

Weekly Wrap

It was a remarkable week of trading in the stock market, which is becoming almost cliché to say. Every week since February 19 has been remarkable, but this one ranks at, or near, the top of remarkable weeks.

Here is some of what was learned this week:

- The nation's largest banks, including **JPMorgan Chase (JPM)**, **Bank of America (BAC)**, **Citigroup (C)**, and **Wells Fargo (WFC)**, recorded huge increases in their provisions for credit losses as they readied themselves for a possible wave of charge-offs.
- The May contract for WTI crude futures plummeted 21.8% to \$18.14/bbl.
- Retail sales declined 8.7% m/m in March, which is the largest drop on record.
- Industrial production declined 5.4% m/m in March, which was the worst downturn since 1946.
- The Empire State Manufacturing Survey plummeted to -78.2, which is its lowest level on record. The Philadelphia Fed Index dropped to -56.6, which was its lowest reading since July 1980.
- The NAHB Housing Market Index, which is a gauge of homebuilder sentiment, plunged to 30.0 for April (a record low) from 72.0 in March.
- Housing starts declined 22.3% m/m in March to a seasonally adjusted annual rate of 1.216 million units, marking the biggest drop since March 1984.
- The Leading Economic Index for March declined 6.7% m/m, which was the worst decline in the 60-year history of the index.
- The Paycheck Protection Program reached its \$350 billion limit, leaving millions of small business owners in need of support.
- Initial claims for the week ending April 11 totaled 5.245 million, bringing the four-week total for initial claims to 22.034 million. Continuing claims for the week ending April 4 hit a record 11.976 million.

Those were some remarkably unfortunate developments, underscoring the depth of the economic downturn that has been triggered by the shutdown measures aimed at curbing the spread of COVID-19. The stock market, however, didn't trade so much on the depth of the downturn as it did on the perceived duration of the downturn.

To that end, it rallied on the hope that local and state economies around the country, and economies in Europe, will be reopening soon as evidence is accumulating that the COVID-19 case curve is flattening, particularly in New York, which has been the epicenter of the U.S. outbreak. Separately, Germany said it will start to relax some of its shutdown restrictions beginning Monday, April 20.

The reopening hope went into overdrive on Friday following the White House's release of guidelines states can adopt to begin reopening their economies. That news was joined by a Stat News article that suggested a clinical trial of Gilead Sciences' (GILD) Remdesivir at the University of Chicago Medicine has shown some promising results in treating patients with severe cases of COVID-19.

Scientists and analysts were quick to point out that this is only anecdotal information from one of 152 clinical trial sites. Nevertheless, market participants forged a rally anyway on the notion that there could possibly be an effective therapeutic on the horizon that could go a long way toward curbing fears about contracting COVID-19 and helping to boost economic activity as a result.

This perspective fueled a strong rally on Friday to close out the week, which had the semblance of squeezing investors off the sidelines out of fear that they might miss out on further gains. That squeeze was exacerbated by the realization that the stock market has taken such a cavalier attitude in the face of horrible economic news. That's why there is a concurrent argument afoot that the stock market has gotten too far ahead of itself and is due for a setback.

The days ahead will provide some answers with respect to that argument, but the days left behind this week featured the outperformance of mega-cap issues, like Amazon.com (AMZN), Apple (AAPL), Microsoft (MSFT), and Alphabet (GOOG), leadership from the health care and consumer staples sectors, and relative weakness in the small-cap and mid-cap stocks, as well as in both the financial and energy sectors.

In brief, there was some passive-aggressive positioning unfolding throughout the week as market participants were moving toward stocks that presumably have the wherewithal to hold up better in a tough economic

environment, and moving away from the stocks of companies that are perceived to be at increased risk of underperforming.

The energy sector was in the worst of ruts going into Friday, yet it finished with a major flourish. The energy sector gained 10.4% on Friday alone, but to give one a sense of how bad it had been doing, the sector still only managed to end the week up 0.2%. It was a small victory, though, in a remarkable week for the stock market, whose recovery hope went seemingly unmatched in the Treasury market.

The 10-yr note yield ended the week down eight basis points at 0.65%.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|---------------------|---------------------|-------------------|---------------|-----------------|--------------|
| DJIA | 23719.37 | 24242.49 | 523.12 | 2.2 | -15.1 |
| Nasdaq | 8153.57 | 8650.14 | 496.57 | 6.1 | -3.6 |
| S&P 500 | 2789.82 | 2874.56 | 84.74 | 3.0 | -11.0 |
| Russell 2000 | 1246.73 | 1229.10 | -17.63 | -1.4 | -26.3 |

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Sentiment

Positive (1.00)

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