

Monthly Market Commentary

June 2020 Recap

Stocks edged higher for a third-straight month in June, helping to cap the S&P 500's best quarterly performance since 1998. Economic data surprising to the upside and expectations of continued fiscal and monetary stimulus helped fuel optimism for a "V-shaped" recovery. However, risk sentiment somewhat waned as the sharp run-up in stocks brought about concerns of outstretched equity valuations. Further, the Federal Reserve provided a downbeat economic outlook, with Fed Chair Jerome Powell reiterating that the U.S. faces a long road to recovery. His views were underscored by a resurgence in coronavirus cases. Still, the Dow Jones Industrial Average rose 1.7% in June, while the S&P 500 gained 1.8%. Meanwhile, growth stocks continued their torrid outperformance against their value counterparts. The Tech-heavy Nasdaq Composite closed above the 10,000 mark for the first time, outpacing its peers with a 6% monthly rally.

Signs that the economy was stabilizing provided a tailwind to risk assets this month. The monthly jobs report showed 2.5 million nonfarm payrolls were added to the U.S. economy in May, sharply rebounding from April's historic 20.6 million decline and defying consensus estimates for a monthly contraction. Another notable release showed U.S. retail sales rebounded sharply in May, with the headline figure surging 17.7%, more than doubling expectations for an 8.1% increase. The Institute for Supply Management's (ISM) measure of U.S. manufacturing activity showed improvement for the first time in four months in May, while regional gauges of factory and business activity continued to come in better than anticipated. The trend of U.S. economic data largely surpassing expectations lifted the Citigroup U.S. Economic Surprise Index to a record level.

The data contrasted the Federal Reserve's economic outlook, however. In Fed Chair Jerome Powell's semi-annual Congressional testimony, he stressed that while some economic indicators pointed to stabilization, employment and levels of output remained "far below" their pre-coronavirus levels, and the timing and strength of the recovery faced many uncertainties. Still, expectations of continued fiscal and monetary stimulus continued to support investor sentiment. Following the June Federal Open Market Committee (FOMC) policy meeting, the Fed continued to reiterate a commitment to utilize their full range of tools to support the U.S. economy. The dot-plot showed all policymakers projected the Fed-funds rate would remain near zero at least through 2021. Meanwhile, lawmakers in Washington and the Trump administration both signaled that another round of fiscal stimulus was in the works.

However, a resurgence in coronavirus infections dampened the mood. New hotspot states like Arizona, Florida, and California began to see a record number of new daily cases, while Texas warned that ICU beds in Houston were nearing capacity. Investors became increasingly concerned that rising infection rates could hamper the economic recovery, as some states began to pause their phased reopening plans. Geopolitical tensions also re-emerged as a market overhang, with rhetoric from White House officials bringing into question the U.S. and China's commitment to the "Phase One" trade agreement. Meanwhile, investors weighed the sharp rebound in equities against lofty valuations. After just 53 sessions, the S&P 500 traded briefly back in positive territory for the year, lifting the index's trailing 12-month price-to-earnings ratio (a widely used valuation metric) to near a two-decade high. Amid the fluctuation in risk sentiment, Treasuries ended little changed, with the 10-year note yield holding steady at 0.65%, standing in sharp contrast to a high of 0.96% reached earlier in the month. COMEX gold ended near an eight-year high, capping its best quarterly performance since 2016 amid a weaker dollar and uncertainty surrounding the pandemic.

Five of 11 S&P 500 sectors ended the month in positive territory. The Information Technology sector paced the gains, rising 7%, with Apple (AAPL \$364.80) and Microsoft (MSFT \$203.51) both notching new record highs during the month. Industrials advanced with the airliner subsector rising nearly 12% in June after American Airlines (AAL \$13.07) revealed a steady improvement in domestic air travel demand. Meanwhile, the Utilities group proved to be a headwind to equities, with the sector falling 5% in June, capping its worst quarter in more than 20 years. Energy stocks were another notable laggard, as asset write-downs from major oil companies overshadowed West Texas Intermediate (WTI) crude's more than 10% monthly advance that helped notch its best quarter in 30 years.

Disclaimers

Pricing as of market close on June 30, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Index Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Citi Economic Surprise Index measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

| U.S. Markets | | Price Return (%) | | Total Return (%) | | |
|------------------------------|----------|------------------|------|------------------|--------|--|
| Index | Close | June | June | 2nd Qtr | YTD* | |
| S&P 500 | 3100.29 | 1.84 | 1.99 | 20.54 | -3.09 | |
| Dow Jones Industrial Average | 25812.88 | 1.69 | 1.82 | 18.51 | -8.43 | |
| Nasdaq Composite | 10058.77 | 5.99 | 6.07 | 30.95 | 12.74 | |
| S&P 400 Mid Cap | 1783.21 | 1.09 | 1.26 | 24.07 | -12.78 | |
| S&P 600 Small Cap | 831.89 | 3.58 | 3.73 | 21.94 | -17.86 | |

