

# THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished June at 25,813 up +1.69% for the month, and down -9.55% year-to-date. The S&P 500 closed June 30 at 3,100 up +1.84% for the month, down -4.04% so far for the year. The NASDAQ Composite rose +5.99% in June, up +12.11% for the year. Small-company stocks as measured by the Russell 2000, ended June at 1,441, up +3.40% for the month, and down -13.61% year-to-date. Consumer Discretionary (+37.74%) and Energy (+33.40%) were the best performing sectors for the second quarter.

---

"The market's good week followed a pretty bad one, which was preceded by a good one, which was preceded by a bad one ... a reflection of the competing forces buffeting markets right now." (Barron's, *The Trader*, Ben Levisohn, July 2, 2020)

---

## Second Quarter Review - Markets Showing Signs of Complacency

The S&P 500 gained +19.9% in the second quarter, it's best quarter since 1998. Markets have also had their best 100 days in nearly 90 years, gaining over +40% since the March 23 low. It's become common in recent weeks to begin the day reading about tragic surges in COVID-19 cases across the country, another 1 million+ Americans filing for unemployment with many more stuck in line to file, divisive domestic politics with voids in leadership amid the pandemic, and the DOW Jones index gaining another 500 points. The widening gap between the performance of financial markets and the economic reality on the ground is leading many to question the sustainability of this market rally. Some observers have suggested an increase in small, speculative, retail investors using online platforms such as Robinhood, have driven some of the market activity. The data, however, suggests this market is explained less by irrational exuberance among speculators - and more by a general complacency across Wall Street that Congress will successfully pass an additional \$1 trillion+ stimulus; the Federal Reserve will continue with unlimited accommodative monetary policy; U.S.-China trade issues won't flare up; and that the economy won't fully shut down again despite alarming increases in COVID-19 cases nationwide.

There have been other developments markets have responded to, such as promising early results in certain vaccine trials and an improvement in treatment options for COVID-19. Important economic measures, such as employment and retail sales have also appeared to rebound more quickly than expected. There are still significant risks; however, in our view and elevated uncertainty surrounding each of these issues and their ultimate outcomes. Markets are pricing in optimism and successful outcomes, which means any news to the contrary could drive markets sharply lower. We encourage investors to prepare for a choppy, and potentially sideways, market through 2020. It would be a good time to discuss any meaningful cash needs through the rest of the year, and to plan ahead for those liquidations. We are happy to help you with this or any other analysis. Please don't hesitate to reach out to us.

**"On the negative side of the ledger, Covid-19 is still rising- a record 52,000 new cases were reported in one 24-hour period this past week, and not just because of more testing. And states continue to roll back or delay their reopenings, which will push back the recovery's timeline.**

**On the positive side: The Federal Reserve is pumping money into the economy, the [economic] data have been better than expected ... a Covid vaccine is being developed, and there's still a good chance that Congress passes some sort of stimulus bill. Depending on the day, news on any one of these fronts could send the market higher or lower." (Barron's, *The Trader*, Ben Levisohn, July 2, 2020)**

## Employment Report Improves - Questions Remain

A surprisingly good 4.8 million jobs were added in June, and the unemployment rate fell from 13.3% to 11.1%, despite the correction of many 'misclassification errors' that understated unemployment numbers in previous months. Despite being the best month of job growth on record, there are still around 15 million fewer jobs than in February. The survey was also conducted mostly in mid-June, before recent surges in COVID-19 were documented in states like Florida, Texas, and California. Leisure and Hospitality, as well as retail, accounted for over 2.5 million jobs added- although many expect these jobs to be most at risk if state re-openings are paused or scaled back due to increases in cases. While many have found the better than expected jobs data in May and June to be promising, failure to contain the pandemic is likely to stall or reverse the recovery in employment. Market participants are now closely watching developments in the pandemic, for signs the economic recovery can continue.

## MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 05/29/2020	CLOSE AS OF 06/30/2020	CHANGE PREVIOUS MONTH END	2020 YTD % CHANGE
Dow Jones Industrial Average	25,383.11	25,812.88	+429.77	-9.55%
S&P 500	3,044.31	3,100.29	+55.98	-4.04%
NASDAQ Composite	9,489.87	10,058.77	+568.90	+12.11%
RUSSELL 2000	1,394.04	1,441.37	+47.33	-13.61%
Fed Funds Rate	0.00%- 0.25%	0.00% - 0.25%	UNCHANGED	
2-Year Treasury	0.14%	0.16%	+0.02%	
10-Year Treasury	0.65%	0.66%	+0.01%	
Crude Oil \$ per Barrel	\$35.49	\$39.27	+\$3.78	-35.69%
Gold \$ per Troy oz.	\$1,751.70	\$1,800.50	+\$48.80	+18.21%
UK Pound in U.S. \$	\$1.2363US = 1£	\$1.2356US = 1£	\$ STRONGER	-6.73%
Euro in U.S. \$	\$1.1124US = 1€	\$1.1232US = 1€	\$ WEAKER	+0.06%
Canada \$ per U.S. \$	\$1.3822C = \$1.00US	\$1.362C = \$1.00US	\$ WEAKER	+5.03%
Japan Yen per U.S. \$	107.735¥=\$1.00US	107.885¥=\$1.00US	\$ STRONGER	-0.73%



NEW COVENANT TRUST COMPANY

200 E 12th Street, Jeffersonville, IN 47130  
800-858-6127 option 6 [newcovenanttrust.com](http://newcovenanttrust.com)