

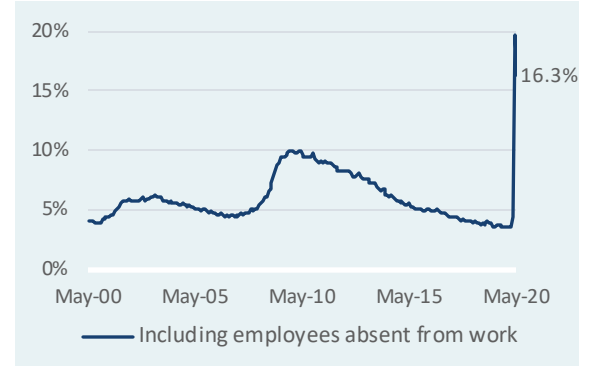
# Capital Markets Snapshot

June 1<sup>st</sup> to June 12<sup>th</sup>, 2020

## U.S. Economy

- Nonfarm payrolls rose by 2.5 million in May, far exceeding the median economist estimate of a -7.5 million decline and reflecting a limited resumption of economic activity which had been curtailed due to the COVID-19 pandemic, and efforts to contain it.
- The U-3 unemployment rate faded slightly from 14.7% to 13.3%, far below economist estimates (19.0%). If employers had counted all employees who were absent from work as unemployed, the unemployment rate would have fallen from 19.7% to 16.3%.
- Year-over-year growth in average hourly earnings fell from 7.9% to 6.7% as employees in lower-wage sectors returned to work.

## U-3 UNEMPLOYMENT RATE

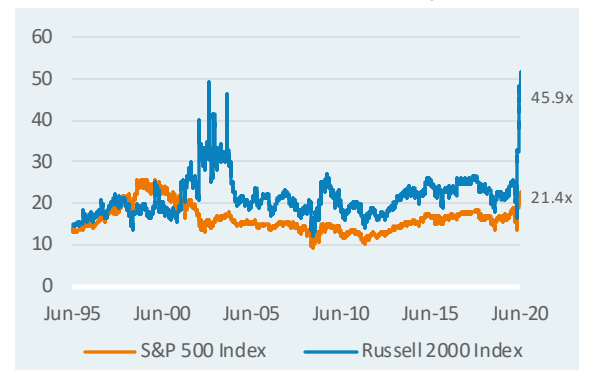


Source: Bureau of Labor Statistics, as of 5/31/20

## U.S. Markets

- By June 8<sup>th</sup>, the S&P 500 Index had recovered to just -3.9% from the previous all-time high level of 3386. On June 11<sup>th</sup>, the index recorded a -5.9% decline, its largest since March, as investors speculated on the potential resurgence of the coronavirus.
- Valuations continued to march higher as earnings expectations were cut. The blended forward 12-month P/E ratio of the Russell 2000 Index reached 45.9x, a record high. Excluding negative earners, small-cap valuations looked rich, but less extreme.
- The CBOE VIX Index of implied volatility, which had been steadily fading from its March high of 82.7, rose from 27.5 to 36.1.

## BLENDED FORWARD 12-MONTH P/E RATIOS

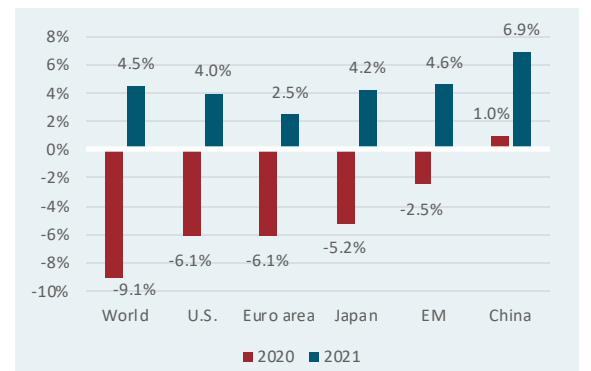


Source: S&P, FTSE, Bloomberg, as of 6/12/20

## International Economy

- The Federal Reserve, the World Bank, the OECD and the European Central Bank all released updated growth forecasts indicating an expectation for material contraction in 2020, and a 2021 rebound.
- Unemployment rates continued to tick lower across Europe, reflecting the labor market distortions being created by the COVID-19 pandemic. The Italian unemployment rate fell from 8.4% to 6.3% in April, as labor force participants left in droves.
- Eurozone retail sales contracted -19.6% from the prior year in April, roughly in line with economist expectations. Mail order and internet sales have been a bright spot over the last year (+20.9%).

## ECONOMIC GROWTH PROJECTIONS



Source: World Bank, as of 6/9/20

## International Markets

- Emerging market equities (MSCI EM Index +6.2%) outperformed both international developed (MSCI EAFE Index +2.6%) and U.S. (S&P 500 Index unchanged) equities over the period.
- Hard-currency denominated emerging market debt (J.P. Morgan EMBI Global Diversified +2.4%) was the top performer within the fixed income space over the last two weeks. Over the period, the sovereign spread of the index compressed from 5.15% to 4.82%.
- OPEC and Russia agreed to extend crude oil production cuts and to enforce stricter adherence to agreed production quotas. Four member countries will produce at below-quota levels in Q3 2020.

