

Monthly Market Commentary

August 2020 Recap

Stocks advanced for the fifth straight month in August, with the S&P 500 closing at an all-time high for the first time since February. Outperformance in Tech and growth-oriented shares helped power the benchmark index 7.0% higher, capping its best August performance since 1986. The Nasdaq Composite advanced 9.6%, notching 12 record closing highs in 21 trading sessions. Elsewhere, the Dow Jones Industrial Average gained 7.6% and announced changes to its underlying constituents for the first time since 2018. On August 31, 2020, Salesforce.com (CRM \$272.65), Amgen (AMGN \$253.32), and Honeywell International (HON \$165.55) replaced Exxon Mobil (XOM \$39.94), Pfizer (PFE \$165.55), and Raytheon Technologies (RTX \$61.00) in the price-weighted index that tracks 30 industry leading blue-chip stocks. Risk sentiment was lifted throughout the month by positive COVID-19 news, continued central bank support, and upbeat economic data.

The Federal Reserve revealed a key shift in its monetary policy framework at its annual Jackson Hole economic symposium, which was well-received by investors. In an effort to support the labor market, Fed officials unveiled plans to tolerate periods of higher inflation by utilizing “average inflation targeting.” Wall Street interpreted this move to likely result in a prolonged period of low interest rates, further pressuring the U.S. dollar, which posted its fourth consecutive monthly decline and ended August near a two-year low. Expectations for higher inflation helped lift longer-dated Treasury yields, as did an influx of unprecedented government bond issuance. The yield on the benchmark 10-year note rose 17 basis points to 0.70%, while the 30-year bond rate jumped 28 basis points to finish the month at 1.47%.

Treasuries were also pressured by generally positive economic data. The Labor Department’s non-farm payrolls report showed a better-than-anticipated 1.76 million jobs were added in July, while initial jobless claims slipped below 1 million for the first time since the start of the pandemic. Elsewhere, updates revealed that manufacturing and services sector activity increased further into expansionary territory in July. Strength in the real estate market persisted, with a gauge measuring homebuilder sentiment spiking to its best level since 1998. Furthermore, housing starts surged the most since October 2016, while existing home sales posted its strongest monthly gain in history. On the downside, the Conference Board’s gauge of August consumer confidence unexpectedly fell, tumbling to its lowest point since 2014.

Improving COVID-19 treatment and vaccine developments, along with decreasing case counts in the U.S. also helped provide a tailwind to investor sentiment. The U.S. Food and Drug Administration (FDA) authorized a blood plasma treatment for emergency use in the most serious coronavirus patients, while reports indicated the Trump administration was considering expediting an experimental vaccine being developed by AstraZeneca (AZN \$56.00) and Oxford University. Elsewhere, fiscal stimulus remained a sticking point, with negotiations between Democrats and Republicans ending in a stalemate ahead of lawmakers’ scheduled summer recess. Still, optimism remained that another round of aid would eventually be negotiated. On the geopolitical front, U.S. China tensions lingered, but a renewed commitment concerning the “phase one” trade deal managed to buoy the mood.

Eight of 11 S&P 500 sectors finished August in positive territory with Information Technology being the lone group to gain more than 10%. Better-than-expected corporate earnings reports contributed to the upward trajectory in equities. As second-quarter earnings season wrapped up, a record 23.1% of companies reported profits above expectations, meaningfully exceeding the five-year average of 4.7%, according to FactSet. Shares of Target (TGT \$151.21) jumped more than 20% in August, as the big box retailer reported its largest quarterly sales growth on record. In corporate news, Apple (AAPL \$129.04) received a tailwind after announcing a 4-for-1 stock split, becoming the first U.S. company to surpass \$2

trillion in market cap. Elsewhere, stocks sensitive to the economic reopening notably rallied, with Royal Caribbean (RCL \$68.84), MGM Resorts (MGM \$22.50), Delta Air Lines (DAL \$30.85), and Norwegian Cruise Lines (NCLH \$17.11) being four of the top 10 performing stocks in the S&P 500 for the month.

Disclaimers

Pricing as of market close on August 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.

