Weekly Update
Big Tech Plunge Sinks Stocks
September 4, 2020

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The Economy

- The U.S. equity market plunged into negative territory this week, suffering its sharpest one-day drop since March (as measured by the S&P 500 Index) as overpriced large-cap technology stocks dramatically sold off.
- U.S. manufacturing activity continued to rebound in August. Markit's manufacturing purchasing managers' index (PMI) accelerated from 50.9 in July to 53.1 during the month, while a similar report from The Institute for Supply Management (ISM) showed an increase from 54.2 to 56.0 for the same period (readings greater than 50 indicate expansion).
- The U.S. Census Bureau reported a strong 6.4% gain in new factory orders for July, suggesting continued progress for manufacturers despite a resurgence in the COVID-19 infection rate.
- Construction spending increased in July for the first time in five months, with a modest 0.1% gain. Residential expenditures advanced by 2.1% during the period, while nonresidential construction diminished by 1.0%. Solid demand for new houses is expected to keep residential construction buoyant.
- Motor-vehicle sales expanded by 15.2 million in August. Retail car buyers returned to the market as steady gas prices and access to lower-interest loans fueled demand for new cars.
- U.S. non-farm productivity surged by 10.1% during the second quarter of 2020 as output increased at a faster pace than number of hours worked.
- The ISM's non-manufacturing index eased from 58.1 in July to 56.9 in August, yet remained in expansion territory for the third consecutive month; U.S. services activity largely regained its footing during the month as businesses remained open and began hiring workers.
- The August U.S. employment report posted an additional of 1.37 million jobs, pushing the unemployment rate down to 8.4% from 10.2% in August. Although many investors are optimistic about an economic turnaround, a surge in COVID-19 infections may stifle the labor market's fledgling recovery.
- Initial jobless claims eased from 1.00 million to 881,000 during the week ending August 29, reflecting a healing labor market. However, the rate of new claims is not expected to return to pre-pandemic levels in the near future. For reference, it took about five years for jobless claims during the global financial crisis to return to pre-crisis levels.
- Mortgage-purchase applications slipped by 0.2% for the week ending August 28, while refinancing applications declined by 3.0%. The average interest rate on a 30-year fixed-rate mortgage moved from 2.91% to 2.93%. Mortgage rates have trended historically lower since February due to the sustained record-low rates on long-term U.S. Treasurys.

Stocks

- Global equity markets were negative. Developed markets led emerging markets.
- U.S. equities were negative. Materials and utilities were the top performers, while energy and information technology lagged. Value stocks led growth, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield edged lower to 0.72%. Global bond markets were positive this week. Global corporate bonds led, followed high-yield bonds and global government bonds.

The Numbers as of September 4, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.2%	2.5%	11.5%	579.1
MSCI EAFE ($)	-0.6%	-6.8%	1.3%	1899.0
MSCI Emerging Mkts ($)	-1.1%	-0.5%	10.6%	1108.9
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-1.8%	-1.4%	5.3%	28133.3
S&P 500 ($)	-2.3%	6.1%	15.2%	3428.7
NASDAQ ($)	-3.3%	26.1%	39.4%	11313.1
S&P/ TSX Composite (C$)	-2.8%	-4.8%	-2.0%	16240.0
U.K. & European Equities				
FTSE All-Share (£)	-2.6%	-22.5%	-18.5%	3254.1
MSCI Europe ex UK (€)	-0.4%	-8.3%	-2.3%	1319.4
Asian Equities				
Topix (¥)	0.7%	-6.1%	5.4%	1616.6
Hong Kong Hang Seng ($)	-2.9%	-12.4%	-6.9%	24695.5
MSCI Asia Pac. Ex-Japan ($)	-0.9%	3.8%	14.0%	573.8
Latin American Equities				
MSCI EMF Latin America ($)	0.2%	-31.4%	-24.5%	2002.0
Mexican Bolsa (peso)	-3.6%	-16.3%	-14.7%	36428.8
Brazilian Bovespa (real)	-1.0%	-12.6%	-1.1%	101130.7
Commodities ($)				
West Texas Intermediate Spot	-7.4%	-34.9%	-29.4%	39.8
Gold Spot Price	-2.2%	26.6%	27.2%	1927.2
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	0.3%	6.2%	6.0%	543.4
JPMorgan Emerging Mkt Bond	1.4%	3.3%	4.3%	911.2
10-Year Yield Change (basis points*)				
US Treasury	-1	-120	-84	0.72%
UK Gilt	-5	-56	-34	0.26%
German Bund	-6	-29	12	-0.47%
Japan Govt Bond	-2	5	30	0.04%
Canada Govt Bond	-4	-111	-67	0.60%
Currency Returns**				
US$ per euro	-0.5%	5.6%	7.3%	1.184
Yen per US$	0.8%	-2.2%	-0.7%	106.23
US$ per £	-0.5%	0.2%	7.7%	1.328
C$ per US$	-0.3%	0.5%	-1.3%	1.306

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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