

Weekly Update

Spending Talk Soothes Sentiment

October 9, 2020

The Economy

- U.S. equity markets were volatile during the week but ended in positive territory after reports of potential new spending measures to assist airlines, small businesses and households boosted investor sentiment.
- Services activity largely regained its footing in September as businesses remained open and began rehiring workers. The Institute for Supply Management's non-manufacturing index improved from 56.9 in August to 57.8 in September (readings of greater than 50 indicate expansion). Markit's U.S. services purchasing managers' index narrowed slightly from 55.0 in August to 54.6 in September.
- Despite President Donald Trump's trade war with China, the U.S. goods and services deficit remained significant, widening by \$3.7 billion in August to a 14-year high of \$67.1 billion. Exports grew by \$3.6 billion for the month, while imports advanced by \$7.3 billion. The COVID-19 pandemic is expected to continue disrupting the flow of goods and services for the foreseeable future.
- The number of job openings (a measure of labor demand) dropped from 6.69 million in July to 6.49 million in August, according to the Department of Labor. Overall unemployment remained elevated as job openings hovered below their pre-pandemic levels.
- Consumer credit declined by \$7.2 billion in August as credit-card balances fell for the sixth consecutive month. Revolving credit (which includes credit cards) contracted to a three-year low. Economists believe the expiration of unemployment benefits contributed to the decline in consumer borrowing.
- Initial jobless claims fell by 9,000 to 840,000 during the week ending October 3. The rate of new applications for unemployment benefits remains historically high despite dropping sharply from a peak of seven million in March.
- Mortgage-purchase applications slid by 2.0% for the week ending October 2, while refinancing applications jumped by 8.0%. The average interest rate on a 30-year fixed-rate mortgage inched lower from 2.88% to 2.87%. Mortgage rates have trended historically lower since February due to the sustained record-low rates on long-term U.S. Treasury securities.
- Retail sales in the eurozone improved by 4.4% in August after diminishing by 1.3% in the prior month.
- Household spending in Japan jumped by 1.7% during the same period after contracting by 6.5% in former month.
- Overall, the global economy recovered broadly during the third quarter, with business activity bouncing back as countries lifted containment measures.

Stocks

- Global equity markets were positive. Emerging markets led developed markets.
- U.S. equities were positive. Materials and energy were the top performers, while telecommunications and consumer staples lagged. Growth stocks led value, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 0.77%. Global bond markets were generally neutral this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of October 9, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	2.8%	2.6%	12.8%	580.0
MSCI EAFE (\$)	2.2%	-6.9%	1.8%	1896.6
MSCI Emerging Mkts (\$)	3.3%	0.2%	12.1%	1117.4
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	3.3%	0.2%	7.9%	28586.9
S&P 500 (\$)	3.7%	7.5%	18.2%	3472.3
NASDAQ (\$)	4.6%	29.1%	45.6%	11579.9
S&P/TSX Composite (C\$)	2.2%	-3.0%	0.8%	16554.4
U.K. & European Equities				
FTSE All-Share (£)	2.3%	-19.5%	-14.2%	3378.4
MSCI Europe ex UK (€)	1.8%	-7.5%	-1.0%	1330.2
Asian Equities				
Topix (¥)	2.4%	-4.3%	4.2%	1647.4
Hong Kong Hang Seng (\$)	2.8%	-14.4%	-6.2%	24119.1
MSCI Asia Pac. Ex-Japan (\$)	3.8%	4.6%	16.2%	578.1
Latin American Equities				
MSCI EMF Latin America (\$)	4.6%	-34.8%	-28.4%	1901.6
Mexican Bolsa (peso)	5.0%	-11.6%	-10.4%	38478.6
Brazilian Bovespa (real)	3.8%	-15.6%	-4.2%	97583.9
Commodities (\$)				
West Texas Intermediate Spot	9.6%	-33.5%	-24.2%	40.6
Gold Spot Price	1.2%	26.3%	28.6%	1923.5
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	0.0%	5.7%	6.1%	540.8
JPMorgan Emerging Mkt Bond	1.0%	1.4%	3.3%	894.0
10-Year Yield Change (basis points*)				
US Treasury	7	-115	-90	0.77%
UK Gilt	3	-54	-31	0.28%
German Bund	1	-34	-6	-0.53%
Japan Govt Bond	1	5	24	0.04%
Canada Govt Bond	6	-107	-78	0.63%
Currency Returns**				
US\$ per euro	0.9%	5.5%	7.5%	1.183
Yen per US\$	0.3%	-2.8%	-2.2%	105.61
US\$ per £	0.8%	-1.6%	4.8%	1.304
C\$ per US\$	-1.3%	1.1%	-1.2%	1.313

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.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. 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. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.