# Weekly Market Matters

## U.S. Large-Cap Markets Head South as Oil Craters into Negative Territory and Washington Passes Another Stimulus Package

- Markets were mixed on the week, as the large-cap U.S. market indices snapped their two-week winning streak and ended lower while the smaller-caps ended higher
- Besides the ever-present COVID-19 concerns, the week was dominated by the negative price of oil, a busy corporate earnings week and stimulus 3.5 from the federal government
- The DJIA dropped 1.9% on the week, followed closely behind by the S&P 500's 1.3% loss, NASDAQ's small 0.2% decline and the smaller-cap Russell 2000's 0.3% gain
- On Monday, the price of a barrel of WTI crude to be delivered in May settled at -$37.60 per barrel, the first time in history that it has closed in negative territory
- As the week progressed, WTI crude futures rallied, with the June WTI contract ultimately ending the week north of $17/barrel
- Despite the extreme volatility in oil, the Energy sector was the only S&P 500 sector to see gains, as it jumped 1.7% on the week
- The Real Estate (-4.4%) and Utilities (-3.8%) sectors fared the worst on the week
- Weekly initial claims for the week ending April 18 decreased by 810,000 to 4.4 million

### Weekly Market Update – April 24, 2020

| | Close | Week | YTD |
|---|---|---|---|
| DJIA | 23,775 | -1.9% | -16.7% |
| S&P 500 | 2,837 | -1.3% | -12.2% |
| NASDAQ | 8,635 | -0.2% | -3.8% |
| Russell 2000 | 1,233 | 0.3% | -26.1% |
| MSCI EAFE | 1,589 | -2.0% | -22.01% |
| Bond Index* | 2,335.06 | 0.20% | 4.95% |
| 10-Year Treasury | 0.59% | -0.1% | -1.3% |

**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*

### U.S. Stocks Driven Lower by Negative Oil

In a departure from the past eight weeks, the changes in the major U.S. indices were surprisingly modest. The large-cap U.S. indices turned in negative numbers, led by the mega-cap DJIA's -1.9% return, whereas the more diversified, but still very-large-cap S&P 500 lost 1.3%. The technology-laden NASDAQ turned in a modest 0.3% decline and the smaller-cap Russell 2000 Index outdid its larger-cap counterparts and turned in a tiny gain of 0.2%.

Besides COVID-19, oil was the main topic of the week when the price of a barrel of WTI crude to be delivered in May settled at -$37.60 per barrel on Monday, the first time in history that it has closed in negative territory. That meant that buyers were getting paid to take and store each barrel of oil.

For perspective, the price of Brent crude, the global price benchmark for two-thirds of the world's crude oil supplies, started 2020 at $68/barrel. Since then, the price has crashed multiple times, including a 25% drop in early March, ending this week at just over $21/barrel. And while low oil prices can often be helpful for stock prices, investors are worried about declining sentiment just as much.

Shockingly, despite oil futures going negative this week, the trend reversed itself and pushed the Energy sector to end the week as the only S&P 500 sector painted green.

## Stimulus 3.5 and States Slowly Opening

Wall Street was hopeful that there would be another stimulus package and on Thursday, Congress overwhelmingly passed a $484 billion stimulus bill to replenish the money earmarked for small businesses and provide money for further testing. President Trump signed the bill on Friday.

In addition, there was guarded hope – and plenty of worry too – that the states' stay-at-home-orders would be gradually lifted. The state of Georgia is leading the way as it begins to open businesses on Friday and the announcement was met with trepidation and disagreement around the county, including when President Trump suggested that Georgia might be opening too early.

## A Busy Earnings Week

To date, about 24% of companies in the S&P 500 have reported actual results for the first quarter of 2020. According to research firm FactSet:

- In aggregate, companies are reporting earnings that are 5.1% below the estimates, which is also below the five-year average

- In aggregate, companies are reporting sales that are 0.5% above estimates, which is below the five-year average

## Existing Home Sales

On Tuesday, the National Association of Realtors reported that for the month of March, Existing Home Sales dropped 8.5% from February. But glass-half-full investors saw some positive nuggets from the NAR too, including that:

- The median existing-home price for all housing types in March was $280,600, up 8.0% from March 2019 ($259,700)

- March's national price increase marks 97 straight months of year-over-year gains

- Properties remained on the market for an average of 29 days in March, seasonally down from 36 days in February, and down from 36 days in March 2019

## Jobless Data on the Decline?

On Thursday, the U.S. Labor Department reported that another 4.4 million filed jobless claims by the end of the previous week, pushing the five-week total to an astonishing 26 million.

From the Department of Labor's Release:

- In the week ending April 18, the advance figure for seasonally adjusted initial claims was 4,427,000, a decrease of 810,000 from the previous week's revised level

- The advance seasonally adjusted insured unemployment rate was 11.0 percent for the week ending April 11, an increase of 2.8 percentage points from the previous week's unrevised rate

While this "marks the highest level of the seasonally adjusted insured unemployment rate in the history of the seasonally adjusted series," some remain hopeful that the trend is slowing, as this marks the third consecutive week of declines.

Sources:
*dol.gov; nar.realtor; factset.com; standardandpoors.com; nyse.com; msci.com; nasdaq.com; dowjones.com; morningstar.com; fidelity.com; bloomberg.com*