## EMERGING MARKET DEBT SPREADS



Source: J.P. Morgan, Bloomberg, as of 6/12/20



*Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. The information provided is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other "forward-looking statements." No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal.*

# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 6/1/2020 - 6/12/2020		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	-0.01	36.82	-0.01	36.82	18.19	33.78	-4.98	47.98
Russell 2000 TR USD	-0.39	52.62	-0.39	52.62	20.66	50.68	-16.28	58.26
MSCI ACWI NR USD	1.46	29.68	1.46	29.68	17.22	27.66	-7.83	38.45
MSCI EAFE NR USD	2.55	25.17	2.55	25.17	13.93	26.23	-12.07	31.85
MSCI EM NR USD	6.23	20.64	6.23	20.64	16.85	22.16	-10.73	31.53

### Fixed Income

Barclays US Treasury US TIPS TR USD	0.23	5.52	0.23	5.52	3.33	5.54	5.08	10.39
Barclays US Treasury TR USD	-0.24	6.12	-0.24	6.12	0.14	5.12	8.35	8.42
Barclays Long Term US Treasury TR USD	-0.71	20.28	-0.71	20.28	-0.59	17.53	20.19	26.92
Barclays US Agg Bond TR USD	0.23	2.96	0.23	2.96	2.48	3.29	5.71	6.47
Barclays US Credit TR USD	0.86	3.21	0.86	3.21	7.19	5.93	3.82	10.91
Barclays High Yield Corporate TR USD	1.66	10.92	1.66	10.92	10.92	11.49	-3.15	15.06
JPM EMBI Global Diversified TR USD	2.41	7.50	2.41	7.50	11.06	8.71	-3.80	17.26

### Other

Bloomberg Commodity TR USD	0.27	9.93	0.27	9.93	3.02	18.51	-20.98	21.03
Wilshire US REIT TR USD	4.80	55.06	4.80	55.06	13.28	51.68	-15.75	59.30
MSCI Currency Factor Mix ER USD	0.32	3.14	0.32	3.14	-1.59	3.20	-0.44	4.01

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
06/01/20	IT	Markit Italy Manufacturing PMI	M	May	36.8	45.4	2.4
06/01/20	US	ISM Manufacturing	M	May	43.8	43.1	-0.4
06/03/20	IT	Markit Italy Services PMI	M	May	26.1	28.9	0.6
06/03/20	GE	Unemployment Claims Rate SA	M	May	6.2%	6.3%	0.6
06/03/20	IT	Unemployment Rate	M	Apr P	9.3%	6.3%	-3.6
06/03/20	EC	Unemployment Rate	M	Apr	8.2%	7.3%	-1.5
06/03/20	US	ISM Non-Manufacturing Index	M	May	44.4	45.4	0.7
06/04/20	EC	Retail Sales YoY	M	Apr	-20.6%	-19.6%	0.3
06/04/20	US	Continuing Claims	W	23-May	20000k	21487k	1.1
06/04/20	GE	Factory Orders WDA YoY	M	Apr	-29.7%	-36.6%	-1.5
06/05/20	US	Change in Nonfarm Payrolls	M	May	-7500k	2509k	4.2
06/05/20	US	Unemployment Rate	M	May	19.0%	13.3%	-4.3
06/05/20	US	Average Hourly Earnings YoY	M	May	8.5%	6.7%	-2.3
06/10/20	US	CPI YoY	M	May	0.3%	0.1%	-2.2
06/10/20	US	CPI Ex Food and Energy YoY	M	May	1.3%	1.2%	-1.3

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
06/15/20	US	Empire Manufacturing	M	Jun	-48.5	-30.0	12.6
06/15/20	JN	BOJ 10-Yr Yield Target	D	16-Jun	0.00%	0.00%	0.0
06/16/20	GE	ZEW Survey Expectations	M	Jun	51.0	60.0	10.8
06/16/20	GE	ZEW Survey Current Situation	M	Jun	-93.5	-83.0	5.5
06/16/20	US	Retail Sales Advance MoM	M	May	-16.4%	8.0%	1.7
06/16/20	US	NAHB Housing Market Index	M	Jun	37	45	5.4
06/16/20	UK	CPI Core YoY	M	May	1.4%	1.3%	0.1
06/17/20	US	Housing Starts	M	May	891k	1100k	74.6
06/18/20	US	Philadelphia Fed Business Outlook	M	Jun	-43.1	-25.0	6.3
06/18/20	US	Continuing Claims	W	6-Jun	20929k	19650k	977.2
06/18/20	JN	Natl CPI Ex Fresh Food, Energy YoY	M	May	0.2%	0.5%	0.1
06/23/20	EC	Markit Eurozone Services PMI	M	Jun P	30.5	--	0.0
06/23/20	US	Markit US Services PMI	M	Jun P	37.5	--	--
06/26/20	US	Personal Spending	M	May	-13.6%	5.1%	2.6
07/02/20	US	Change in Nonfarm Payrolls	M	Jun	2509k	4000k	1849.8

Source: Bloomberg



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