



*In this month's recap: Stocks prices surged in August as investors cheered positive news of a potential COVID-19 treatment and welcomed a month-long succession of upbeat economic data.*

# Monthly Economic Update

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*Presented by Trilogy Wealth Advisors, September 2020*

## U.S. Markets

Stock prices surged in August as investors cheered positive news of a potential COVID-19 treatment and welcomed a month-long succession of upbeat economic data.

The Dow Jones Industrial Average rose 7.57 percent, the Standard & Poor's 500 Index climbed 7.01 percent, and the Nasdaq Composite soared 9.59 percent.<sup>1</sup>

## Solid Foundation

The month's foundation was set by a series of strong economic reports, including an increase in manufacturing activity, better-than-anticipated factory orders, and a lessening of new jobless claims.<sup>2,3,4</sup>

## Notching Highs

The S&P 500 index finally broke through resistance, ending the third week of August at a record high and completing the fastest bear market recovery in history. The Nasdaq Composite, having set multiple record highs during the same week, also ended the month at a record high.<sup>5,6</sup>

## Strong Close to the Month

The final full week of trading was remarkable. Investors were encouraged by news of a potential COVID-19 treatment and a report suggesting U.S. and China negotiators had met to discuss trade issues. Stocks pushed higher still following announcement of the Fed's inflation policy shift, suggesting that interest rates may remain low for longer than expected.

## Sector Scorecard

The majority of industry sectors closed higher in August, with gains in Communication Services (+12.02 percent), Consumer Discretionary (+11.48 percent), Consumer Staples (+4.95 percent), Financials (+5.62 percent), Health Care (+2.11 percent), Industrials (+9.98 percent), Materials (+4.89 percent), Real Estate (+1.81 percent), and Technology (+16.62 percent). Energy (-1.27 percent) and Utilities (-2.28 percent) lost ground.<sup>7</sup>

## What Investors May Be Talking About in September

The election season is moving into high gear as November draws near. Will uncertainty about the elections be reflected in the stock market?

Since 1992, the S&P 500 has lost an average of 2 percent in the three months leading up to the presidential election but has been higher 43 percent of the time.<sup>8</sup>

Keep in mind that the 2 percent average includes the 20 percent drop prior to the 2008 election that was the result of the ongoing credit crisis.<sup>9</sup>

While past performance is no guarantee of future results, the lesson may be evident: Prepare for some short-term volatility, without losing sight of your overall investment strategy.

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### TIP OF THE MONTH



*If you have a son or daughter graduating from college next year, remind them to try and build an emergency fund. Those with the least seniority can be the first to be laid off in the workplace, and sometimes that first job after college doesn't work out.*

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## World Markets

Markets overseas generally trended higher with the MSCI-EAFE Index rising 4.98 percent in August.<sup>10</sup>

European markets rose in hopes of a COVID-19 vaccine and another round of economic stimulus. Major markets ended higher, with France gaining 3.42 percent and Germany advancing 5.13 percent. The U.K. lagged a bit, tacking on just 0.70 percent.<sup>11</sup>

Pacific Rim stocks turned higher, with Australia picking up 2.24 percent and Hong Kong climbing 2.37 percent. Japan had a strong showing, adding 6.59 percent.<sup>12</sup>

## Indicators

**Gross Domestic Product:** Second-quarter GDP contraction was revised from 32.9 percent to 31.7 percent.<sup>13</sup>

**Employment:** The labor market continued to improve, albeit at a slower pace. Employers added 1.8 million jobs in July, and the unemployment rate fell to 10.2 percent.<sup>14</sup>

**Retail Sales:** Consumer spending rose a lower-than-expected 1.2 percent in July. Slower sales of electronics and appliances were offset by an increase in restaurant and bar sales.<sup>15</sup>

**Industrial Production:** Output by the nation's manufacturers, miners, and utilities rose 3.0 percent. To put that number in perspective, industrial production hit 8.4 percent in February.<sup>16</sup>

**Housing:** Housing starts surged in July, increasing by 22.6 percent.<sup>17</sup>

Existing home sales soared 24.7 percent, representing the biggest monthly gain since 1968, when tracking of existing home sales began.<sup>18</sup>

New home sales jumped by 13.9 percent, reaching their highest level in over 13 years.<sup>19</sup>

**Consumer Price Index:** Prices of consumer goods rose 0.6 percent in July, with gasoline prices contributing to the increase.<sup>20</sup>

**Durable Goods Orders:** Orders for products designed to last three years or longer gained 11.3 percent, rising for the third consecutive month, as defense aircraft and motor vehicle orders led the way.<sup>21</sup>



*“You’ve got to get up every morning with determination if you are going to go to bed with satisfaction.”*

GEORGE LORIMER

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## The Fed

Minutes from July’s meeting were released on August 19.

The Federal Open Market Committee (FOMC) appeared to favor more monetary accommodation, though Fed officials were unclear as to the timing or triggers for taking further policy action.

In a prepared statement, the FOMC said, “The path of the economy would depend significantly on the course of the virus.”

In addition, FOMC members believe that the “...ongoing public health crisis would weigh heavily on economic activity, employment, and inflation in the near term...” causing members to maintain the target range for the federal funds rate at 0 to ¼ percent.<sup>22</sup>

MARKET INDEX	Y-T-D CHANGE	August 2020
DJIA	-0.38%	7.57%
NASDAQ	31.24%	9.59%
S&P 500	8.34%	7.01%

BOND YIELD	Y-T-D	August 2020
10 YR TREASURY	-1.23%	0.69%

Sources: Yahoo Finance, August 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.

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## THE MONTHLY RIDDLE



*Sally promised Kate today that she will tell Kate a big secret on the day before four days from the day after tomorrow. If today is Saturday the 13th, on what day and date will Sally tell Kate her big secret?*

*LAST MONTH'S RIDDLE: How is it possible to name three consecutive days without using the words Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, or Sunday?*

*ANSWER: Yesterday, today, and tomorrow.*

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Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 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 SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The FTSEurofirst 300 Index comprises the 300 largest companies ranked by market capitalisation in the FTSE Developed Europe Index. The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. Established in January 1980, the All Ordinaries is the oldest index of shares in Australia. It is made up of the share prices for 500 of the largest companies listed on the Australian Securities Exchange. The S&P/TSX Composite Index is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The FTSE TWSE Taiwan 50 Index is a capitalization-weighted index of stocks comprises 50 companies listed on the Taiwan Stock Exchange developed by Taiwan Stock Exchange in collaboration with FTSE. The MSCI World Index is a free-float weighted equity index that includes developed world markets and does not include emerging markets. The Mexican Stock Exchange, commonly known as Mexican Bolsa, Mexbol, or BMV, is the only stock exchange in Mexico. 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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