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*In this week's recap: Markets rally in reply to positive comments from Fed Chair Powell and further optimism for economic recovery.*

# Weekly Economic Update

*Presented by Don Clark, MBA, CFP®, May 25, 2020*

## THE WEEK ON WALL STREET

Upbeat comments by the Federal Reserve Chairman and more signs of an economic turnaround combined to help fuel a powerful rally in the stock market last week.

The Dow Jones Industrial Average rose 3.29%, while the Standard & Poor's 500 advanced 3.20%. The Nasdaq Composite index climbed 3.44% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, gained 3.87%.<sup>1-3</sup>

## STOCKS CHEER FED SUPPORT

The markets surged higher to open the week, buoyed by a Sunday night "60 Minutes" interview with Fed Chair Jerome Powell, who said that the Federal Reserve would do everything necessary to support economic recovery. Rising oil prices and more states lifting restrictions added to the overall improving investor outlook.

After a day digesting those gains, stocks moved another leg higher on strong earnings from big retailers and growing optimism over the global economic recovery. Stocks drifted in the final two days of trading as investors worried about heightening tensions between the U.S. and China.

## DIFFERENT VIEWS ON THE ECONOMIC RECOVERY

Treasury Secretary Steven Mnuchin and Fed Chair Powell testified last week before the Senate Banking Committee, providing Senators with two different views of the nation's economic outlook. <sup>4</sup>

Secretary Mnuchin suggested a wait-and-see approach before moving ahead with additional fiscal measures. He wants to pause new spending in order to first assess the impact of the already-approved stimulus program. He believes that the economy will experience a "V-shaped" recovery. <sup>4</sup>

Fed Chair Powell, on the other hand, expressed worries that waiting too long for additional fiscal measures may hamper the fragile economic recovery. It was the third time in a week that the Fed Chair suggested more federal spending is needed to help the economic recovery. <sup>4</sup>

## FINAL THOUGHTS

One of the challenges of assessing the U.S. economy using certain government reports, like the consumer price index or the employment report, is that they are considered "lag indicators." Lag indicators provide good insight into where we've been, but are less helpful in looking at the current state of economic activity.

Looking at some "real-time" data can help investors better assess the here-and-now. For example, gasoline deliveries are trending higher, consumer confidence appears to have stabilized, and airlines are seeing more bookings. Even the supply of toilet paper seems less of a concern these days, with Google searches falling to near normal levels. <sup>5,6</sup>

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### TIP OF THE WEEK



*Avoid visiting ATMs alone at night, and never count your money at one. If an outside ATM seems lonely, try a well-lit ATM in a 24-hour grocery or drug store instead.*

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Consumer Confidence. New Home Sales.

**Thursday:** Jobless Claims. Durable Goods Orders. Gross Domestic Product (GDP).

Source: Econoday, May 22, 2020

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

## THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

**Tuesday:** Autozone (AZO).

**Wednesday:** HP (HPQ), Workday (WDAY), Autodesk (ADSK).

**Thursday:** Salesforce.com (CRM), Costco (COST), Trip.com (TCOM), Okta (OKTA), Dollar General (DG), Dell Technologies (DELL), VMware (VMW).

Source: Zacks, May 22, 2020

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

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### QUOTE OF THE WEEK

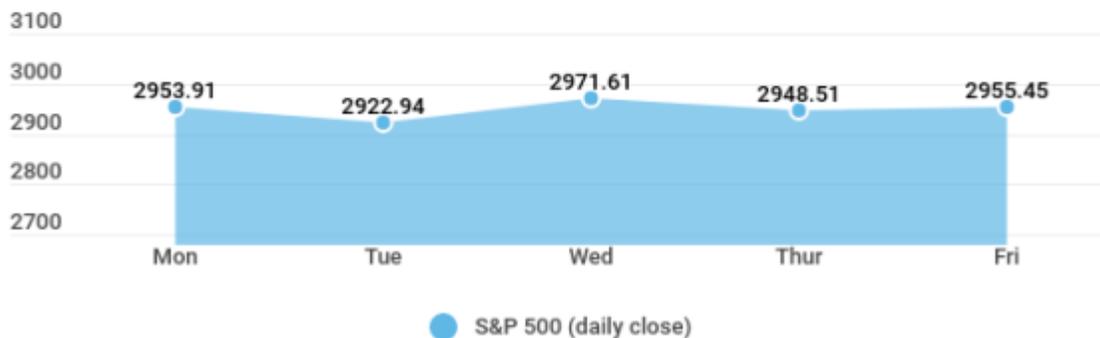


*“The possible’s slow fuse is lit by the imagination.”*

EMILY DICKINSON

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Market Index	Close	Week	Y-T-D
DJIA	24,465.16	+3.29%	-14.27%
NASDAQ	9,324.59	+3.44%	+3.92%
MSCI-EAFE	1,656.36	+3.87%	-18.68%
S&P 500	2,955.45	+3.20%	-8.52%



	Treasury	Close	Week	Y-T-D
	10-Year Note	0.66%	+0.02%	-1.26

Sources: The Wall Street Journal, May 22, 2020; Treasury.gov, May 22, 2020

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, May 15 to the Friday, May 22 close. Weekly performance for the MSCI-EAFE is measured from the Friday, May 15 open to the Thursday May 21 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.



## *What animal could become extinct worldwide, yet reappear about a year later?*

*LAST WEEK'S RIDDLE: It has keys that open no locks. Yet it lets you enter and create spaces. What is it?*

*ANSWER: A keyboard.*

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CITATIONS:

- 1 – The Wall Street Journal, May 22, 2020
- 2 – The Wall Street Journal, May 22, 2020
- 3 – The Wall Street Journal, May 22, 2020
- 4 – The Wall Street Journal, May 20, 2020
- 5 – MarketWatch, May 20, 2020
- 6 – MarketWatch, May 20, 2020

CHART CITATIONS:

- The Wall Street Journal, May 22, 2020
- The Wall Street Journal, May 22, 2020
- Treasury.gov, May 22, 2020