Stock markets declined in the week as countries continue to deal with flare ups in cases of COVID-19. Domestic stock indexes underperformed their non-U.S. counterparts while emerging market stock indexes outperformed developed. All sectors of the S&P 500® index were negative for the week, with particular weakness in the energy, financials and communication services sectors. A nearly 10% decline in the share price of Facebook weighed on the communication services sector as companies have begun to pull advertising dollars from the company over hate speech concerns on the social media platform. Emerging market equities held in for the week as both China and South Korea delivered modestly positive returns.

Investors in higher quality fixed income realized modest positive returns for the week and the Bloomberg Barclays U.S. Aggregate Bond index is now outperforming the S&P 500 index by more than 10% year-to-date. The yield curve flattened modestly in the week as long-term rates declined more than short-term rates. Fixed income investors have enjoyed positive returns driven by fears of an economic slowdown and global central bank actions to drive interest rates lower.

As we make the turn out into the third quarter, investors will be faced with a plethora of concerns including the magnitude and duration of COVID-19 and its economic impact, an upcoming U.S. presidential election, Congress’s appetite for more stimulus and the opacity of corporate earnings. FactSet financial research and data systems estimates Q2 corporate earnings will decline 43.9%, the most since Q4 2008. This estimate is particularly remarkable as less than half the usual number of companies are providing guidance for Q2. Despite this uncertainty, the S&P 500 index is trading at a forward P/E ratio well above its 5- and 10-year averages.

Reports, Speeches and Market Movers:

Mon: U.S. Home Sales; Japan Industrial Production
Tues: U.K. GDP; Eurozone CPI; U.S. Fed Chair Powell Testimony
Wed: China Manufacturing PMI; U.S. ADP Employment; U.S. ISM Manufacturing PMI
Thur: Eurozone Unemployment Rate; U.S. Unemployment Rate
Fri: U.K. Composite PMI

Past Performance is No Guarantee of Future Results
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Indexes are unmanaged, do not incur fees or expenses, do not reflect any deduction for taxes, and cannot be purchased directly by investors.

(1) Price-weighted average of 30 actively traded Blue Chip stocks, primarily industrials, but also including other service-oriented firms; may be used as a benchmark for large cap stocks. (2) Widely recognized, unmanaged index representative of common stocks of larger capitalized U.S. companies. (3) Broad-based index of over 5000 companies, which measure all domestic, and non-U.S. based common stocks listed on the NASDAQ Stock Market, Inc. (4) Unmanaged index representing the performance of small-cap U.S. stocks. (5) Unmanaged index consisting of approximately 1,200 stocks in developed market countries outside of North and South America, and represents approximately 85 percent of the total market capitalization in those countries. (6) Unmanaged index of fixed rate investment grade securities with at least one year to maturity combining the Bloomberg Barclays U.S. Treasury Bond Index, the Bloomberg Barclays U.S. Government-Related Bond Index, the Bloomberg Barclays U.S. Corporate Bond Index, and the Bloomberg Barclays U.S. Securitized Bond Index.

The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of fixed-rate investment-grade securities with at least one year to maturity, combining the Bloomberg Barclays U.S. Treasury Bond Index, the Bloomberg Barclays U.S. Government-Related Bond Index, the Bloomberg Barclays U.S. Corporate Bond Index, and the Bloomberg Barclays U.S. Securitized Bond Index. The Bloomberg Barclays U.S. Corporate High-Yield Bond Index covers the universe of fixed rate, non-investment-grade debt from corporate sectors. The S&P 500® Index is a widely recognized, unmanaged index representative of common stocks of larger capitalized U.S. companies. The Russell 2000 Index is a widely recognized, unmanaged index representative of common stocks of smaller capitalized U.S. companies. The MSCI EAFE Index is a widely recognized, unmanaged index representative of equity securities in developed markets, excluding the U.S. and Canada. The MSCI Emerging Markets (EM) Index is an unmanaged market capitalization-weighted index of equity securities of companies domiciled in various countries. The Index is designed to represent the performance of emerging stock markets throughout the world and excludes certain market segments unavailable to U.S.-based investors.

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