# Weekly Update
# Stocks Lose Steam on Cloudy Outlook

October 16, 2020

## The Economy

- U.S. equities lost momentum during the week ending October 16 after initially receiving a boost from promising news of a COVID-19 vaccine. While U.S. stock markets ultimately finished in positive territory, investor appetite had decidedly faded as hopes dimmed for a coronavirus relief package.
- The retail sales report helped to bolster weakening investor sentiment during the week, with a better-than-expected 1.9% surge in retail sales for September—marking the fifth consecutive month of growth as businesses reopened and consumers shopped for automobiles, clothing and accessories. Consumer spending accounts for about 70% of U.S. economic activity.
- Consumer prices appreciated by 0.2% in September, according to the Department of Labor's consumer-price index, driven by the sharply higher cost of used cars—which jumped to a 51-year high as Americans avoided public transportation to avoid coronavirus exposure. Inflation is expected to remain muted despite forecasts of rising prices on strengthening demand.
- Producer prices advanced by a greater-than-expected 0.4% in September, primarily within services, as measured by the Department of Labor's producer-price index (which tracks the average change in prices that producers receive for goods and services). Rising producer prices further reduce the risk of deflation (a decline in the general price levels), which can be particularly harmful during a recession as consumers delay spending in anticipation of price cuts.
- Total import prices grew by 0.3% in September due to higher costs for goods, yet the economic impact was softened by lower fuel prices. Export prices rose by 0.6% on higher non-agricultural and agricultural prices, signaling a slow warm-up in the U.S. economy and in inflation.
- Industrial production contracted by 0.6% in September, cooling after a strong summer rebound. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) fell from 72.0% to 71.5% during the month. Manufacturing output dropped by 0.3%.
- Initial jobless claims increased by 53,000 to 898,000 during the week ending October 10. The rate of new applications for unemployment benefits remained historically high despite falling sharply in May from a 7-million peak in March.
- Mortgage-purchase applications slid by 2.0% for the week ending October 9, while refinancing applications retreated by 0.3%. The average interest rate on a 30-year fixed-rate mortgage moved lower from 2.87% to 2.81%. Mortgage rates have trended historically lower since February due to the sustained record-low rates on long-term U.S. Treasury securities.
- Industrial production in the eurozone improved in August, but at a slower-than-expected 0.7% rate. The generally subdued output indicated that the economic recovery in Europe lost traction during the month.

## Stocks

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

## Bonds

- The 10-year Treasury bond yield moved lower to 0.74%. Global bond markets were generally neutral this week. Global corporate bonds led, followed by high-yield bonds and global government bonds.

| The Numbers as of October 16, 2020 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | -0.4% | 3.0% | 10.5% | 582.0 |
| MSCI EAFE ($) | -2.1% | -8.2% | -2.7% | 1870.5 |
| MSCI Emerging Mkts ($) | -0.2% | 0.5% | 9.0% | 1120.5 |
| **U.S. & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | 0.1% | 0.2% | 5.8% | 28606.3 |
| S&P 500 ($) | 0.4% | 8.1% | 16.5% | 3492.1 |
| NASDAQ ($) | 0.8% | 30.1% | 43.1% | 11671.6 |
| S&P/ TSX Composite (C$) | -0.7% | -3.6% | 0.1% | 16447.1 |
| **U.K. & European Equities** | | | | |
| FTSE All-Share (£) | -1.6% | -20.8% | -16.2% | 3325.7 |
| MSCI Europe ex UK (€) | -1.9% | -8.9% | -4.6% | 1310.8 |
| **Asian Equities** | | | | |
| Topix (¥) | -1.8% | -6.0% | -0.4% | 1617.7 |
| Hong Kong Hang Seng ($) | 1.1% | -13.5% | -9.2% | 24386.8 |
| MSCI Asia Pac. Ex-Japan ($) | -0.1% | 4.8% | 12.4% | 579.3 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -0.7% | -34.6% | -29.8% | 1909.6 |
| Mexican Bolsa (peso) | -1.5% | -12.9% | -12.8% | 37916.5 |
| Brazilian Bovespa (real) | 1.0% | -14.9% | -6.2% | 98463.7 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | 0.7% | -33.0% | -24.2% | 40.9 |
| Gold Spot Price | -1.1% | 25.0% | 27.3% | 1903.0 |
| **Global Bond Indexes ($)** | | | | |
| Barclays Global Aggregate ($) | 0.0% | 6.1% | 6.5% | 542.8 |
| JPMorgan Emerging Mkt Bond | 0.0% | 1.7% | 3.7% | 897.1 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -4 | -118 | -101 | 0.74% |
| UK Gilt | -10 | -64 | -49 | 0.18% |
| German Bund | -9 | -43 | -21 | -0.62% |
| Japan Govt Bond | -1 | 3 | 17 | 0.02% |
| Canada Govt Bond | -6 | -113 | -99 | 0.57% |
| **Currency Returns**** | | | | |
| US$ per euro | -0.9% | 4.5% | 5.3% | 1.172 |
| Yen per US$ | -0.2% | -3.0% | -3.0% | 105.40 |
| US$ per £ | -0.9% | -2.5% | 0.3% | 1.292 |
| C$ per US$ | 0.5% | 1.5% | 0.4% | 1.319 |

**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.**