

## MONDAY MORNING RECAP - July 20, 2020

### Last Week

Dow Jones Industrial Average (DJIA)	26671.95	+596.65	+2.29%
S&P 500 Index	3224.73	+39.69	+1.25%
NASDAQ Composite Index	10503.19	-114.25	-1.08%
U.S. 10 yr. Treasury Note Yield	0.64%	-1 Basis Point	
Gold (\$ per troy oz.)	\$1808.30	+\$10.10	+0.56%
Oil (\$ per barrel)	\$40.59	+\$0.04	+0.10%

### Market Summary

**GLOBAL EQUITIES:** Markets pushed higher over the week despite challenges from a confluence of factors: rising COVID-19 cases, timing of the EU's recovery fund, and weaker Chinese consumption patterns. These setbacks to global risk sentiment were more than offset by optimism surrounding vaccine testing which signaled improved clinical trial outcomes. In the US, early earnings releases for Q2 kicked off on a positive note for banks, though the hurdle for outperformance remained low. The S&P 500 gained 1.25%, while the Euro Stoxx 600 and TOPIX gained 1.62% and 2.52%, respectively.

**COMMODITIES:** Brent and WTI oil prices remained fairly flat at -0.23% and 0.10% for the past week, respectively, despite a scale back of 2 million barrels per day from OPEC+ production cuts for August. For WTI crude, a decline in US inventories combined with a rise in consumption supported a more favorable backdrop.

**FIXED INCOME:** Surging viral spread in the US continued to threaten both the economic reopening and recovery, leading investors to turn to safe-haven assets over the week. The 10-year US Treasury yield closed flat at 0.63%, largely overlooking a strong retail sales print and declining initial jobless claims. Meanwhile, the UK's Debt Management Office is expected to issue £100bn of bonds between September and November to provide more virus-related relief, suggesting stimulus is necessary to move toward economic normalization. Yield on the 10-Year UK Gilt ended near a record low level of 0.16%.

**FX:** The euro appreciated 1.23% against the US dollar over hopes that an agreement on the recovery fund would take place during this weekend's EU Summit. This move is in-line with the market's current preference for the euro over the US dollar based on the economic path of recovery observed thus far.

## **Economic Summary**

**MANUFACTURING:** The Philly Fed Survey posted at 24.1 for July, a decline of -3.4 points relative to the month prior. Component prints were mixed with new orders and employment improving but shipments falling. Even so, the data remained in expansionary territory.

**CONFIDENCE:** Small business confidence rose due to rebounding consumer activity, as revealed in June's reading. The Small Business Optimism Index printed at 100.6 which reflected a +6.2 point month-over-month increase. This still came in below pre-COVID-19 levels, suggesting further room for improvement.

**INFLATION:** US core CPI edged 0.2% higher in June, ending three consecutive months of contraction. Annually, core CPI printed at 1.2%, up 0.2% due to price increases from apparel and healthcare sectors. This modest uptick in inflation still fell short of the Fed's inflation target level.

**POLICY:** As widely expected, the ECB Governing Council left policy unchanged and moved to "a-wait-and-see" mode to further observe the quality and speed of the uneven economic recovery.



## **Key Economic Releases<sup>1</sup>**

### **Monday, July 20:**

German Gfk Consumer Climate Index  
(Cons: -4.5, -9.6)

### **Tuesday, July 21:**

Chicago Federal National Activity (Cons:  
4.00, Prior: 2.61)

### **Wednesday, July 22:**

No economic data released.

### **Thursday, July 23:**

US Jobless Claims (Cons: 1293k, Prior:  
1300k)

Euro area Consumer Confidence (Cons: -  
12.0, Prior: -14.7)

### **Friday, July 24:**

Euro area PMI (Cons: 51.0, Prior: 48.5)

Source: Goldman Sachs Asset Management, "Market Monitor", 7/17/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.

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