Kelly Financial Services LLC
Kelly Kelly
President
10 Forbes Road
Suite 130
Braintree, MA 02184
TEL 781.849.3090
FAX 781.849.3091
kellykelly@kellyfinancial.org
www.kellyfinancial.org

KELLY FINANCIAL SERVICES LLC

Market Week: September 28, 2020

The Markets (as of market close September 25, 2020)

The major market indexes continued their slide to begin last week. With last Monday's losses, the S&P 500 endured its longest losing streak since February, the Dow fell 1.8%, and the Nasdaq dropped for the fifth consecutive trading session. Among market sectors, commodity, industrial, and financial shares plunged. Sobering news that the COVID-19 virus could accelerate in the fall and winter raised the prospect of further shutdowns here and abroad. On the subject of shutdowns, the government faces one following the Republicans' rejection of a Democrat-proposed funding bill. Treasury yields sank as bond prices rose. Crude oil fell while the dollar soared to an almost six-week high.

Tech stocks and mega-cap growth shares led the market rebound last Tuesday. Each of the benchmark indexes listed here posted solid gains, with the Nasdaq leading the way after advancing 1.7%, followed by the S&P 500 (1.1%), the Russell 2000 (0.8%), the Dow (0.5%), and the Global Dow (0.0%). Crude oil prices and the dollar rose while Treasury yields sank. The market surge could be the result of investors trying to clip some bargains following the selloff. Federal Reserve Chair Jerome Powell said the economy is a long way from where it needs to be and predicted that growth would be a slow ordeal. Congress still hasn't agreed on a stimulus package. However the House overwhelmingly passed a temporary funding bill, now headed to the Senate, which would avoid a government shutdown. British Prime Minister Boris Johnson imposed new business restrictions and recommended continuing a work-from-home policy to counter a second wave of COVID-19 in the United Kingdom.

Despite promising reports on the development of a COVID-19 vaccine, stocks slid dramatically by the close of trading last Wednesday. Among the sectors, tech stocks, energy shares, communication stocks, and mega-caps took a collective nosedive, pulling the rest of the market down as well. The Dow lost 1.9%, the small caps of the Russell 2000 gave back 3.0%, and the Global Dow sank 1.3%. The Nasdaq and the S&P 500 were closing in on correction territory after dropping 3.0% and 2.4%, respectively. Crude oil prices declined, the dollar climbed, and 10-year Treasury yields rose.

Stocks moved in the opposite direction last Thursday, posting moderate gains by the end of the day's trading. The Nasdaq gained 0.4%, followed by the S&P 500 (0.3%) and the Dow (0.2%). The Russell 2000 was flat and the Global Dow fell 0.6%. Treasury prices climbed, pulling bond yields lower. Crude oil prices climbed above $40.20 per barrel, and the dollar fell.

The close of last week saw stocks continue to rally. Tech stocks, real estate, and mega-caps advanced. The Nasdaq climbed 2.3%, its biggest one-day jump in two weeks. Crude oil prices and Treasury yields dipped, while the dollar gained against a basket of currencies.

Equity gains at the end of the week weren't enough to push the benchmark indexes ahead of the prior week's closing values. Only the Nasdaq posted a weekly gain. The S&P 500, the Dow, the Russell 2000, and the Global Dow each fell. The end-of-the-week push may have been driven by dip buyers, looking for stocks with depressed values. Otherwise, there wasn't much positive news to spur investors. After continued haggling, it doesn't appear that Congress and the White House can agree on a stimulus package, leading some to speculate that nothing of substance will happen until after the November election. An uptick in worldwide COVID-19 cases, coupled with a lack of government aid is not an encouraging combination for investors.

Crude oil prices dipped last week, closing at $40.12 per barrel by late Friday afternoon, down from the prior

Key Dates/Data Releases

9/30: GDP

10/1: Personal income and outlays, ISM Manufacturing Index

10/2: Employment situation

week's price of $40.84. The price of gold (COMEX) plunged last week, closing at $1,866.10, down from the prior week's price of $1,958.10. The national average retail price for regular gasoline was $2.168 per gallon on September 21, $0.015 lower than the prior week's price and $0.486 less than a year ago.

Stock Market Indexes

Market/Index	2019 Close	Prior Week	As of 9/25	Weekly Change	YTD Change
DJIA	28,538.44	27,657.42	27,173.96	-1.75%	-4.78%
Nasdaq	8,972.60	10,793.28	10,913.56	1.11%	21.63%
S&P 500	3,230.78	3,319.47	3,298.46	-0.63%	2.09%
Russell 2000	1,668.47	1,536.78	1,474.91	-4.03%	-11.60%
Global Dow	3,251.24	3,041.96	2,916.01	-4.14%	-10.31%
Fed. Funds target rate	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%	0 bps	-150 bps
10-year Treasuries	1.91%	0.69%	0.65%	-4 bps	-126 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Existing home sales continued to soar in August, marking the third consecutive month of advancing sales gains. Total existing home sales rose 2.4% in August from July. Total sales are ahead of last year's pace by 10.5%. Single-family home sales climbed 1.7% in August. The median existing home price was $310,600 in August ($304,100 in July), which is 11.4% above the August 2019 median price of $278,800. The median price for existing single-family home sales was $315,000 last month ($307,800 in July). Total housing inventory fell 0.7% in August from July and sits at a 3.0-month supply.
- Sales of new single-family homes also climbed last month. According to the Census Bureau, new single-family home sales rose 4.8% in August over July and are 43.2% above the August 2019 estimate. The median sales price of new houses sold in August 2020 was $312,800 ($327,800 in July). The average sales price was $369,000 ($371,900 in July). The estimate of new houses for sale at the end of August was 282,000, representing a 3.3-month supply at the current sales rate.
- Orders for durable goods increased for the fourth consecutive month in August, according to the latest information from the Census Bureau. New orders for durable goods advanced 0.4% last month. Although new orders are rising, they're still 11.3% lower than a year ago. Excluding transportation, new orders also rose 0.4%. Excluding defense orders, new orders climbed 0.7%. Machinery led the increase in August, surging 1.5%. With the increase in new orders, it isn't surprising that shipments (-0.3%), unfilled orders (-0.6%), and inventories (-0.1%) decreased. Nondefense new orders for capital goods in August increased 7.8%.
- For the week ended September 19, there were 870,000 new claims for unemployment insurance, an increase of 4,000 from the previous week's level, which was revised up by 6,000. According to the Department of Labor, the advance rate for insured unemployment claims was 8.6% for the week ended September 12, a decrease of 0.1 percentage point from the prior week's rate, which was revised up by 0.1 percentage point. The advance number of those receiving unemployment insurance benefits during the week ended September 12 was 12,580,000, a decrease of 167,000 from the prior week's level, which was revised up by 119,000.

Eye on the Week Ahead

The final report on gross domestic product for the second quarter is out this week and should have the economy retracting at a rate of nearly 32%. The other important economic report out this week focuses on personal income, consumer spending, and consumer prices for August. The prior month saw personal income rise 0.4%, consumer spending jump 1.9%, and prices advance 0.3%.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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