 2020

	Close	Week	YTD
DJIA	24,465	3.3%	-14.3%
S&P 500	2,955	3.2%	-8.5%
NASDAQ	9,325	3.4%	3.9%
Russell 2000	1,356	7.8%	-18.7%
MSCI EAFE	1,656	3.8%	-18.7%
Bond Index*	2,340.13	0.30%	5.17%
10-Year Treasury	0.66%	0.2%	-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

Markets Leap Forward Despite Being Awash in Negative News

U.S. stocks jumped sharply on the week, as investors were encouraged with all 50 states relaxing stay-at-home-orders and hope for a recovery permeated Wall Street's mood.

The small-cap Russell 2000 led the way with a gain of 7.8% on the week, followed by the more than 3% gains for the DJIA, S&P 500 and NASDAQ. All of the 3 larger-cap indices were within whispers of their early March highs.

The week's advances highlighted the differences in YTD numbers between NASDAQ and the DJIA, as NASDAQ is comfortably in positive territory (up 3.9% YTD) whereas the DJIA is off 14.3% YTD. But the fact that

NASDAQ is comfortably positive for the year and that the S&P 500 is within shouting distance of that wholly-psychological 3,000-point barrier was welcome news for investors heading into the Memorial Day weekend.

Jobless Claims Hit Staggering 38 million

Initial claims for the week ending May 16th decreased by 249,000 to 2.4 million, bringing the 9-week total to 38.6 million. Continuing claims for the week ending May 9th increased by 2.5 million to over 25 million, which is an all-time high.

From the Department of Labor directly:

- The highest insured unemployment rates in the week ending May 2 were in Nevada (23.5), Michigan (22.6), Washington (22.1), Rhode Island (19.9), New York (19.6), Connecticut (19.3), Puerto Rico (19.2), Mississippi (18.8), Vermont (18.8), and Georgia (18.5).
- The largest increases in initial claims for the week ending May 9 were in Florida (+48,222), Georgia (+14,420), Washington (+8,615), New York (+4,309), and South Dakota (+1,340), while the largest decreases were in California (-103,590), Texas (-102,382), Oklahoma (-54,806), North Carolina (-28,602), and Missouri (-21,382).

Housing is Hurting

The Housing market received a lot of new data this week and most of it showed that COVID-19 has hammered the housing sector.

On Tuesday, it was reported that:

- Privately-owned housing starts in April were 30.2% below the March rate and 29.7% below the April 2019 rate
- Single-family housing starts in April were 25.4% below the revised March rate

- Privately-owned housing units authorized by building permits in April were 20.8% below the March rate
- Privately-owned housing completions in April were 8.1% below the March rate

On Wednesday, the National Association of Home Builders released data that showed:

- Builders' confidence for newly-built single-family homes increased seven points to 37 in May (50 is considered breakeven). This increase in builder confidence follows the largest single monthly decline in the history of the index recorded last month.
- The builders' confidence index measuring current sales conditions increased
- The builders' confidence index measuring prospective traffic of home buyers increased

While home builders might be optimistic, on the same day the Bureau of Labor Statistics reported that there were 618,000 layoffs in the construction sector in March – triple the amount for the month before.

On Thursday it was reported that existing home sales cratered by 17.8% month-over-month in April – the lowest level of home sales since July 2010.

More Negative Data

- The Conference Board's Leading Economic Index decreased 4.4% month-over-month in April following a record 7.4% decline in March
- The Philadelphia Fed Index for May increased to -43.1 from the -56.6 reading in April

Very Sad News from Nursing Homes

Nursing homes and long-term care facilities have always been required to report all COVID-19 cases to state and local public health officials. But until recently, they were not required to share such information with federal health officials or make the information public. Starting May 17th, every nursing home in the U.S. will be required to inform its residents and their families within 12 hours of a confirmed COVID-19 case. Further, they must provide current and past COVID-19 information to the Centers for Disease Control and Prevention and also make the information public.

But before this new requirement was implemented by the Centers for Medicare and Medicaid Services, there were some unsettling news reports outlining the devastation caused by the coronavirus in nursing homes in the U.S.:

- The New York Times reported that one-third of all U.S. coronavirus deaths were nursing home residents or workers. Many are suggesting that this number is too low and it's closer to 50%
- The Connecticut Mirror reported that "nursing home deaths account for more than half of all COVID-19 fatalities in Connecticut"
- The Kansas City Star reported that 70% of Johnson County coronavirus deaths are in nursing homes
- The Star Tribune reported that Minnesota nursing homes accounted for 81% of COVID-19 deaths and are continuing to take in infected patients

Sources:

[cdc.gov](https://www.cdc.gov); [philadelphiafed.org](https://www.philadelphiafed.org); [conference-board.org](https://www.conference-board.org); [nahb.org](https://www.nahb.org); [dol.gov](https://www.dol.gov); [federalreserve.gov](https://www.federalreserve.gov); [factset.com](https://www.factset.com); [standardandpoors.com](https://www.standardandpoors.com); [nyse.com](https://www.nyse.com); [msci.com](https://www.msci.com); [nasdaq.com](https://www.nasdaq.com); [dowjones.com](https://www.dowjones.com); [morningstar.com](https://www.morningstar.com); [fidelity.com](https://www.fidelity.com); [bloomberg.com](https://www.bloomberg.com)