

Capital Markets Snapshot

October 5th to October 16th, 2020

U.S. Economy

- Headline retail sales grew 1.9% in September, topping the median economist estimate (+0.8%) and bringing year-over-year growth to +5.4%. Some analysts have opined that recent increases in savings deposits could finance a strong holiday season.
- The ISM Services PMI increased from 56.9 to 57.8 in September. The supplier deliveries component declined from 60.5 to 54.9, indicating faster deliveries, and that businesses may be having some success in adapting their supply chains around COVID-19.
- Officials failed to reach a deal on further stimulus, and it appears unlikely that additional aid will be passed until after the election.

U.S. Markets

- U.S. equities raced out of the gate to begin the fourth quarter of 2020. Over the month-to-date, large-cap equities (S&P 500 Index) have returned 3.7%, and small-cap equities (Russell 2000 Index) have markedly outperformed, having gained 8.4%.
- High-yield spreads continued to compress, after breaching the upper end of their trading range following the tech-driven equity market sell-off in September. The option-adjusted-spread of the Barclays U.S. Corporate High Yield Index fell 39 bps to 4.71%.
- The 10-year U.S. Treasury yield hit its highest level since June at 0.79% but finished the period only 5 bps higher at 0.75%.

RETAIL SALES (YEAR-OVER-YEAR GROWTH)



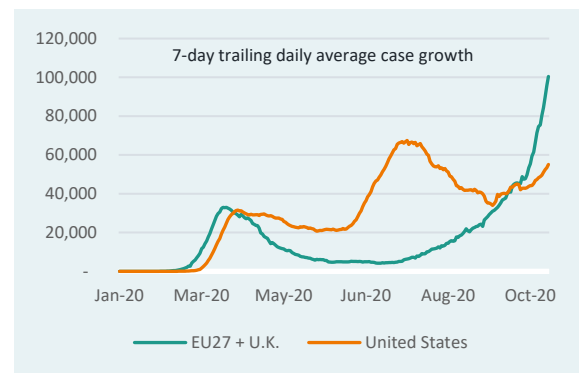
Source: U.S. Census Bureau, as of 9/30/20

U.S. CORPORATE HIGH YIELD CREDIT SPREADS



Source: Bloomberg, as of 10/16/20

COVID-19 DAILY AVERAGE CASE GROWTH



Source: Bloomberg, Verus as of 10/16/20

ITALIAN 10-YEAR SOVEREIGN BOND YIELD



Source: Bloomberg, as of 10/16/20

International Economy

- Officials across Europe implemented stricter social distancing controls with hopes of stymying the second wave of COVID-19 sweeping across the continent. The seven-day trailing average daily case growth in the EU27 and the U.K. rose to over 100,000.
- The IMF released its World Economic Outlook, and revised its global growth projections for 2020 and 2021 from -4.9% and 5.4% to -4.4% and 5.2%. The IMF's model assumes social distancing will persist into 2021, and local transmission will fall globally by 2023.
- U.K. officials pushed back their initial October 15th deadline for securing a post-Brexit trade deal with the European Union.

International Markets

- U.S. equities outperformed in a strong month for risk assets. The S&P 500 Index (+4.1%) outperformed both emerging market (+3.9%) and international developed (+1.5%) equities in U.S. dollar terms, despite slight weakness in the greenback.
- Ten-year Italian sovereign bond yields dropped from 0.78% to 0.65%, 10 basis points below the equivalent-maturity U.S. Treasury yield as of October 16th. Italian 10-year year yields have fallen 1.77% since hitting year-to-date highs of 2.42% in March.
- Expectations built for further accommodation from the Bank of England; markets are pricing in negative rates by mid-2021.



