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FINANCIAL MARKET UPDATE
5/15/20

THE WEEK IN REVIEW

A degree of negative sentiment reemerged across U.S. markets this week, amid a batch of mostly troubling economic data and a warning from Federal Reserve Chair Jerome Powell about the threat of a protracted economic downturn. Weighed down by the financial, industrial and real estate sectors, the S&P 500 Index declined 2.3%, marking its worst weekly return since March. After breaching the 0.70% level early in the week, yields on the 10-year U.S. Treasury bond began to decline on Tuesday afternoon and traded near 0.64% late in today's session. U.S. crude oil prices strung together a third consecutive week of strong gains on an improving supply and demand picture. The International Energy Agency's forecast for lower global inventories in the second half of 2020 spurred a roughly 20% rally to above $29 per barrel in the June contract for West Texas Intermediate.

Initial jobless claims in the U.S. for the week ending May 9 were 2,981,000, which was 481,000 less than the prior week, and brings the total amount of claims to roughly 36.5 million since many non-essential businesses began shutting down in mid-March. The number of jobless claims stemming from the COVID-19 pandemic is now nearly the same as it was in the 18-month recession caused by the global financial crisis.

Headline retail sales fell 16.4% in April, breaking the previous record one-month decline of 8.3% set in March in a data series dating back to 1992. Retail sales have fallen 23% in the past two months compared to a 13% decline during the recession of 2008-2009. The drastic decline in retail activity was widely expected, given the broad-based lockdowns in April of physical retail locations across most of the country.

One bright spot in this week's economic data, was a better-than-expected level in the University of Michigan's preliminary May consumer sentiment report index, which registered a reading of 73.7 compared to Bloomberg's median economist estimate of 68.0. While economists expected a decrease of 3.8 from the prior reading, the index posted a 1.9 increase. The biggest driver of the upside surprise was a small improvement in current conditions due to Coronavirus Aid, Relief, and Economic Security (CARES) Act checks reaching most U.S. households and consumers' observation of significant price discounts across several key categories.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Retail Sales (M/M)	-16.4%	0.8%	▼
Initial Jobless Claims (Thousands)	2,981	204	▲
U. of Mich. Consumer Sentiment	73.7	101.0	▼
Consumer Price Index (Y/Y)	0.30%	2.50%	▼
Producer Price Index (Y/Y)	-1.20%	2.10%	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	23685.42	-2.65%	-17.01%	-7.65%
NASDAQ	9014.56	-1.17%	0.47%	15.24%
S&P 500	2863.70	-2.26%	-11.36%	0.45%
MSCI EAFE	1588.17	-3.66%	-22.03%	-14.64%
Bbg Barclays Aggregate US	2333.10	0.33%	4.86%	10.01%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.10%	0.12%	2.39%
10-Year Treasury	0.64%	0.63%	2.37%

REPORTS DUE NEXT WEEK	LATEST
IHS Markit US Manufacturing PMI	36.1
Existing Home Sales (Millions Annualized)	5.270
Housing Starts (Millions Annualized)	1.216
Leading Economic Indicators (Y/Y)	-6.5%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.