

JULY 31, 2020 REVIEW

MONTHLY MARKET COMMENTARY

- » Largest Quarterly GDP Drop Ever
- » Jobless Claims Remain High
- » U.S. Debt Skyrockets

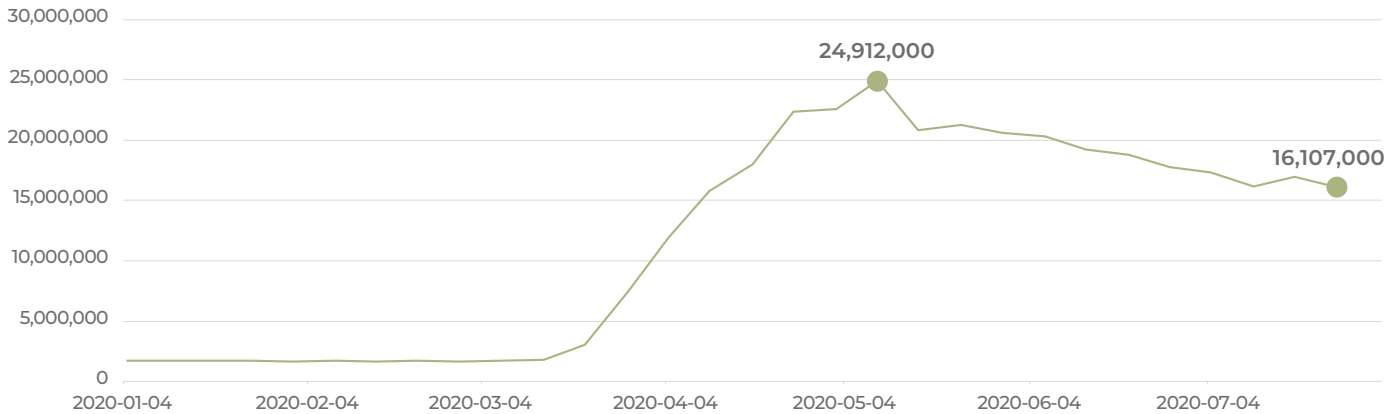
The S&P 500 Index and most sectors of the market produced positive returns for the month of July. This performance shifted the S&P 500 Index's year-to-date return from negative to positive territory. As the market continues to climb higher, the COVID-19 pandemic remains the leading concern for investors. Pharmaceutical companies continue to work with the U.S. government in securing locations, raw materials, and equipment around the country, so the entire industry can begin mass production of a COVID-19 vaccine as soon as one is discovered.

The economic impact of the pandemic continues to set records, but the most notable of these reported was that U.S. GDP fell during the second quarter -32.9%, making it the worst quarterly drop ever recorded in U.S. history. While many still remember the pain inflicted during the fourth quarter of 2008, that period experienced a drop of just -8.4%. According to the National Bureau of Economic Research, the second worst drop ever occurred when GDP fell -28.6% in the second quarter of 1921.

The July nonfarm payrolls report showed that the U.S. added more than 1.76 million jobs. This brought the U.S. unemployment rate from 11.1% in June to 10.2% in July.

Initial jobless claims continue to make headlines by exceeding one million filings each week, for the 20th consecutive week. While the trend continues to decline, this level remains roughly five-times its historical average. Continued jobless claims is another weekly indicator that shows a more comprehensive representation of joblessness. This metric provides a cumulative total of workers that remain unemployed each week but are still searching for employment since filing their initial claim for benefits. As of the end of July, more than 16 million people remain on unemployment benefits.

CONTINUED JOBLESS CLAIMS



SOURCE: FRED

While the U.S. economic picture continues to slowly improve, the market is looking for additional governmental assistance to help expediate this recovery. Currently, Congress is nearing the final stages for what appears to be another round of stimulus. This bill could look very similar to the CARES Act that was passed earlier this year. On the other hand, discussion of another stimulus bill is causing some investors to worry about the increase in government spending. This spike in spending continues to contribute to a weakening U.S. dollar and stronger gold prices. In 2016, U.S. debt was just over \$19 trillion. Currently, the U.S. debt level is approaching \$27 trillion, which equates to a liability of more than \$80,000 for every citizen in the country.

There are some positive signs that a modest recovery is underway. WTI oil is now trading above \$40, which has not occurred since the beginning of March. Also, the ISM Manufacturing PMI Index is trending higher after showing a slight contraction at 49.8 in June, to an expansionary result of 50.9 at the end of July. The ISM Non-manufacturing Index also increased from June to July with readings of 57.1 and 58.1, respectively.



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