

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

JUNE 26, 2020

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

It's all about the pandemic. Rising cases in a number of states fueled fears of a second wave of infections and a more protracted economic recovery. In its updated World Economic Outlook, the International Monetary Fund lowered its forecast of global growth in 2020 to -4.7% (vs. a -3.0% estimate made three months ago).

Real GDP fell at a 5.0% annual rate in the third estimate for 1Q20 (same as the second estimate). Personal income fell by 4.2% in May, but "recovery rebate" checks and deposits had boosted income in April. Wage and salary income rose 2.7% (-5.7% y/y). Consumer spending rose 8.2% (-9.3% y/y) – adjusting for inflation, spending (70% of GDP) appears to be on track to fall at a 30-35% annual rate in 2Q20 (we should see a strong but partial rebound in 3Q20). Durable goods orders jumped 15.8% in May, but that surge largely reflected the fact that aircraft order cancellations (which show up as negative orders) were elevated in March and April. Ex-transportation, orders rose 4.0% (following an 8.2% decline in April). Jobless claims fell less than expected in the week ending June 20, to 1.48 million – still elevated.

Next week, we'll get a lot of fresh economic data. The focus is likely to be on the employment report (on Thursday this month due to the Friday holiday). Labor market figures are currently subject to a number of quirks beyond the usual seasonal adjustment and statistical issues. The Bureau of Labor Statistics is reported to have worked harder to reduce the classification issue that led to an under-reporting of the unemployment rate over the last three months. Nonfarm payrolls should continue to reflect the initial rebound in economic activity. The ISM Manufacturing Index should be less weak.

Indices

	Last	Last Week	YTD return %
DJIA	25745.60	26080.10	-9.79%
NASDAQ	10017.00	9943.05	11.64%
S&P 500	3083.76	3115.34	-4.55%
MSCI EAFE	1780.69	1801.43	-12.58%
Russell 2000	1413.32	1427.08	-15.29%

Consumer Money Rates

	Last	1 year ago
Prime Rate	3.25	5.50
Fed Funds	0.00	2.37
30-year mortgage	2.97	3.82

Currencies

	Last	1 year ago
Dollars per British Pound	1.2419	1.269
Dollars per Euro	1.1218	1.137
Japanese Yen per Dollar	107.19	107.79
Canadian Dollars per Dollar	1.364	1.313
Mexican Peso per Dollar	22.660	19.126

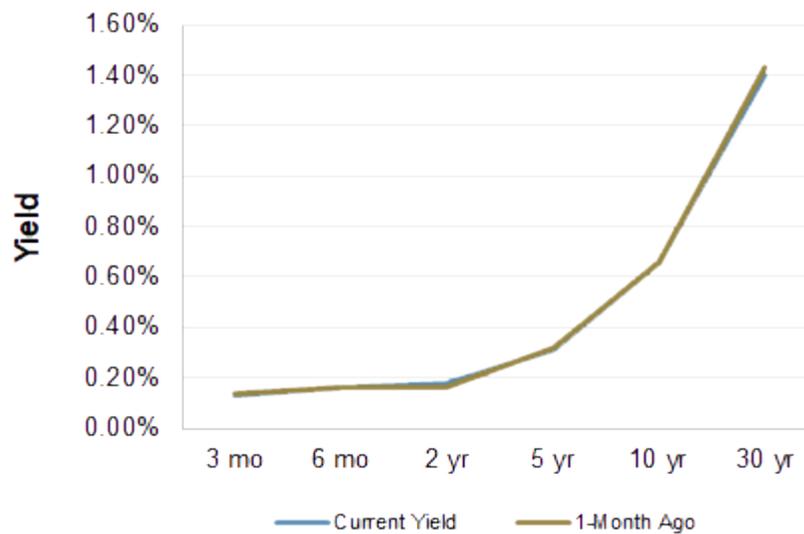
Commodities

	Last	1 year ago
Crude Oil	38.72	59.38
Gold	1770.60	1415.40

Bond Rates

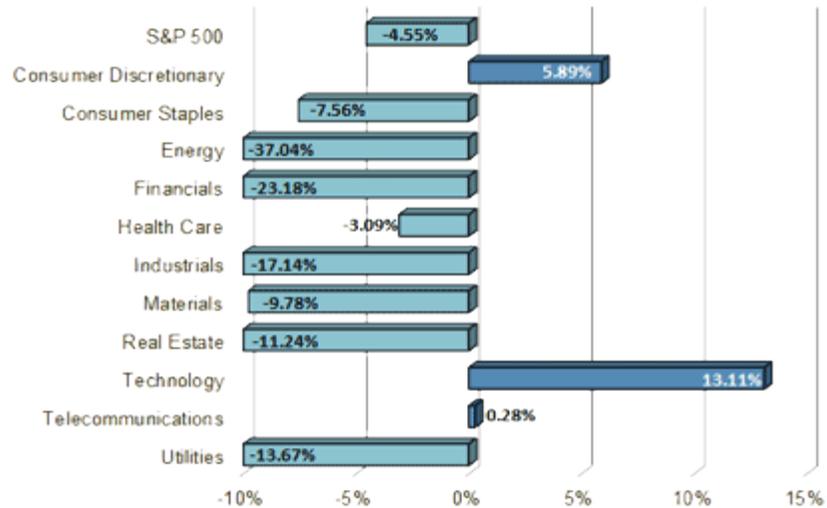
	Last	1 month ago
2-year treasury	0.18	0.16
10-year treasury	0.66	0.66
10-year municipal (TEY)	1.32	1.26

Treasury Yield Curve – 06/26/2020



As of close of business 06/25/2020

S&P Sector Performance (YTD) – 06/26/2020



As of close of business 06/25/2020

Economic Calendar

- | | | |
|----------------|---|-----------------------------------|
| June 29 | — | Pending Home Sales Index (May) |
| June 30 | — | Chicago Business Barometer (June) |
| | — | CB Consumer Confidence (June) |
| July 1 | — | ADP Payrol Estimate (June) |
| | — | ISM Manufacturing Index (June) |
| | — | FOMC Minutes (June 9-10) |

July 2	—	Jobless Claims (week ending June 27)
	—	Employment Report (June)
	—	Trade Balance (May)
July 3	—	Independence Day Holiday (observed)
July 6	—	ISM Non-Manufacturing Index (June)
July 29	—	FOMC Policy Decision
July 30	—	Real GDP (2Q20, adv. est., benchmark revisions)

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc. and are subject to change. There is no assurance any of the forecasts mentioned will occur or that any trends mentioned will continue in the future. Investing involves risks including the possible loss of capital. Past performance is not a guarantee of future results. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, and state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Taxable Equivalent Yield (TEY) assumes a 35% tax rate.

The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business June 25, 2020.