

April 13, 2020

# Weekly Viewpoint

## Are Markets Beginning to Look Forward?

### Performance for Week Ending 4.10.2020

The Dow Jones Industrial Average (Dow) added 12.67%, the Wilshire 5000 Total Market Index<sup>SM</sup> (Wilshire 5000<sup>SM</sup>) gained 12.74%, the Standard & Poor's 500 Index (S&P 500) finished up 12.10% and the Nasdaq Composite Index (NASDAQ) tacked on 10.59%. Sector breadth was positive with all 11 of the S&P sector groups finishing higher. The Real Estate (+21.22%) sector was the best performer followed by Materials (+20.66%) and Financials (+19.12%).

Index*	Closing Price 4/10/2020	Percentage Change for Week Ending 4/10/2020	Year-to-Date Percentage Change Through 4/10/2020
<b>Dow</b>	23719.37	+12.67%	-16.89%
<b>Wilshire 5000</b>	27938.93	+12.74%	-15.04%
<b>S&amp;P 500</b>	2789.82	+12.10%	-13.65%
<b>Nasdaq</b>	8153.58	+10.59%	-9.13%

### Market Observations: 4/6/20–4/10/20

The major market indices finished the week sharply higher on indications that the spread of the coronavirus pandemic was slowing in some hot spots around the world. In New York, Gov. Andrew Cuomo projected that the state has reached a plateau of daily hospitalizations. Globally, countries including Spain and Iran have also seen the daily toll of new infections and deaths flatten. A newly announced stimulus package from the Federal Reserve added to the positive tone. Last Thursday, the central bank said they will begin providing as much as \$2.3 trillion in additional aid, including programs aimed at small and mid-sized businesses as well as state and local governments.

Investors shrugged off a report from the Labor Department showing initial jobless claims in the week ended April 4 surged by 6.6 million, well ahead of the forecasted gain of 5.5 million. Over the past three weeks, jobless claims have skyrocketed by almost 16.8 million as non-essential businesses across the country have

been forced to close. The massive number of layoffs will show up in the April payroll data with economist's expecting the unemployment rate to surge into the low-to-mid teens from the current 4.4% rate.

**Don't Fight the Fed:** While money won't cure the coronavirus, the Federal Reserve's massive stimulus efforts should continue to help cushion the financial markets. The Fed has lowered interest rates to near zero, they have committed to essentially an open-ended quantitative easing program and they have revisited their playbook from the Great Financial Crisis by reintroducing a dizzying alphabet soup of programs to support businesses of all types and sizes. The message the Fed seems to be delivering is that they will do whatever it takes to minimize the economic shock from the coronavirus.

**Markets Look Forward:** After finding a bottom on March 23, the S&P 500 has rallied by over 24% off the lows. Does this mean that the worst is behind us and the bottom is in? Maybe, but maybe not. While we will only know through the benefit of hindsight whether the lows made on March 23 will mark the ultimate bottom, I do think the take away from the recent gains is that the market is beginning to look beyond today and beginning to discount what the environment may look like 6-12 months into the future. While it's a foregone conclusion that economic growth in the second quarter will show a very deep contraction and the unemployment rate will soar, markets often bottom several months before the economic data begins to turn the corner. For investors who have a longer time horizon, the return profile looks asymmetrical, with upside potential over the next 12-18 months more robust than downside risk during the same time frame.

**The Week Ahead:** The data releases in the coming week will begin to reflect more fully the economic devastation from the onset of Covid-19 and the associated containment measures. Thursday's initial jobless claims report will remain the most-important metric to watch. Other data reports of interest include; March retail sales, March industrial production, the April Empire State Manufacturing Survey, the Federal Reserve's periodic Beige Book, and the Philly Fed April Business Outlook survey. First-quarter earnings season will kick off in earnest this week with just over 30 members of the S&P 500 index scheduled to report. While quarterly earnings reports will be watched closely, investors will be more interested in forward statements from company management on how the coronavirus pandemic is likely to impact their business over the course of the full year. The Fed speaking calendar will contain a couple "virtual" events on Tuesday and 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 Index<sup>SM</sup>** 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.

*This material contains opinions of the author, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.*

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Funds Distributors, LLC, GS GAMMA Advisors, LLC, Guggenheim Partners Europe Limited and Guggenheim Partners India Management. **Securities offered through Guggenheim Funds Distributors, LLC, an affiliate of Guggenheim, SI, GFIA and GPIM.**

© 2020 Guggenheim Investments. All rights reserved

#42821