

Weekly Update

Bulls on Parade: Stocks Soar

August 21, 2020

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New answers.®

The Economy

- The S&P 500 Index, a gauge for U.S. equity markets, closed at its highest level ever during the week. The extraordinary rebound was fueled by unprecedented government stimulus and elevated investor optimism. However, economists are expressing concerns that the V-shaped recovery in U.S. equities is not an appropriate reflection of the health of the broader U.S. economy.
- U.S. economic health expanded by 1.4% in July, as measured by the Conference Board's Leading Economic Index (a composite of 10 forward-looking components), primarily as mandatory lockdowns were lifted across the U.S. A leading indicator is defined as any economic factor that changes before the rest of the economy begins to go in a particular direction.
- Preliminary estimates for the August reading of Markit's U.S. purchasing managers' index shows that manufacturing activity continued to rebound from April's record low. Manufacturing activity hit an 18-month high of 53.6 from 51.3 in July. Services also powered into expansion territory (readings greater than 50), moving to 54.8 in August from 49.6 in the prior month.
- The National Association of Home Builders Housing Market Index advanced to a record-high of 78 in August from 72 in July. Buoyed homebuilder sentiment may signal renewed homebuyer interest. Ultra-low mortgage rates have also generated a strong bid for mortgages.
- U.S. housing starts surged by 22.6% in July, the most in almost four years, to a 1.5 million annualized rate from a month earlier, while permits to build climbed by the most in three decades. Increases in single-family homes and multifamily starts contributed to the jump. The reality of living, working and attending school at home has prompted many households to search for larger properties in the suburbs.
- Initial jobless claims widened from 971,000 to 1.10 million during the week ending August 15. A return to pre-pandemic levels of new claims is expected to take more time. For reference, jobless claims during the global financial crisis took approximately five years to return to pre-crisis levels.
- Mortgage-purchase applications widened by 1.0% for the week ending August 14, while refinancing applications diminished by 5.0%. In the same period, the average interest rate on a 30-year fixed-rate mortgage moved higher to 2.99% from 2.96%. Mortgage rates have trended historically lower due to the sustained record-low rates on long-term U.S. Treasuries since February.

Stocks

- Global equity markets were generally negative. Developed markets led emerging markets.
- U.S. equities were positive. Information technology and consumer discretionary outperformed, 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 0.64%. Global bond markets were positive this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of August 21, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	0.0%	0.8%	11.9%	569.6
MSCI EAFE (\$)	-0.7%	-7.4%	3.1%	1885.9
MSCI Emerging Mkts (\$)	-1.2%	-3.1%	10.7%	1080.5
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	0.1%	-2.1%	6.5%	27948.7
S&P 500 (\$)	0.7%	5.1%	16.2%	3396.1
NASDAQ (\$)	2.7%	26.1%	41.6%	11314.6
S&P/TSX Composite (C\$)	0.0%	-3.2%	1.6%	16511.6
U.K. & European Equities				
FTSE All-Share (£)	-1.3%	-20.1%	-14.3%	3352.2
MSCI Europe ex UK (€)	-0.4%	-8.8%	0.3%	1312.2
Asian Equities				
Topix (¥)	-1.2%	-6.8%	7.1%	1604.1
Hong Kong Hang Seng (\$)	-0.3%	-10.9%	-3.6%	25113.8
MSCI Asia Pac. Ex-Japan (\$)	-0.9%	0.9%	13.5%	557.5
Latin American Equities				
MSCI EMF Latin America (\$)	-3.4%	-33.2%	-24.7%	1947.6
Mexican Bolsa (peso)	-2.2%	-12.5%	-5.1%	38099.8
Brazilian Bovespa (real)	-0.1%	-12.4%	1.3%	101287.3
Commodities (\$)				
West Texas Intermediate Spot	0.4%	-30.9%	-23.6%	42.2
Gold Spot Price	0.2%	27.2%	29.2%	1937.1
Global Bond Indexes (\$)				
Bloomberg Barclays Global Aggregate (\$)	0.4%	6.0%	5.9%	542.3
JPMorgan Emerging Mkt Bond	-0.2%	2.2%	4.4%	901.3
10-Year Yield Change (basis points*)				
US Treasury	-7	-128	-98	0.64%
UK Gilt	-4	-61	-31	0.20%
German Bund	-9	-32	14	-0.51%
Japan Govt Bond	-2	5	27	0.03%
Canada Govt Bond	-7	-116	-75	0.54%
Currency Returns**				
US\$ per euro	-0.4%	5.2%	6.4%	1.179
Yen per US\$	-0.7%	-2.6%	-0.6%	105.82
US\$ per £	0.0%	-1.3%	6.8%	1.309
C\$ per US\$	-0.6%	1.5%	-0.9%	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.				

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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