

September 14, 2020

# Weekly Viewpoint

## What Goes Up ....

### Performance for Week Ending 9.11.2020

The Dow Jones Industrial Average (Dow) finished off 1.66%, the Wilshire 5000 Total Market Index<sup>SM</sup> (Wilshire 5000<sup>SM</sup>) fell 2.57%, the Standard & Poor's 500 Index (S&P 500) lost 2.51% and the Nasdaq Composite Index (NASDAQ) dipped 4.06%. Sector breadth was negative with 10 of the 11 S&P sector groups closing lower. The weakness was led by the Energy sector (-6.43%) followed by Technology (-4.35%) and Communication Services (-3.34%). The Materials sector was the sole winner on the week, gaining 0.82%.

Index*	Closing Price 9/11/2020	Percentage Change for Week Ending 9/11/2020	Year-to-Date Percentage Change Through 9/11/2020
<b>Dow</b>	27665.64	-1.66%	-3.06%
<b>Wilshire 5000</b>	34072.72	-2.57%	+3.61%
<b>S&amp;P 500</b>	3340.97	-2.51%	+3.41%
<b>Nasdaq</b>	10853.45	-4.06%	+20.96%

### Market Observations: 9/7/20–9/11/20

The major market indices finished lower for a second straight week as investors locked in gains on the high-flying technology sector. Technology stocks have been on a tear since the trough reached in late-March, with the S&P Technology sector gaining over 80% through the recent peak reach on September 2. Since the peak, the sector has retreated in 5 of the last six sessions for a cumulative decline of over 11%, leaving the sector officially in “correction” mode (defined by a decline of over 10%). Also weighing on the broader market last week was a setback on the vaccine front with UK-based AstraZeneca temporarily suspending a phase 3 trial due to patient complications. Meanwhile, Dr. Anthony Fauci said the latest data on the U.S. COVID-19 outbreak was “disturbing,” with a worrying level of new infections even as the number of daily new cases remains far lower than the peak.

**Market View:** Historically the month of September has been a seasonally weak time for the markets, and this year appears to be no exception. The S&P 500 has fallen 4.55% so far this month while the Nasdaq Composite is down by 7.83%, led by an 8.66% plunge in the Technology sector. As mentioned in recent weeks, following the strong run since the trough reached in late-March, the market appeared to be running on tired legs and a cooling off period seemed likely. While there may be some additional downside risk in the weeks ahead, we believe the market is experiencing a healthy pullback and this isn't likely to develop into a broader reversal of the market's uptrend. We remain upbeat on the economic recovery and earnings expectations are starting to be revised to the upside. The healthcare system seems to be better prepared for any new flare up in COVID cases and paradoxically, the market knows that the worst things get, the more likely the Federal Reserve and policymakers will inject additional stimulus into the economy. While nothing moves in a straight line, we continue to believe the return profile over the next 12 – 24 months should remain asymmetrical, with an upward bias.

**The Week Ahead:** The focal point of the coming week will be the two-day Federal Open Market Committee (FOMC) meeting on Tuesday and Wednesday. While no changes in policy are expected, investors will listen very closely for additional updates on the Fed's new flexible stance towards the level of inflation. Highlights of the data calendar include; the September Empire State manufacturing index, August industrial production, August retail sales, the September NAHB housing market index, August housing starts, the Philadelphia Fed manufacturing survey, and the University of Michigan consumer sentiment survey for September. Earnings reports will remain on the backburner for the next several weeks, although three members of the S&P 500 will release results during the week.

## 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.

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