

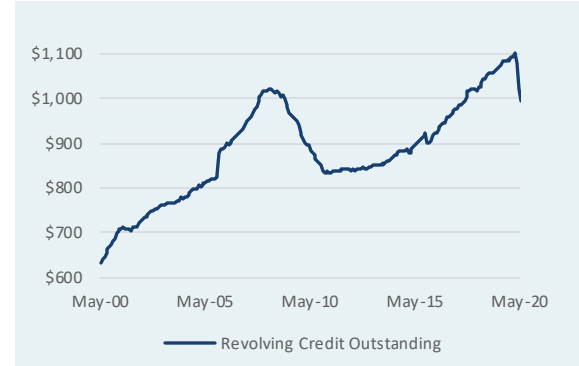
# Capital Markets Snapshot

June 29<sup>th</sup> to July 10<sup>th</sup>, 2020

## U.S. Economy

- Outstanding consumer credit tightened by \$18.3B in May, after plunging a revised \$70.2B in April. Revolving credit, which largely reflects credit card debt, declined by \$24.3B. Non-revolving credit, including student loans and car loans, grew by \$6.0B.
- Nonfarm payrolls expanded by 4.8 million in June (exp. 3.0M). Higher-frequency data reflect significant churn within the labor market, as participants contend with the flux of social distancing controls, and the availability of extra unemployment benefits.
- The ISM Non-Manufacturing Index rebounded sharply from 45.4 to 57.1 in June (exp. 50.2) driven by improvement in new orders.

## U.S. CONSUMER CREDIT (BILLIONS)



Source: Federal Reserve, as of 5/31/20

## U.S. Markets

- Large-cap equities (+5.9%) outperformed small-cap equities (+3.3%) in a strong two-week period for global risk assets. The forward P/E ratio of the S&P 500 Index climbed to 22.0, a level above both its five-year (16.9) and ten-year (15.2) averages.
- The ten-year U.S. Treasury real yield, measured as the 10-year nominal Treasury yield less the 10-year breakeven inflation rate, fell from -0.68% to -0.75%. The decline was driven by recovering expectations for inflation, as nominal yields moved sideways.
- Per FactSet, S&P 500 earnings are expected to contract -44.6% year-over-year in Q2, the largest decline since Q4 2008 (-69.1%).

## TEN-YEAR U.S. TREASURY REAL YIELD

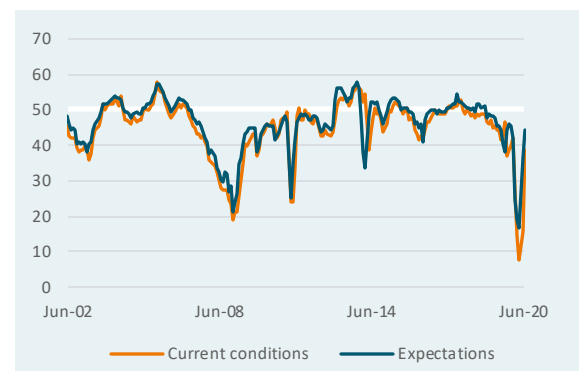


Source: Bloomberg, as of 7/10/20

## International Economy

- Retail sales in the euro area rebounded more strongly than expected in May from subdued April levels but remained -5.1% below May 2019 values. Sales of clothing, textiles, and footwear grew 147.0% from the prior month as stores began to reopen.
- The Japanese Eco Watchers Survey of Current Conditions, which gauges the mood of businesses which directly service consumers (barbers/waiters/taxi drivers), improved from 15.5 to 38.8 (exp. 24.3) in June but remained in the pessimistic territory below 50.0.
- China's credit impulse grew 5.4% YoY in May, up from 4.4% in April, and marking the fastest pace of credit growth since 2016.

## JAPAN ECONOMY WATCHERS SURVEY



Source: Economic and Social Research Institute Japan, as of 6/30/20

## International Markets

- Emerging market equities (MSCI EM Index +7.4%) outperformed U.S. equities (S&P 500 Index +5.9%) and international developed equities (MSCI EAFE Index +2.0%) in U.S.-dollar terms. Chinese mainland shares (CSI 300 +16.1%) posted impressive gains.
- Spot gold prices continued to climb higher, and closed the period at \$1799/ounce, the highest level since 2011. Declining global real yields, as well as a weakening U.S. dollar likely provided tailwinds for the yellow metal, which has returned 17.2% year-to-date.
- The Standing Committee of China's National People's Congress unanimously approved a sweeping Hong Kong Security Law.

