

June 29, 2020

Weekly Viewpoint

Markets Take a Breather Following an Uptick in COVID Cases

Performance for Week Ending 6.26.2020

The Dow Jones Industrial Average (Dow) lost 3.31%, the Wilshire 5000 Total Market IndexSM fell 2.94%, the Standard & Poor's 500 Index (S&P 500) dipped 2.86% and the Nasdaq Composite Index (NASDAQ) shed 1.90%. Sector breadth was negative with all 11 of the S&P sector groups finishing lower. The Energy sector (-6.45%) paced the losses followed by Financials (-5.25%) and Communication Services (-5.22%).

Index*	Closing Price 6/26/2020	Percentage Change for Week Ending 6/26/2020	Year-to-Date Percentage Change Through 6/26/2020
Dow	25015.55	-3.31%	-12.34%
Wilshire 5000	30683.80	-2.94%	-6.70%
S&P 500	3009.05	-2.86%	-6.68%
Nasdaq	9757.22	-1.90%	+8.74%

Market Observations: 6/22/20–6/26/20

The major market indices finished the week lower as an uptick in new COVID cases led some states and businesses to suspending reopening plans, which in turn, dampened hopes of a rapid economic recovery. Data on Thursday showed the number U.S. coronavirus cases rose by just under 40,000, the largest on record, led by a surge in infections in various southern states as well as California and Arizona. In Texas, Governor Greg Abbott suspended the state's re-opening plans while in Florida, tech giant Apple Inc. said it was closing at least 14 of its retail stores in the state as cases and hospitalizations continue to rise. The banking sector also came under pressure late in the week after the Federal Reserve told the largest U.S. banks they will have their dividends capped and they can't resume buybacks through at least the third quarter because of economic uncertainties caused by the covid-19 pandemic. On a positive note, Dr. Anthony Fauci expressed optimism that a vaccine will be created by year-end or early 2021.

Economic Rebound Continues? While the flare up in new COVID cases took center stage last week, the

latest batch of economic data showed the economy continues to recover while providing further evidence that the recession that started in February may have already ended. Durable goods orders rebounded 15.8% in May, the largest gain since July 2014, and well above the consensus forecast for a 9.8% increase. Transportation orders surged 80.7% while nondefense capital goods orders ex-aircraft, a proxy for capex, rebounded 2.3%, the most since March 2019. Elsewhere, the Markit Purchasing Managers Indexes (PMI) showed solid improvement in June as businesses continued to reopen following the COVID-induced lockdowns. The manufacturing PMI jumped 9.8 points to 49.6, just modestly below its breakeven-level of 50.0. Services, which were more acutely impacted by the pandemic, contracted at a much slower pace, as the sector's business activity index surged 9.2 points to 46.7, a four-month high. Meanwhile, the Richmond Fed Manufacturing Activity Index surged a record 27 points in June to a neutral reading of 0, the highest level since March. Lastly, new homes sales during the month of May jumped 16.6%, the most in nearly a year and the second-largest gain since 1992.

The Week Ahead: The focal points for the holiday shortened week will be Tuesday's testimony by Fed Chairman Powell to the House Financial Services Committee and Thursday's monthly jobs report. According to Bloomberg, economists are forecasting that nonfarm payrolls during June increased by 3 million while the unemployment rate fell to 12.4% from 13.3%. Other economic reports of interest include; the April Case-Shiller home price index, the Conference Board's June consumer confidence survey, the June ADP employment report, the Institute for Supply Management's (ISM) June manufacturing survey, June motor vehicle sales, and May construction spending. Also the release of the meeting minutes from the recent Federal Open Market Committee's (FOMC) meeting will be released on Wednesday.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Wilshire 5000 Total Market IndexSM represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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