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Market Week: October 19, 2020

The Markets (as of market close October 16, 2020)

Each of the benchmark indexes listed here advanced last Monday, climbing to their highest levels in more than a month. The Nasdaq advanced 2.6%, the S&P 500 gained 1.6%, the Dow added 0.9%, the Russell 2000 increased 0.7%, and the Global Dow picked up 0.7%. The Treasury market was closed for the Columbus Day holiday. Crude oil prices fell and the dollar was mixed. Mega-caps and tech stocks were big risers, along with communication services, consumer discretionary shares, and financials.

Stocks fell last Tuesday on dampened stimulus hopes. The Global Dow dropped 0.9%, followed by the Russell 2000 (-0.7%), the S&P 500 (-0.6%), the Dow (-0.6%), and the Nasdaq (-0.1%). Treasury yields fell while crude oil prices and the dollar rose. Real estate and financials fell sharply as bank stocks dropped nearly 3.0%.

Equities continued to slide last Wednesday following more rhetoric downplaying the prospects for a stimulus deal in the near term. Lower third-quarter earnings figures from some big banks added to investors' trepidations. By the close of trading last Wednesday, the Russell dropped 0.9%, the Nasdaq fell 0.8%, the S&P 500 declined 0.7%, the Dow lost 0.6%, and the Global Dow gave back 0.4%. Treasury yields sank as bond prices increased. Crude oil prices advanced for the second consecutive day while the dollar weakened. Most of the major sectors were hit hard last Wednesday, with the largest declines in consumer discretionary stocks, communication services, and real estate.

Last Thursday proved no better for stocks, marking the third consecutive day of declines. Of the indexes listed here, only the Russell 2000 posted a gain (1.1%). The Global Dow fell 1.0%, followed by the Nasdaq (-0.5%), the S&P 500 (-0.2%), and the Dow (-0.1%). Ten-year Treasury yields advanced, crude oil prices dropped, and the dollar was mixed. Investors pulled back from technology stocks and FAANGs following news of stiffening COVID-related lockdowns in Europe and increasing unemployment claims in the United States. Market sectors that fell last Thursday include health care, communication services, information technology, and materials.

Stocks were mixed last Friday as the Dow, the S&P 500, and the Global Dow posted marginal gains, while the Nasdaq and the Russell 2000 lost value. Treasury yields climbed, crude oil prices dropped, and the dollar was mixed. Shares of large technology companies and energy stocks plunged. Investors got more discouraging news on possible virus relief from Democrats and Republicans, as it appears nothing of substance will happen until after the November 3 election.

For the week, the Dow, the Nasdaq, and the S&P 500 posted moderate gains, while the Global Dow and the Russell 2000 lost value. Year to date, the Nasdaq is more than 30.0% higher than its 2019 closing mark, pushed higher by mega-tech stocks. The S&P 500 is nearly 8.0% ahead of last year's pace, while the Dow is barely above the break-even point.

Crude oil prices inched higher last week, closing at \$40.75 per barrel by late Friday afternoon, slightly ahead of the prior week's price of \$40.54. The price of gold (COMEX) fell following two consecutive weeks of increases, closing at \$1,901.90, down from the prior week's price of \$1,934.20. The national average retail price for regular gasoline was \$2.167 per gallon on October 12, \$0.005 lower than the prior week's price but \$0.462 less than a year ago.

Stock Market Indexes



Key Dates/Data Releases
10/20: Housing starts
10/22: Existing home sales

| Market/Index | 2019 Close | Prior Week | As of 10/16 | Weekly Change | YTD Change |
|-------------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 28,538.44 | 28,586.90 | 28,606.31 | 0.07% | 0.24% |
| Nasdaq | 8,972.60 | 11,579.94 | 11,671.56 | 0.79% | 30.08% |
| S&P 500 | 3,230.78 | 3,477.14 | 3,483.81 | 0.19% | 7.83% |
| Russell 2000 | 1,668.47 | 1,637.55 | 1,633.81 | -0.23% | -2.08% |
| Global Dow | 3,251.24 | 3,073.41 | 3,044.30 | -0.95% | -6.36% |
| 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% | 0.77% | 0.74% | -3 bps | -117 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