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MARKET PERFORMANCE

Equities

	Last Two Weeks 10/5/2020 - 10/16/2020		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	4.11	18.01	3.67	17.48	3.67	17.48	9.45	37.78
Russell 2000 TR USD	6.17	19.30	8.40	18.02	8.40	18.02	-1.01	46.20
MSCI ACWI NR USD	3.40	13.87	3.23	13.44	3.23	13.44	4.64	30.26
MSCI EAFE NR USD	1.48	15.18	1.50	13.85	1.50	13.85	-5.70	25.90
MSCI EM NR USD	3.94	11.93	3.95	11.19	3.95	11.19	2.74	26.07

Fixed Income

Barclays US Treasury US TIPS TR USD	0.15	2.43	0.08	2.23	0.08	2.23	9.31	8.01
Barclays US Treasury TR USD	-0.25	3.57	-0.40	3.27	-0.40	3.27	8.47	6.65
Barclays Long Term US Treasury TR USD	-0.78	12.05	-1.25	11.04	-1.25	11.04	19.83	21.47
Barclays US Agg Bond TR USD	0.06	2.62	0.01	2.41	0.01	2.41	6.81	5.08
Barclays US Credit TR USD	0.54	3.98	0.55	3.68	0.55	3.68	6.97	8.51
Barclays High Yield Corporate TR USD	1.25	3.04	1.41	2.83	1.41	2.83	2.04	11.62
JPM EMBI Global Diversified TR USD	1.47	3.59	1.57	3.55	1.57	3.55	1.05	13.32

Other

Bloomberg Commodity TR USD	5.13	11.77	3.58	13.16	3.58	13.16	-8.94	17.89
Wilshire US REIT TR USD	-1.45	17.26	3.01	21.50	3.01	21.50	-14.24	46.81
MSCI Currency Factor Mix ER USD	-0.12	1.74	-0.09	1.59	-0.09	1.59	-1.26	3.23

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
10/05/20	IT	Markit Italy Composite PMI	M	Sep	49.2	50.4	1.6
10/05/20	EC	Sentix Investor Confidence	M	Oct	-9.3	-8.3	0.2
10/05/20	EC	Retail Sales YoY	M	Aug	2.2%	3.7%	1.3
10/05/20	US	ISM Services Index	M	Sep	56.2	57.8	2.0
10/05/20	GE	Factory Orders WDA YoY	M	Aug	-3.8%	-2.2%	0.7
10/07/20	UK	House Price Index YoY	M	Jul	3.6%	2.3%	-1.5
10/07/20	US	Consumer Credit	M	Aug	\$14.00b	-\$7.22b	-6.9
10/09/20	CA	Unemployment Rate	M	Sep	9.8%	9.0%	-1.8
10/13/20	US	NFIB Small Business Optimism	M	Sep	100.9	104.0	2.8
10/13/20	US	CPI Ex Food and Energy YoY	M	Sep	1.7%	1.7%	0.0
10/14/20	US	PPI Ex Food and Energy YoY	M	Sep	1.0%	1.2%	2.6
10/15/20	US	Empire Manufacturing	M	Oct	14	11	-1.3
10/15/20	US	Philadelphia Fed Business Outlook	M	Oct	15	32	7.8
10/16/20	US	Retail Sales Advance MoM	M	Sep	0.8%	1.9%	2.5
10/16/20	US	U. of Mich. Sentiment	M	Oct P	80.5	81.2	0.4

ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
10/19/20	US	NAHB Housing Market Index	M	Oct	83	83	1.5
10/20/20	US	Housing Starts	M	Sep	1416k	1455k	36.3
10/20/20	UK	CPI Core YoY	M	Sep	0.9%	1.3%	0.2
10/22/20	US	Continuing Claims	W	10-Oct	10018k	9850k	347.2
10/22/20	US	Existing Home Sales	M	Sep	6.00m	6.30m	0.2
10/22/20	US	Kansas City Fed Manf. Activity	M	Oct	11	11	1.7
10/23/20	EC	Markit Eurozone Manufacturing PMI	M	Oct P	53.7	53.0	0.8
10/23/20	EC	Markit Eurozone Services PMI	M	Oct P	48.0	47.0	1.1
10/23/20	US	Markit US Manufacturing PMI	M	Oct P	53.2	53.5	0.2
10/23/20	US	Markit US Services PMI	M	Oct P	54.6	54.6	0.3
10/27/20	US	Durable Goods Orders	M	Sep P	0.5%	0.3%	1.6
10/27/20	US	Conf. Board Consumer Confidence	M	Oct	101.8	102.3	0.0
10/28/20	US	Advance Goods Trade Balance	M	Sep	-\$82.9b	-\$85.0b	2.6
10/29/20	US	GDP Annualized QoQ	Q	3Q A	-31.4%	32.8%	2.5
10/30/20	US	Personal Spending	M	Sep	1.0%	1.0%	0.6

Source: Bloomberg



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