U.S. Markets		Price Return (%)		Total Return (%)		
Index	Close	August	August	July	YTD*	
S&P 500	3500.31	7.01	7.19	5.64	9.74	
Dow Jones Industrial Average	28430.05	7.57	7.92	2.51	1.30	
Nasdaq Composite	11775.46	9.59	9.70	6.85	32.15	
S&P 400 Mid Cap	1926.54	3.36	3.51	4.61	-5.55	
S&P 600 Small Cap	898.79	3.86	3.99	4.11	-11.08	

U.S. Sector Performance		Price Return (%)		Total Return (%)		
Index	Close	August	August	July	YTD*	
Communications Services	209.04	9.05	9.06	6.80	16.12	
Consumer Discretionary	1253.91	9.43	9.52	9.00	28.01	
Consumer Staples	671.53	4.60	4.74	6.96	5.69	
Energy	266.50	-2.05	-1.02	-5.13	-39.28	
Financials	415.53	4.13	4.29	3.77	-17.37	
Health Care	1259.89	2.55	2.67	5.38	7.32	
Industrials	656.22	8.31	8.62	4.34	-3.25	
Information Technology	2172.20	11.83	12.01	5.62	35.99	
Materials	395.69	4.19	4.42	7.07	4.07	
Real Estate	224.57	-0.11	0.05	4.00	-4.84	
Utilities	299.46	-3.13	-2.65	7.81	-6.73	

International Markets		Price Return (%)		Total Return (%)		
Index	Close	August	August	July	YTD*	
U.K. FTSE 100	5963.57	1.12	1.76	-4.20	-18.87	
Germany DAX	12945.38	5.13	5.13	0.02	-2.29	
France CAC 40	4947.22	3.42	3.42	-2.64	-15.62	
Spain IBEX 35	6969.50	1.34	1.34	-4.40	-25.27	
Italy FTSE MIB	19633.69	2.84	2.84	-1.13	-14.82	
Greece ATHEX	633.98	2.65	2.78	-2.56	-29.08	
MSCI Emerging Market	1101.50	2.09	2.24	9.01	0.67	
Shanghai Composite	3395.68	2.59	2.70	11.96	13.83	
Japan Nikkei 225	23139.76	6.59	6.64	-2.59	-1.00	
Hong Kong Hang Seng	25177.05	2.37	2.54	1.50	-8.27	
Brazil Bovespa	99369.20	-3.44	-3.44	8.27	-14.07	
Russia Micex	2966.20	1.88	1.97	8.63	1.21	
India Sensex	38628.29	2.72	2.83	8.14	-5.45	

Treasury			Historical Yields		
Maturity	August Ask Yield	July	June	May	April
2-Year	0.13	0.11	0.15	0.16	0.20
5-Year	0.27	0.20	0.29	0.30	0.36
10-Year	0.70	0.53	0.66	0.65	0.64
30-Year	1.47	1.19	1.41	1.41	1.28

Municipal Bonds			Price Return (%)		
Maturity	Close	August	July	June	YTD*
S&P Municipal Bond Index	270.37	-0.24	1.41	0.78	3.16
S&P Muni Bond Long Intermediate	283.11	-0.25	1.50	0.57	3.65
S&P Muni Bond Intermediate	268.93	-0.21	1.36	0.52	3.51
S&P Muni Bond Short	179.42	0.01	0.40	0.09	2.00
S&P Muni Bond Investment Grade	267.16	-0.29	1.35	0.59	3.26
S&P Muni Bond High Yield	322.65	0.43	2.18	3.64	1.50
S&P Muni Bond General Obligation	261.68	-0.33	1.31	0.25	3.92

Commodities			Price Return (%)		
Front Month Futures	Close	August	July	June	YTD*
CRB Index	153.21	6.63	4.15	4.33	-17.53
Oil/bbl	42.61	5.81	2.55	10.65	-30.22
Natural Gas	2.63	46.19	2.74	-5.30	20.15
Gold	1970.50	0.39	9.01	3.66	29.37
Silver	28.44	17.43	30.61	0.23	58.68
Copper	304.10	6.03	5.69	11.87	8.72
Nickel	15344.00	11.61	7.73	4.00	9.85

Foreign Exchange			Price Return (%)		
Currency	Close	August	July	June	YTD*
Dollar Index	92.14	-1.29	-4.15	-0.97	-4.40
Euro/USD	1.19	1.34	4.84	1.20	6.45
USD/Yen	105.91	0.08	-1.95	0.09	-2.49
GBPound/USD	1.34	2.18	5.52	0.47	0.85
USD/CAD	1.30	-2.72	-1.21	-1.48	0.44
USD/Krona	8.65	-1.53	-5.81	-1.18	-7.68
USD/Swiss Franc	0.90	-1.01	-3.63	-1.49	-6.51

Source: Bloomberg

*All prices as of the close August 31, 2020

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