- The Consumer Price Index climbed 0.2% in September after advancing 0.4% in August. Over the past 12 months, the CPI has increased 1.4%. Prices for food did not change last month. Energy prices increased 0.8% in September, driven by a 4.2% jump in natural gas prices. Prices at the pump inched ahead 0.1%. Prices for used trucks and cars rose 6.7% in September after advancing 5.4% in August. Consumer prices, less the more volatile food and energy components, increased 0.2% in September and are up 1.7% over the last 12 months.
- According to the latest information from the Bureau of Labor Statistics, the Producer Price Index advanced 0.4% in September after climbing 0.3% in August. Producer prices are up 0.4% for the 12 months ended in September. Prices for services rose 0.4% last month, pushed higher by a 3.9% increase in prices for traveler accommodation services. Prices for goods also increased 0.4% in September, led by a 14.7% price jump for iron and steel scrap. Food prices rose 1.2% and trade prices inched up 0.2% last month. On the other hand, gasoline prices fell 2.8% in September.
- Sales at the retail level increased by 1.9% in September following a 0.6% jump in August. Retail sales are 5.4% above the September 2019 pace. Motor vehicle and parts dealers saw sales climb 3.6% last month, while sales at clothing and clothing accessories stores surged 11.0%. Sales at food services and drinking places increased 2.1%. Nonstore (online) retail sales increased 0.5% last month after soaring 23.8% in August.
- Prices for U.S. imports increased 0.3% in September following an advance of 1.0% in August. Despite the recent increases, overall import prices declined 1.1% for the year ended in September. Import fuel prices fell 2.9% in September following a 3.9% increase in August. The September fuel price decrease was the first since April. Nonfuel import prices advanced 0.6% in September following a 0.7% rise in August. Rising prices for nonfuel industrial supplies and materials; foods, feed, and beverages; automotive vehicles; consumer goods; and capital goods contributed to the advance in nonfuel import prices. Export prices advanced 0.6% in September after climbing 0.5% the previous month. Export prices are down 1.8% from September 2019. Agricultural export prices rose 2.7% in September following a 2.3% decrease the previous month. The September increase was the largest one-month advance since the index rose 3.8% in December 2018. Nonagricultural export prices advanced 0.3% in September after rising 0.8% in August. Even with the recent increases, nonagricultural export prices decreased 2.2% for the year ended in September.
- Industrial production fell 0.6% in September, its first decline after four consecutive months of gains. The index increased at an annual rate of 39.8% for the third quarter as a whole. Although production has recovered more than half of its February to April decline, the September reading was still 7.1% below its pre-pandemic February level. Manufacturing output decreased 0.3% in September and was 6.4% below the February level. The output of utilities dropped 5.6% as demand for air conditioning fell more than usual in September. Mining production increased 1.7% in September; even so, it was 14.8% below a year earlier. Overall, total industrial production was 7.3% lower in September than it was a year earlier.
- The government deficit for September, the last month of the fiscal year, was \$125 billion. Monthly receipts totaled \$373 billion while monthly expenses were \$498 billion. The total deficit for fiscal year 2020 was a record-setting \$3.132 trillion, an increase of 218% from fiscal year 2019. Expenditures increased 47% while receipts fell 1.0%. The extraordinary annual deficit pointed to large expenditures for COVID-19 relief.
- For the week ended October 10, there were 898,000 new claims for unemployment insurance, an increase of 53,000 from the previous week's level, which was revised up by 5,000. According to the

Department of Labor, the advance rate for insured unemployment claims was 6.8% for the week ended October 3, a decrease of 0.9 percentage point from the prior week's rate, which was revised up by 0.2 percentage point. The advance number of those receiving unemployment insurance benefits during the week ended October 3 was 10,018,000, a decrease of 1,165,000 from the prior week's level, which was revised up by 207,000. For perspective, a year ago there were 218,000 initial claims for unemployment insurance, the rate for insured unemployment claims was 1.2%, and 1,689,000 people were receiving unemployment insurance benefits.

Eye on the Week Ahead

The housing sector is in the news this week, with the latest reports from September available. The number of building permits issued and housing starts slowed in August compared to the prior month. The September numbers are expected to show a slight increase over the August totals. Sales of existing homes have surged over the past several months. Total sales jumped in August jumped 2.4%. A similar increase is expected for September.

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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