

Weekly Wrap

Week in Review: Stocks decline in week where oil briefly goes negative

The large-cap indices declined for the first time in three weeks, as risk sentiment was kept in check by the intense volatility in the oil futures market and valuation concerns. The losses weren't that great, though, with the Dow Jones Industrial Average losing 1.9%, the S&P 500 losing 1.3%, and the Nasdaq Composite losing 0.2%. The Russell 2000, however, gained 0.3%.

The big news item this week was when the price for the May WTI futures contract collapsed to -\$37.63/bbl on Monday. The negative print was the first time in history the market saw oil below zero, as no one wanted to take physical delivery given the well-documented storage constraints and lack of demand. The contract expired at \$10.01/bbl on Tuesday.

The rest of the WTI crude futures curve was dragged noticeably lower, too, with the June WTI contract touching \$6.50/bbl at its low before snapping back to \$17.03/bbl by week's end. On a related note, President Trump may have alleviated some worries regarding potential job losses in the industry after vowing to protect energy companies with appropriate funding.

The rebound in oil, and President Trump's comments, helped the S&P 500 energy sector (+1.7%) close in positive territory this week. In fact, it was the only sector to close higher, with the real estate (-4.4%), utilities (-3.8%), and consumer staples (-3.2%) sectors declining the most.

Valuation concerns likely contributed to the week's decline, based on a general observation that the S&P 500 was up 31.2% from its March 23 low coming into the week. That rally was primarily driven on hope that the economy, and coronavirus, will not be worse than the data seen in March and April.

It was this same hope, though, that perhaps explained why the market barely declined. Notably, weekly initial claims showed signs of easing with claims for the week ending April 18 decreasing by 810,000 to 4.427 million (Briefing.com consensus 4.0 million).

In addition, the economy will be buffeted by another \$484 billion in stimulus after the White House passed a relief bill for small businesses, hospitals, and COVID-19 testing. Separately, some therapeutic hopes were somewhat dampened after a report that **Gilead's (GILD)** remdesivir drug flopped in its first randomized clinical trial in China. Note, this was different from the trial in Chicago that showed promising signs.

U.S. Treasuries saw limited action this week. The 2-yr yield was unchanged at 0.20%, and the 10-yr yield declined five basis points to 0.60%. The U.S. Dollar Index advanced 0.5% to 100.25.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	24242.49	23775.27	-467.22	-1.9	-16.7
Nasdaq	8650.14	8634.52	-15.62	-0.2	-3.8
S&P 500	2874.56	2836.74	-37.82	-1.3	-12.2
Russell 2000	1229.10	1233.05	3.95	0.3	-26.1

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Sentiment

Positive (1.00)

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