

May 11, 2020

Weekly Viewpoint

Market Shrugs Off Weak Jobs Data

Performance for Week Ending 5.8.2020

The Dow Jones Industrial Average (Dow) gained 2.56%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) added 4.10%, the Standard & Poor's 500 Index (S&P 500) finished up 3.50% and the Nasdaq Composite Index (NASDAQ) tacked on 6.00%. Sector breadth was positive with all 11 of the S&P sector groups finishing higher. The Energy (+8.25%) paced the gains followed by Technology (+6.64%) and Consumer Discretionary (+4.43%).

Index*	Closing Price 5/8/2020	Percentage Change for Week Ending 5/8/2020	Year-to-Date Percentage Change Through 5/8/2020
Dow	24331.32	+2.56%	-14.74%
Wilshire 5000	29670.68	+4.10%	-9.78%
S&P 500	2929.80	+3.50%	-9.32%
Nasdaq	9121.32	+6.00%	+1.66%

Market Observations: 5/4/20–5/8/20

The major market indices finished the week solidly higher as investors looked past a batch of grim economic data and instead focused on news that some states are beginning to reopen their economies. Adding to the positive tone was an easing in trade tensions with China and building progress towards a covid-19 vaccine/treatment. Last week's gains pushed the tech-heavy Nasdaq Composite back into positive territory on a year-to-date basis.

Payrolls Plunge: On Friday, the Labor Department reported that nonfarm payrolls during the month of April plunged by 20.5 million while the unemployment rate jumped to 14.7% (from 4.4% in March). Putting this report into perspective: the U.S. economy has never lost more than 2 million jobs in a single month and the April unemployment rate now stands at the highest level since the Great Depression. While the news was shocking, it was also widely expected.

As mentioned in these pages in recent weeks, markets are forward looking mechanisms and generally discount 6 to 12 months into the future. In other words, they are less focused on the “here and now” and more on how things will look later this year/early 2021. When data reports are prefaced with the “worst ever” or the “worst since the Great Depression” the message being heard by the market seems to be that things can’t get much worse. It’s the rate of change that matters to Wall Street and the plunge in economic activity throughout the month of April suggests data in the coming months is likely to be “less bad.”

Renewed Trade Tension Ease: After falling off the front pages in recent months, trade tensions have recently reemerged. Last week, top trade negotiators from the U.S. and China held a conference call, their first since signing the Phase One trade agreement in January. According to media reports, both sides deemed the talks 'constructive,' even amid renewed pressure from the White House over Beijing's handling of the coronavirus pandemic. The two countries agreed that despite the current global health emergency, they fully expect to meet their obligations under the January agreement in a timely manner. The positive talks helped eased concerns that President Trump would, as he recently warned, 'terminate' the Phase One deal if he wasn't satisfied that China was purchasing the requisite level of U.S. made goods.

Pause to Refresh? While markets are forward-looking vehicles and often bottom several months ahead of the economy, bottoms also tend to be more of a process than a pivot. Following the huge snapback rally we’ve had off the March lows, a period of consolidation in the weeks ahead wouldn’t be surprising. In fact, a pullback in the market would be viewed as a ‘pause to refresh’ and not the start of a broader downturn. With that said, for investors who have a longer time horizon, the return profile still looks asymmetrical, favoring upside over downside. Looking out over the next 12 to 24 months, there will certainly be speed bumps and potholes along the way, but the path of least resistance is likely to be skewed higher.

The Week Ahead: First quarter earnings season will begin to wind down this week with only 19 members of the S&P 500 scheduled to release results. Reports of interest on the data calendar include; the April consumer price index (CPI), the April producer price index (PPI), weekly jobless claims, April retail sales, April industrial production and the University of Michigan’s May consumer sentiment survey. The Fed speaking calendar will pickup this week with seven Fed Heads scheduled to speak, including Fed Chairman Powell on Thursday morning.

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.

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: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Partners Europe Limited, GS GAMMA Advisors, LLC, and Guggenheim Partners India Management.

© 2020 Guggenheim Investments. All rights reserved

#43088