

Monthly Market Commentary

July 2020 Recap

Stocks pushed higher for the fourth consecutive month in July as investors weighed economic data, central bank updates, and corporate earnings results. COVID-19 was also in focus, as several positive clinical stage studies on the vaccine front helped mitigate concerns of rising infection rates. The Tech-heavy Nasdaq Composite outperformed its peers on a relative basis, returning a torrid 6.8% in July. The S&P 500 advanced 5.5% to erase year-to-date losses, while the Dow added 2.4%.

Confidence in a potential “V-shaped” recovery wavered amid a mixed batch of economic updates. A blowout non-farm payrolls report showed that a record 4.8 million jobs were added in June, while, a gauge of manufacturing activity from the Institute for Supply Management (ISM) unexpectedly returned to expansionary territory in June. However, risk sentiment fluctuated later in the month as market participants grew wary of a stalling economic recovery. The first print of second-quarter U.S. GDP indicated the steepest annualized contraction on record (-32.9%), while weekly initial unemployment claims rose for the first time since March. Elsewhere, investors monitored escalating geopolitical tensions between the U.S. and China. In a move to protect American intellectual property, the U.S. State Department ordered the closure of a Chinese consulate in Houston. Retaliation by Beijing quickly ensued as the U.S. was forced to shut down its own consulate in Chengdu, a city in the southwest region of China.

In central bank news, the Federal Reserve left its benchmark interest rate near zero, while reiterating a promise to utilize its “full range of tools” to support the U.S. economy. Additionally, the Fed expressed its commitment to maintain bond purchases and its array of lending and liquidity programs that were implemented in response to the COVID-19 pandemic. Fiscal stimulus across the pond also garnered attention. The European Commission negotiated a massive plan worth 750 billion euros, to be funded by an unprecedented common bond issuance. The move was seen as deepening the bloc’s financial and economic ties, sending the euro to its best level since October 2018. Perceived safe haven assets rallied in July, with U.S. Treasuries strengthening during the month. The yield on the 10-year note fell 13 basis points to 0.53%, the lowest level since March. Meanwhile, the 30-year mortgage rate slipped below 3% for the first time. Precious metals also notably outperformed with COMEX gold jumping 9.0% to break past its previous record high set in 2011. The yellow metal received a tailwind from a weakening U.S. dollar, a gauge of which posted its worst monthly performance in nearly 10 years. Furthermore, silver surged more than 30% for its strongest month since 1979.

Second-quarter earnings were closely watched as investors assessed how companies weathered the pandemic-related shutdown. More than 60% of S&P 500 constituents posted profit tallies, with a record percentage of U.S. companies exceeding a low bar of earnings expectations. Standout reports from Tech and mega-cap companies helped the Nasdaq 100 outperform the S&P 500 for a 10th-straight month, the longest such streak in two decades. The CEOs of Facebook, Apple, Amazon, and Google parent Alphabet testified before the House Judiciary Committee in relation to antitrust regulations. However, robust earnings overshadowed the scrutiny, with all four companies adding a combined market cap of more than \$500 billion in July. Several biotech firms garnered headlines as positive developments on a possible coronavirus vaccine bolstered sentiment. Shares of Novavax surged more than 70% for the month as Washington awarded \$1.6 billion in funding to expedite research on its experimental vaccine. Additionally, Pfizer and German company BioNTech offered encouraging data surrounding their collaborative vaccine candidate. The U.S. government placed an order for 100 million doses of the experimental drug, with an agreement to acquire an additional 500 million doses if it proved to be both “safe and effective.” Overall, 10 of 11 S&P 500 sectors finished the month higher, with the Consumer Discretionary and Utility groups pacing gains.

Disclaimers

Pricing as of market close on July 31, 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 NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The index was developed with a base value of 125 as of February 1, 1985. Prior to December 21, 1998 the Nasdaq 100 was a cap-weighted index.

