Weekly Market Review

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The Week Ending July 10, 2020

Fears of continued COVID-19 outbreaks across the country did not stop technology stocks from continuing their leg higher. While the rest of the stock market is not on the same torrid pace, the broad market did finish the week higher. Last week was more of a waiting period for upcoming economic and corporate data. This week marks the first of three in the heart of the second-quarter earnings season, where most S&P 500 companies will announce how they fared through the COVID-19 pandemic, and hopefully offer guidance for the remainder of 2020.

Recently, the stock market has been supported by stimulus from both the Federal Reserve and Congress, low interest rates, and improving economic data. Now, it's time for companies to show how they managed the heart of the pandemic and their plans to move forward. Most companies withdrew any forward guidance due to the unknowns surrounding COVID-19, but that is expected to change now that we are a couple of months from the stock market's bottom. Energy and consumer discretionary stocks will be of interest due to being front and center of the downturn and ensuing quarantine. Technology stocks are on the other end of the spectrum, as they have been durable and will need strong results to continue their impressive run.

Earnings estimates are difficult to gauge at this point due to the uncertainty, but that has never stopped Wall Street from trying The S&P 500 Index is expected to suffer a 45% decrease in earnings from one year ago, which would lead to the worst earnings results since the Global Financial Crisis in 2008. Given the limited amount of information used to predict outcomes, it can leave plenty of room for companies to outperform. Economic forecasts have shown to be fairly inaccurate in these unprecedented times, and the same could hold true for companies' results.

The Non-manufacturing Purchasing Manager's Index June data was reported last week. It took the path of many of the data points we have seen recently, displaying a "V" shaped recovery from May's sharp drop. The Non-Manufacturing Index increased close to 12% from May, as the economy reopened, and consumers reemerged from quarantine. This now puts manufacturing and non-manufacturing back into expansion territory. The brightest spot of the report was the "New Orders" section, which posted its largest monthly return since 1948, creating optimism heading into the second half of the year.

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