

August 2020 Flash Report

Overview: Economy – Congressional Budget Office estimates that the U.S. will run its biggest budget shortfall ever this year at \$3.3 trillion. That would be the 4th largest deficit reported in proportion to the size of the economy, according to data kept by the Office of Management and Budget. **Employment** - Private employers added 428,000 jobs in August, indicating the nation's labor market is slowly recovering from the coronavirus crisis, according to the ADP National Employment Report. **Federal Reserve** – The Federal Open Market Committee has approved changes to its policy strategy that is viewed as leading to an easier monetary policy stance over time. The central bank would allow inflation to run above 2% for a period of time. **Coronavirus Stimulus Package** – negotiations are ongoing between the Administration and Congress although both parties appear far apart at month's end.

Equities: Domestic – Markets continued to rally in August as investors looked past high unemployment rates and ballooning budget deficits. The **S&P 500** increased by 7.2% resulting in a positive return of 9.7% YTD. The index had been down nearly 20% YTD at end of March.

Growth stocks surged ahead by 10.3% in August, gaining 30.5% YTD led by Tech. & Cons. Disc. Companies. Value stocks gained a more modest 4.1% in the month but remain down 9.4% YTD as Energy, Financials and Utilities remain negative for the year.

The **R2000** returned 5.6% in August but remains negative by 5.5% in 2020 where Value stocks have lost nearly 18%.

International – **EAFE** gained 5.2% in August as both the European and Asian markets contributed to the positive performance, although EAFE remains negative for the year with a 4.3% loss. A weaker Dollar added 1% to the month's return and nearly 4% for 2020.

Emerging Mkts – Emerging markets managed another gain in Aug, earning 2.2% and moving YTD results in positive territory by 0.7%. China earned 5.7% resulting in a gain of 19.9% for the year. In a reversal from last month, Latin America showed considerable weakness as Brazil lost nearly 10% in August.

Fixed Income: The Fed continued to hold rates at near zero and moved its inflation target above 2%, effectively postponing increases. Short term yields moved up slightly by 2bps to 0.10% for the **90 Day T-bill**. The **10 Year Treasury** yield rose by 17bps to 0.70%. The yield curve remains slightly positive across all maturities. The **30 Year Treasury** yield closed at 1.47%, up by 28bp from last month.

Municipal yields also rose in Aug. The **1 Year Municipal** yield closed at 0.15%, up 5bps, and now trading at a slight premium to the comparable Treasury. The **30 Year Municipal** yield closed at 1.62%, higher by 26bps; a 15bps premium versus the 30 Year Treasury. Tax-exempt yields closed at a premium to Treasury yields across most maturities.

International yields moved mostly higher in August. **German** rates were less negative by 7bps ending with a negative 0.66% yield for the **2 Year Bund**, and by 13bps with a negative 0.40% for the **10 Year**. The **UK 10 Year Gilt** yield rose by 21bps to 0.31%. The **Japanese 10 Year Gov't** bond yield moved up slightly to 0.04% in August. The **2 Year Yield** moved up by 4bps to negative 0.12%.

High Yield bonds rose 1.0% in August with an average yield of 5.6%. The Aggregate Bond Index lost 0.8% in the month reflecting an approximate yield of 2.2%.

Commodities: WTI Crude Oil gained **\$2.4/barrel** to **\$42.8/barrel** in August. Oil prices steadied in the month pressured by worries about the demand outlook during pandemic but supported as U.S. producers shut output in the Gulf of Mexico ahead of Hurricane Laura. **Gold** prices decreased by **\$11/oz** to **\$1975/oz** in the month. With negative bond yields and the Federal Reserve likely holding rates near zero, investors continue to view Gold as a hedge against equity volatility.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	7.9%	12.6%	1.3%	10.3%	11.6%	14.2%
S&P 500	7.2%	15.5%	9.7%	21.9%	14.5%	14.5%
Russell LG Value	4.1%	7.5%	-9.4%	0.8%	4.5%	7.5%
Russell LG Growth	10.3%	24.0%	30.5%	44.3%	24.2%	20.7%
Russell 2000	5.6%	12.4%	-5.5%	6.0%	5.0%	7.7%
NASDAQ	9.7%	24.3%	32.1%	49.3%	23.6%	21.1%
MLP Index	0.5%	-10.7%	-37.7%	-39.8%	-16.6%	-11.9%
REIT Index	0.3%	7.0%	-11.5%	-9.2%	3.3%	7.1%
International Equities						
EAFE	5.2%	11.3%	-4.3%	6.6%	2.8%	5.2%
EAFE Small Companies	7.5%	12.7%	-3.2%	11.1%	3.0%	7.2%
Emerging Markets	2.2%	19.7%	0.7%	14.9%	3.2%	9.1%
China	5.7%	26.2%	19.9%	37.5%	9.4%	13.9%
Fixed Income						
US Agg	-0.8%	1.3%	6.9%	6.5%	5.1%	4.3%
US High Yield	1.0%	6.7%	1.7%	4.7%	4.9%	6.5%
Municipal Bonds	-0.5%	2.0%	3.3%	3.2%	4.1%	4.0%
Currencies						
EURO	1.1%	7.6%	6.5%	8.7%	0.2%	1.2%
British Pound	1.9%	8.6%	0.8%	10.0%	1.0%	-2.7%
Japanese Yen	-0.1%	1.8%	2.7%	0.4%	1.5%	2.8%
Commodities						
Bloomberg Commodity	6.8%	15.4%	-9.0%	-3.9%	-3.1%	-3.1%
S&P GSCI Crude Oil	5.2%	17.6%	-64.2%	-60.0%	-21.7%	-21.7%
Gold	-0.4%	11.2%	26.7%	26.3%	12.9%	10.6%