U.S. Markets		Price Return (%)		Total Return (%)		
Index	Close	July	July	June	YTD*	
S&P 500	3271.12	5.51	5.64	1.99	2.38	
Dow Jones Industrial Average	26428.32	2.38	2.51	1.82	-6.14	
Nasdaq Composite	10745.27	6.82	6.85	6.07	20.46	
S&P 400 Mid Cap	1863.91	4.53	4.61	1.26	-8.75	
S&P 600 Small Cap	865.38	4.03	4.11	3.73	-14.49	

U.S. Sector Performance		Price Return (%)		Total Return (%)		
Index	Close	July	July	June	YTD*	
Communications Services	191.69	6.57	6.80	-0.51	6.47	
Consumer Discretionary	1145.81	8.98	9.00	4.99	16.88	
Consumer Staples	642.01	6.77	6.96	-0.33	0.91	
Energy	272.09	-5.35	-5.13	-1.30	-38.65	
Financials	399.06	3.52	3.77	-0.32	-20.77	
Health Care	1228.58	5.20	5.38	-2.38	4.54	
Industrials	605.88	4.28	4.34	2.01	-10.93	
Information Technology	1942.39	5.56	5.62	7.14	21.41	
Materials	379.77	7.03	7.07	2.16	-0.34	
Real Estate	224.82	3.90	4.00	1.47	-4.88	
Utilities	309.12	7.72	7.81	-4.66	-4.20	

International Markets		Price Return (%)		Total Return (%)		
Index	Close	July	July	June	YTD*	
U.K. FTSE 100	5897.76	-4.41	-4.20	1.66	-20.28	
Germany DAX	12313.36	0.02	0.02	6.25	-7.06	
France CAC 40	4783.69	-3.09	-2.64	5.48	-18.41	
Spain IBEX 35	6877.40	-4.90	-4.40	2.77	-26.26	
Italy FTSE MIB	19091.93	-1.46	-1.13	6.82	-17.17	
Greece ATHEX	617.61	-3.33	-2.56	-1.15	-31.00	
MSCI Emerging Market	1078.92	8.42	9.01	7.39	-1.53	
Shanghai Composite	3310.01	10.90	11.96	5.63	10.83	
Japan Nikkei 225	21710.00	-2.59	-2.59	2.03	-7.17	
Hong Kong Hang Seng	24595.35	0.69	1.50	7.38	-10.54	
Brazil Bovespa	102912.20	8.27	8.27	8.76	-11.01	
Russia Micex	2911.57	6.14	8.63	0.75	-0.75	
India Sensex	37606.89	7.71	8.14	7.75	-8.05	

Treasuries		Historical Yields			
Maturity	July Ask Yield	June	May	April	March
2-Year	0.11	0.15	0.16	0.20	0.25
5-Year	0.20	0.29	0.30	0.36	0.38
10-Year	0.53	0.66	0.65	0.64	0.67
30-Year	1.19	1.41	1.41	1.28	1.32

Municipal Bonds			Price Return (%)		
Maturity	Close	July	June	May	YTD*
S&P Municipal Bond Index	267.27	1.41	0.78	2.99	3.41
S&P Muni Bond Long Intermediate	279.63	1.50	0.57	3.27	3.91
S&P Muni Bond Intermediate	265.87	1.36	0.52	3.10	3.72
S&P Muni Bond Short	178.69	0.40	0.09	1.38	1.99
S&P Muni Bond Investment Grade	264.35	1.35	0.59	2.96	3.56
S&P Muni Bond High Yield	314.42	2.18	3.64	3.44	1.07
S&P Muni Bond General Obligation	259.16	1.31	0.25	3.21	4.27

Commodities			Price Return (%)		
Front Month Futures	Close	July	June	May	YTD*
CRB Index	143.69	4.15	4.33	12.84	-22.66
Oil/bbl	40.27	2.55	10.65	88.38	-34.05
Natural Gas	1.80	2.74	-5.30	-5.13	-17.82
Gold	1962.80	9.01	3.66	2.52	28.87
Silver	24.22	30.61	0.23	24.17	35.13
Copper	286.80	5.69	11.87	3.04	2.54
Nickel	13748.00	7.73	4.00	1.09	-1.58

Foreign Exchange			Price Return (%)		
Currency	Close	July	June	May	YTD*
Dollar Index	93.35	-4.15	-0.97	-0.68	-3.15
Euro/USD	1.18	4.84	1.20	1.33	5.04
USD/Yen	105.83	-1.95	0.09	0.61	-2.56
GBPound/USD	1.31	5.52	0.47	-1.99	-1.30
USD/CAD	1.34	-1.21	-1.48	-1.18	3.25
USD/Krona	8.78	-5.81	-1.18	-3.34	-6.25
USD/Swiss Franc	0.91	-3.63	-1.49	-0.38	-5.56

Source: Bloomberg

*All prices as of the close July 31, 2020

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