Weekly Update
Consumer Confidence Cools
August 28, 2020

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The Economy

- The U.S. economy contracted by a 31.7% annualized rate during the second quarter of 2020, the largest quarterly reduction on record. Consumer spending (which drives about two-thirds of U.S. economic activity) plummeted by 34.1% during the period due to government-mandated shutdowns amid the coronavirus pandemic. Economists expect a long period before the economy fully recovers from the deepest recession since the U.S. government began measuring gross domestic product in 1947.
- The Conference Board's index of consumer confidence dropped for the second consecutive month in August, hitting a six-year low of 84.8 from 91.7 in July amid a nationwide flare-up in COVID-19 infection rates. The deterioration in confidence overshadowed a booming housing market.
- The U.S. housing market continued to gain in June, as measured by the S&P CoreLogic Case-Schiller Home Price Index, accelerating by 0.2% in June and 3.5% year over year. Record-low mortgage rates supported the housing market as they generated higher purchasing power for homebuyers.
- New-home sales advanced to their highest level since 2006 in July, driven by a 59% increase in the Midwest. Demand among homebuyers, which had been anemic at the peak of the COVID-19 shutdown, surged during the summer.
- Durable-goods orders accelerated by 11.2% in July. Still, capital-goods orders tumbled during the month, signaling a potentially more gradual rebound in business investments amid an uncertain environment for manufacturing companies.
- The U.S. goods trade deficit increased by $8.3 billion in July, up from $71.0 billion in June. Exports grew by $12.2 billion for the month, while imports advanced by $20.5 billion. The global pandemic is expected to further disrupt the flow of goods and services and thereby affect the trade deficit in the near term.
- Initial jobless claims retreated from 1.10 million to 1.00 million during the week ending August 22. The rate of new claims is not expected to return to pre-pandemic levels any time soon; for reference, it took about five years for jobless claims during the global financial crisis to return to pre-crisis levels.
- Mortgage-purchase applications inched higher by 0.4% for the week ending August 21, while refinancing applications diminished by 10.0%. As of August 26, the average interest rate on a 30-year fixed-rate mortgage was 3.14%. Mortgage rates have trended historically lower due to the sustained record-low rates on long-term U.S. Treasurys since February.

Stocks

- Global equity markets were positive. Emerging markets led developed markets.
- U.S. equities were also positive. Telecommunications and information technology were the top performers, while financials and utilities lagged. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield edged higher to 0.72%. Global bond markets were mostly negative this week. Global high-yield bonds led, while global government bonds and global corporates lagged.

The Numbers as of August 28, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.1%	3.2%	14.6%	583.2
MSCI EAFE ($)	1.2%	-6.6%	3.9%	1902.2
MSCI Emerging Mkts ($)	2.3%	0.2%	15.2%	1117.2
U.S. & Canadian Equities				
Dow Jones Industrials ($)	2.6%	0.4%	8.7%	28653.9
S&P 500 ($)	3.3%	8.6%	19.9%	3508.0
NASDAQ ($)	3.4%	30.3%	46.7%	11695.6
S&P/ TSX Composite (C$)	1.1%	-2.1%	2.0%	16705.8
U.K. & European Equities				
FTSE All-Share (£)	-0.3%	-20.4%	-15.2%	3342.4
MSCI Europe ex UK (€)	1.6%	-7.5%	0.9%	1331.0
Asian Equities				
Topix (¥)	0.1%	-6.8%	7.7%	1604.9
Hong Kong Hang Seng ($)	1.2%	-9.8%	-1.1%	25422.1
MSCI Asia Pac. Ex-Japan ($)	2.3%	4.3%	18.0%	576.4
Latin American Equities				
MSCI EMF Latin America ($)	-0.7%	-33.6%	-24.2%	1937.4
Mexican Bolsa (peso)	-0.8%	-13.2%	-9.7%	37794.3
Brazilian Bovespa (real)	0.6%	-11.7%	1.6%	102142.9
Commodities ($)				
West Texas Intermediate Spot	1.8%	-29.6%	-24.2%	43.0
Gold Spot Price	1.7%	29.3%	28.9%	1969.7
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.5%	5.4%	4.7%	539.0
JPMorgan Emerging Mkt Bond	-0.4%	2.0%	3.9%	899.4
10-Year Yield Change (basis points*)				
US Treasury	9	-120	-77	0.72%
UK Gilt	11	-51	-12	0.31%
German Bund	10	-22	28	-0.41%
Japan Govt Bond	3	7	34	0.06%
Canada Govt Bond	10	-107	-51	0.63%
Currency Returns**				
US$ per euro	0.9%	6.1%	7.6%	1.190
Yen per US$	-0.4%	-3.0%	-1.1%	105.36
US$ per £	2.0%	0.7%	9.6%	1.335
C$ per US$	-0.6%	0.8%	-1.4%	1.310

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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