Weekly Market Matters

U.S. Markets Jump for Third Week in a Row as the U.S. Economy Stunningly Adds 2.5 Million Jobs in the Month of May

- U.S. stock markets roared forward after a widely unexpected May Employment Situation Report suggested the worst might be behind us and the recovery might be faster than expected
- The small-cap Russell 2000 leapt a remarkable 8.1%, but the 6.8% gain for the mega-cap DJIA and the 4.9% gain for the large-cap S&P 500 was just as impressive
- While NASDAQ's 3.4% gain was far less compared to the other major markets, it did reach a new intraday high
- The May Employment Situation Report surprised virtually all experts with non-farm payrolls increasing by over 2.5 million and dropping the unemployment rate to 13.3%
- All 11 of the S&P 500 sectors ended the week with gains, with the Energy sector skyrocketing over 15%; Financials over 12% and Industrials over 10%
- Energy stocks were driven by the price of oil's continued march forward, as it ended the week just shy of $40/barrel, up almost 12% on the week
- A few stocks hammered by COVID-19 made staggering jumps this week – American Airlines was up a whopping 77% and Boeing moved up over 40%
- U.S. Treasury yields moved higher, with the 10-year jumping to 0.89% and the 2-year moving to 0.21%

Weekly Market Update – June 05, 2020

	Close	Week	YTD
DJIA	27,111	6.8%	-5.0%
S&P 500	3,194	4.9%	-1.1%
NASDAQ	9,814	3.4%	9.4%
Russell 2000	1,507	8.1%	-9.6%
MSCI EAFE	1,847	7.0%	-9.35%
Bond Index*	2,336.45	-0.44%	5.01%
10-Year Treasury	0.89%	-0.2%	-1.0%

**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 Jump for Third Week in a Row

The stock market has not ignored the truly terrible economic data that it has received since mid-March – it just seems like that given the positive returns of the past few weeks. And while the COVID-19-bear that dethroned the 11-year bull took over Wall Street with historically lightning-fast speed, looking at market performance of the last few weeks and overall for the year, it's clear that the markets were not derailed completely.

This week, as was the case for the last couple of weeks, suggests that the markets (meaning investors) believe things are only going to get better. That sums up the mood on Wall Street pretty well.

For the third week in a row, stocks climbed higher – much higher. This week saw oil prices jump, Treasury yields rise to an 11-week high and the U.S. economy add 2.5 million jobs in May. Yes, the unemployment rate is still over 13%, but the trend line of the last few weeks has been very encouraging, suggesting that jobs are coming back and a recovery is happening faster than anticipated.

The markets shattered a few purely phycological thresholds too, as the DJIA surpassed 27,000, the S&P 500 leapt by the 3,000-point level and NASDAQ is within a whisper of 10,000.

Solid May Returns

Monday brought the start of a new month and the first week was terrific, but let's also celebrate that global equity markets continued their rebound in the month of May too. For the month of May:

- The DJIA, S&P 500, NASDAQ and Russell 2000 all recorded sizeable gains, on the heels of even bigger monthly gains in April
- The smaller-cap Russell 2000 Index was the best performer for the month of May, jumping 11.1%
- NASDAQ was next with a remarkable 9.1% jump in May
- The DJIA and S&P 500 returned 6.2% and 6.5%, respectively, in May

Jobs, Jobs, Jobs

First the bad news that everyone knows: over the last three months, the U.S. economy lost almost 20 million jobs, the largest three-month decline ever. And while many were hopeful for May numbers to show improvement, the fact that non-farm payrolls added 2.5 million jobs took almost everyone by surprise. Let's say the numbers did surprise everyone because consensus expectations were for May's numbers to show a loss of about 9 million jobs. That's a big surprise.

Directly from Friday's release from the U.S. Bureau of Labor Statistics:

"In May, employment rose sharply in leisure and hospitality, construction, education and health services, and retail trade. By contrast, employment in government continued to decline sharply."

In addition to the 2.5 million jobs, we saw that labor participation increased and the number of hours worked increased, but the average hourly earnings for all employees on private nonfarm payrolls dropped by 29 cents.

Construction Spending

On Monday, the U.S. Census Bureau released construction spending data and reported that:

- Private construction spending was down 3% from March
- Residential construction spending was down 4.5% from March
- Nonresidential construction spending was down 1.3% from March
- Public construction spending was down 2.5% from March

Despite those negative monthly numbers, during the first four months of 2020, construction spending was up 7.1% versus the same period in 2019.

Further, from Friday's release from the U.S. Bureau of Labor Statistics:

"Construction employment increased by 464,000 in May, gaining back almost half of April's decline (-995,000). Much of the gain occurred in specialty trade contractors (+325,000), with growth about equally split between the residential and nonresidential components. Job gains also occurred in construction of buildings (+105,000), largely in residential building."

Sources:
bls.gov; census.gov; federalreserve.gov; factset.com; standardandpoors.com; nyse.com; msci.com; nasdaq.com; dowjones.com; morningstar.com; fidelity.com; bloomberg.com