| U.S. Sector Performance | | Price Return (%) | | Total Return (%) | | |
|-------------------------|---------|------------------|-------|------------------|--------|--|
| Index | Close | June | June | 2nd Qtr | YTD* | |
| Communications Services | 179.88 | -0.56 | -0.51 | 20.04 | -0.31 | |
| Consumer Discretionary | 1051.42 | 4.90 | 4.99 | 32.86 | 7.23 | |
| Consumer Staples | 601.33 | -0.73 | -0.33 | 8.12 | -5.66 | |
| Energy | 287.46 | -1.42 | -1.30 | 30.51 | -35.34 | |
| Financials | 385.49 | -0.52 | -0.32 | 12.20 | -23.65 | |
| Health Care | 1167.80 | -2.53 | -2.38 | 13.59 | -0.81 | |
| Industrials | 581.00 | 1.90 | 2.01 | 17.01 | -14.64 | |
| Information Technology | 1840.10 | 7.08 | 7.14 | 30.53 | 14.95 | |
| Materials | 354.83 | 1.85 | 2.16 | 26.01 | -6.92 | |
| Real Estate | 216.39 | 0.99 | 1.47 | 13.21 | -8.53 | |
| Utilities | 286.96 | -5.00 | -4.66 | 2.74 | -11.14 | |

| International Markets | | Price Return (%) | | Total Return (%) | | |
|-----------------------|----------|------------------|-------|------------------|--------|--|
| Index | Close | June | June | 2nd Qtr | YTD* | |
| U.K. FTSE 100 | 6169.74 | 1.53 | 1.66 | 9.57 | -16.78 | |
| Germany DAX | 12310.93 | 6.25 | 6.25 | 23.90 | -7.08 | |
| France CAC 40 | 4935.99 | 5.12 | 5.48 | 13.48 | -16.19 | |
| Spain IBEX 35 | 7231.40 | 1.90 | 2.77 | 8.03 | -22.87 | |
| Italy FTSE MIB | 19375.52 | 6.47 | 6.82 | 15.03 | -16.22 | |
| Greece ATHEX | 638.90 | -2.10 | -1.15 | 15.64 | -29.18 | |
| MSCI Emerging Market | 995.10 | 6.96 | 7.36 | 18.14 | -9.70 | |
| Shanghai Composite | 2984.67 | 4.64 | 5.63 | 9.79 | -1.01 | |
| Japan Nikkei 225 | 22288.14 | 1.88 | 1.99 | 17.97 | -4.74 | |
| Hong Kong Hang Seng | 24427.19 | 6.38 | 7.38 | 5.07 | -11.87 | |
| Brazil Bovespa | 95055.80 | 8.76 | 8.76 | 30.18 | -17.80 | |
| Russia Micex | 2743.20 | 0.31 | 0.75 | 10.59 | -8.63 | |
| India Sensex | 34915.80 | 7.68 | 7.75 | 18.67 | -14.97 | |

| Treasuries | | Historical Yields | | | |
|------------|----------------|-------------------|-------|-------|----------|
| Maturity | June Ask Yield | May | April | March | February |
| 2-Year | 0.15 | 0.16 | 0.20 | 0.25 | 0.91 |
| 5-Year | 0.29 | 0.30 | 0.36 | 0.38 | 0.94 |
| 10-Year | 0.66 | 0.65 | 0.64 | 0.67 | 1.15 |
| 30-Year | 1.41 | 1.41 | 1.28 | 1.32 | 1.68 |

| Municipal Bonds | | | Price Return (%) | | |
|----------------------------------|--------|------|------------------|-------|-------|
| Maturity | Close | June | May | April | YTD* |
| S&P Municipal Bond Index | 267.27 | 0.78 | 2.99 | -1.18 | 1.97 |
| S&P Muni Bond Long Intermediate | 279.63 | 0.57 | 3.27 | -1.02 | 2.37 |
| S&P Muni Bond Intermediate | 265.87 | 0.52 | 3.10 | -0.80 | 2.33 |
| S&P Muni Bond Short | 178.69 | 0.09 | 1.38 | 0.27 | 1.58 |
| S&P Muni Bond Investment Grade | 264.35 | 0.59 | 2.96 | -1.10 | 2.18 |
| S&P Muni Bond High Yield | 314.42 | 3.64 | 3.44 | -2.31 | -1.09 |
| S&P Muni Bond General Obligation | 259.16 | 0.25 | 3.21 | -0.74 | 2.92 |

| Commodities | | | Price Return (%) | | |
|---------------------|----------|-------|------------------|-------|--------|
| Front Month Futures | Close | June | May | April | YTD* |
| CRB Index | 137.97 | 4.33 | 12.84 | -3.77 | -25.74 |
| Oil/bbl | 39.27 | 10.65 | 88.38 | -8.01 | -35.69 |
| Natural Gas | 1.75 | -5.30 | -5.13 | 18.84 | -20.01 |
| Gold | 1800.50 | 3.66 | 2.52 | 7.00 | 18.21 |
| Silver | 18.54 | 0.23 | 24.17 | 5.24 | 3.46 |
| Copper | 271.35 | 11.87 | 3.04 | 5.66 | -2.99 |
| Nickel | 12762.00 | 4.00 | 1.09 | 6.07 | -8.63 |

| Foreign Exchange | | | Price Return (%) | | |
|------------------|--------|-------|------------------|-------|-------|
| Currency | Close | June | May | April | YTD* |
| Dollar Index | 97.39 | -0.97 | -0.68 | -0.03 | 1.04 |
| Euro/USD | 1.12 | 1.20 | 1.33 | -0.69 | 0.19 |
| USD/Yen | 107.93 | 0.09 | 0.61 | -0.33 | -0.63 |
| GBPpound/USD | 1.24 | 0.47 | -1.99 | 1.40 | -6.46 |
| USD/CAD | 1.36 | -1.48 | -1.18 | -0.83 | 4.51 |
| USD/Krona | 9.32 | -1.18 | -3.34 | -1.49 | -0.47 |
| USD/Swiss Franc | 0.95 | -1.49 | -0.38 | 0.44 | -2.00 |

Source: Bloomberg

*All prices as of the close June 30, 2020

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