# Weekly Market Review

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## *The Week Ending July 3, 2020*

The second quarter came to an end last week, completing a reversal from the first quarter. The S&P 500 Index ended the quarter up more than 20%, as the loose policy from both the Federal Reserve and Congress outweighed COVID-19 fears that existed in March. July got off to a strong start as well after the June jobs report showed a second consecutive month of stronger than expected job growth.

Close to five million jobs were added to the economy in June, representing the most significant month of job gains in U.S. history. Seeing such a large number of jobs added in one month is a positive and being that many of the jobs added were in service-oriented sectors indicates jobs are coming back after the COVID-19 induced shutdown. However, it is not easy to glean all the positives from the report. For one, the June jobs report is as of the middle of the month before the emergence of COVID-19 hotspots that forced new shutdowns in parts of the country. Another factor is the weekly jobless claims have been increasing recently, notably, the unemployment claims continue to rise. Weekly jobless claims are not a perfect window into the monthly numbers, but it's something to consider when the two data points are moving opposite each other. The last piece to question is the number of people anticipating their unemployment is permanent rather than temporary. When the COVID-19 pandemic first hit, many people viewed their employment as temporary as they expected to be re-hired once governments began to loosen guidelines. In the months since, these categories have shifted, and more are viewing their employment situation as permanent, meaning new jobs need to be created to put many of these individuals back to work. Even if there is not another decline in employment numbers, the growth we have seen in the past two months should not be expected to continue. The economy still faces challenges going forward, and a slow return to growth should be expected.

As we marked the halfway point of 2020 last week, it felt more like two years rather than two quarters. We have already seen a bear market followed by a quarter-long rally, all while the risks that brought on the bear market never really faded. These two quarters show how difficult it is to predict what the stock market will do over a short period. Last December, no one expected the S&P 500 to fall 20% within the next three-month period. And in March, as the market was bottoming, no one talked about the 20% rally that was commencing.  Instead, most people are anchored to the recent environment, expecting the same to continue indefinitely. It is difficult to grasp many of the positives from the first half of the year. However, 2020 is the prime example of the importance of taking a diversified, long-term approach to investing. No one could have predicted the past six months, but we can have confidence in saying that growth can be expected over the next ten years.



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