## SPOT GOLD PRICES (\$/OUNCE)



Source: Bloomberg, as of 7/10/20



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# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 6/29/2020 - 7/10/2020		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	5.93	14.86	2.79	14.59	2.79	14.59	-0.38	45.00
Russell 2000 TR USD	3.25	27.00	-1.27	22.84	-1.27	22.84	-14.09	54.95
MSCI ACWI NR USD	5.15	12.71	3.30	14.20	3.30	14.20	-3.16	36.13
MSCI EAFE NR USD	1.99	13.59	1.88	15.45	1.88	15.45	-9.68	30.29
MSCI EM NR USD	7.43	24.28	7.77	26.04	7.77	26.04	-2.77	30.43

### Fixed Income

Barclays US Treasury US TIPS TR USD	0.45	2.73	0.60	2.82	0.60	2.82	6.64	9.66
Barclays US Treasury TR USD	0.20	2.93	0.33	3.23	0.33	3.23	9.08	7.87
Barclays Long Term US Treasury TR USD	0.86	10.85	1.58	11.60	1.58	11.60	23.12	25.24
Barclays US Agg Bond TR USD	0.54	1.99	0.54	2.20	0.54	2.20	6.71	6.01
Barclays US Credit TR USD	1.29	2.89	1.20	3.15	1.20	3.15	6.07	10.15
Barclays High Yield Corporate TR USD	0.68	4.75	1.07	4.09	1.07	4.09	-2.77	14.13
JPM EMBI Global Diversified TR USD	0.97	4.35	0.94	4.86	0.94	4.86	-1.85	16.11

### Other

Bloomberg Commodity TR USD	5.41	9.98	2.56	7.76	2.56	7.76	-17.34	20.03
Wilshire US REIT TR USD	2.02	23.36	-0.87	23.53	-0.87	23.53	-18.49	55.66
MSCI Currency Factor Mix ER USD	-0.02	1.36	-0.05	1.43	-0.05	1.43	-0.59	3.75

Source: Morningstar, Data as of last available market close, Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
06/29/20	EC	Economic Confidence	M	Jun	80.0	75.7	-1.1
06/29/20	US	Dallas Fed Manf. Activity	M	Jun	-21.4	-6.1	1.0
06/29/20	JN	Industrial Production YoY	M	May P	-23.1%	-25.9%	-1.2
06/30/20	EC	CPI Core YoY	M	Jun P	0.8%	0.8%	0.0
06/30/20	US	Conf. Board Consumer Confidence	M	Jun	91.5	98.1	2.0
06/30/20	GE	Retail Sales NSA YoY	M	May	-3.2%	3.8%	3.2
07/01/20	US	MBA Mortgage Applications	W	26-Jun	--	-1.8%	--
07/01/20	US	ISM New Orders	M	Jun	51.9	56.4	2.1
07/02/20	IT	Unemployment Rate	M	May P	7.9%	7.8%	-0.1
07/02/20	EC	Unemployment Rate	M	May	7.7%	7.4%	-1.0
07/02/20	US	Change in Nonfarm Payrolls	M	Jun	3230k	4800k	1.1
07/02/20	US	Unemployment Rate	M	Jun	12.5%	11.1%	-1.5
07/02/20	US	Continuing Claims	W	20-Jun	19000k	19290k	0.6
07/03/20	IT	Markit Italy Composite PMI	M	Jun	46.9	47.6	0.3
07/06/20	US	ISM Non-Manufacturing Index	M	Jun	50.2	57.1	4.6

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
07/13/20	UK	Industrial Production YoY	M	May	-24.4%	-20.4%	1.2
07/14/20	EC	Industrial Production WDA YoY	M	May	-28.0%	-19.5%	2.5
07/14/20	GE	ZEW Survey Expectations	M	Jul	63.4	60.0	5.5
07/14/20	US	NFIB Small Business Optimism	M	Jun	94.4	98.0	1.4
07/14/20	US	CPI YoY	M	Jun	0.1%	0.6%	0.2
07/14/20	US	CPI Ex Food and Energy YoY	M	Jun	1.2%	1.1%	0.1
07/15/20	US	Empire Manufacturing	M	Jul	-0.2	8.4	7.1
07/15/20	US	Capacity Utilization	M	Jun	64.8%	67.7%	1.1
07/16/20	EC	ECB Deposit Facility Rate	D	16-Jul	-0.5%	-0.5%	0.0
07/16/20	US	Retail Sales Advance MoM	M	Jun	17.7%	5.0%	1.4
07/16/20	US	Philadelphia Fed Business Outlook	M	Jul	27.5	19.1	4.0
07/16/20	US	Continuing Claims	W	4-Jul	18062k	17550k	0.0
07/16/20	US	NAHB Housing Market Index	M	Jul	58	60	3.1
07/17/20	US	U. of Mich. Sentiment	M	Jul P	78.1	79.0	2.0
07/22/20	US	Existing Home Sales	M	Jun	3.91m	4.65m	0.3

Source: Bloomberg



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