



In this month's recap: stocks rallied in May, sparked by a supportive Federal Reserve, stories of states re-opening, and reported progress on a COVID-19 vaccine.

Monthly Economic Update

Presented by Trilogy Wealth Advisors, June 2020

U.S. Markets

Stocks rallied in May, sparked by a supportive Federal Reserve, stories of states re-opening, and reported progress on a COVID-19 vaccine.

The Dow Jones Industrial Average rose 4.2%, while the Standard & Poor's 500 Index picked up 4.5%. The NASDAQ Composite led, gaining 6.7%.¹

Shift in Focus

April's positive momentum continued into May, as stocks registered healthy gains, and investors looked to future economic hopes rather than current woes.

Further aiding stocks was a better-than-expected jobs report and firming oil prices. Many investors breathed a sigh of relief on the news that U.S. and Chinese negotiators were planning to meet, despite the rising tensions between the two nations.

Fed's Commitment

Stocks rallied, as hopes for a COVID-19 vaccine rose, and the Federal Reserve restated its commitment to do whatever would be necessary to support an economic recovery.

Following Memorial Day weekend, stocks surged, once again, due to rising optimism over economic re-opening, reported declines in new COVID-19 cases, and further news surrounding the development of a potential vaccine.

Sector Scorecard

The majority of industry sectors moved higher in May, with increases in Communication Services (+11.54%), Consumer Discretionary (+7.79%), Energy (+7.63%), Financials (+4.23%), Health Care (+2.26%), Industrials (+5.93%), Materials (+6.33%), Real Estate (+2.29%), Technology (+9.69%), and Utilities (+0.14%). Consumer Staples experienced a small loss (-0.07%).²

What Investors May Be Talking About in June

In some sense, many investors believe a sustained and complete economic recovery may rest upon developing a vaccine for COVID-19.

Vaccine Watch

The World Health Organization reports that there are more than 100 vaccine candidates, with 10 currently participating in clinical trials.³

Over the next couple months, results from several of these trials may be released.^{4,5}

Depending on the results, the trials could provide the markets with a sense of optimism. If they prove disappointing, investors may dread the prospect of a prolonged economic recovery. Either way, many investors are cautiously monitoring the situation for further developments.

TIP OF THE MONTH



Updating your will is as important as having one. If you drafted a will years ago, it may likely need some adjustments. Revisit your will often and keep it up to date.

World Markets

World markets posted solid gains on economic recovery hopes, with the MSCI-EAFE Index rising 5.15%.⁶

European markets moved higher, with gains in France, Germany, and the Netherlands. The U.K. slipped 0.88%.⁷

Pacific Rim stocks were mixed, with advances in Australia (+5.37%) and Japan (+8.34%). Hong Kong dropped 6.83% due to China-related tensions. The volatile Merval Index, which tracks the largest companies based in Argentina, jumped 48.04%.⁸

Indicators

Gross Domestic Product: The economy shrunk at a 5.0% annual rate, higher than the initial estimate of 4.8%.⁹

Employment: The unemployment rate leaped to 14.7%, as nonfarm payrolls fell by 20.5 million. The unemployment rate was the highest seen since the Great Depression.¹⁰

Retail Sales: Retail sales plunged by 16.4%, with every sector lower except for non-store retailers, which are predominately Internet-based merchants.¹¹

Industrial Production: Industrial production fell 11.2%, the largest one-month drop in the index's 100-plus-year history.¹²

Housing: Housing starts declined 30.2% to their lowest level seen since 2015.¹³

Existing home sales tumbled 17.8% in April, which was the largest one-month drop since July 2010. The supply of homes declined 19.7%. Tightening inventories led to a new record high in the median home sales price (\$286,800).¹⁴

Sales of new homes rose 0.6%, a surprise increase amid a consensus forecast of a nearly 22% drop.¹⁵

Consumer Price Index: The price of consumer goods posted its largest monthly drop since 2008, falling 0.8% in April. Excluding the more volatile food and energy sectors, core inflation declined 0.4%, the largest monthly drop since 1957.¹⁶

Durable Goods Orders: Orders of long-lasting goods dropped 17.2%, with demand for transportation equipment falling an eye-catching 47.3%.¹⁷



“The older I get, the smarter my father seems to get.”

TIM RUSSERT

The Fed

Minutes from the last Federal Open Market Committee meeting reaffirmed a commitment to maintaining a zero interest rate policy until inflation reaches the Fed’s 2% target, and unemployment returns to its pre-COVID-19 level.

The Committee also focused on how they expect to use upcoming meetings to communicate about future policy decisions.

The minutes also reinforced recent comments that the Fed was not inclined to move toward negative rates.¹⁸

MARKET INDEX	Y-T-D CHANGE	May 2020
DJIA	-11.06%	4.26%
NASDAQ	5.76%	6.75%
S&P 500	-5.77%	4.53%

BOND YIELD	Y-T-D	May 2020
10 YR TREASURY	-1.27%	0.65%

Sources: Yahoo Finance, May 31, 2020

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.



Here's a food riddle. Someone strips away the outside of this food, leaving you free to boil, cook, or grill the inside. (So, what was the "inside" is now an uncovered outside.) You eat the new outside and throw away the inside of that. What food are you eating?

LAST MONTH'S RIDDLE: Its teeth are sharp, and its spine is straight. It is not innately vicious, it does not hunt, but to cut things up is definitely its fate. What is it?

ANSWER: A saw.

Trilogy Wealth Advisors may be reached at 419-636-4001 or 260-319-4969
www.trilogywa.com

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leading companies in leading industries of the U.S. economy. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The CBOE Volatility Index* (VIX*) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The Hang Seng Index is a benchmark index for the blue-chip stocks traded on the Hong Kong stock exchange. The KOSPI is an index of all stocks traded on the Korean Stock Exchange. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange. The SENSEX is a stock market index of 30 companies listed on Bombay Stock Exchange. The Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange. The Bovespa Index tracks 50 stocks traded on the Sao Paulo Stock, Mercantile & Futures Exchange. The IPC index measure of companies listed on the Mexican Stock Exchange. The Merval tracks the performance of large companies based in Argentina. The ASX 200 index is an index of stocks listed on the Australian Securities Exchange. The DAX is a market index consisting of the 30 German companies trading on the Frankfurt Stock Exchange. The CAC 40 is a benchmark for the 40 most significant companies on the French stock market index. The Dow Jones Russia Index measures the performance of leading Russian Global Depositary Receipts (GDRs) that trade on the London Stock Exchange. The FTSE 100 Index is an index of the 100 companies with the highest market capitalization listed on the London Stock Exchange. The U.S. Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

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