

# Wentz Weekly

July 6, 2020

## On to the Second Half...



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Jobs continue to be added back at a strong pace, with the DOL reporting 4,800,000 were added in June, above the expectation of 3,000,000. In addition, May's gain of 2,509,000 was revised up to 2,699,000 (recall the expectation for May was a loss of 7 million jobs, so jobs are coming back much quicker than expected). The unemployment rate fell from 13.3% to 11.1%, while the U-6 unemployment rate which includes those wanting a job but not looking because they got discouraged and those working part time but want full time work fell from 21.2% to 18.0%. The labor force participation rate continues to creep up as well as more enter the labor force again, up to 61.5% but still below pre-pandemic levels of 63.4%. As expected, the most jobs gains came from the leisure/hospitality with 2.1 million, followed by retail with 740k, health services with 568k, and manufacturing with 356k. The average wage declined 1.3%, following a 1.0% decline in May. This is a result of more lower paying jobs being added. Wages are up 5.0% compared to a year ago.

Markets rallied last week following an announcement from Pfizer releasing details on its vaccine study. The study showed all 24 patients receiving two doses of the vaccine developed levels of neutralizing antibodies after 28 days that were 1.8-2.8 times higher than those found in patients who had recently recovered from Covid-19. The study is being done in collaboration with its German biotech partner BioNTech. Also important, the company said there were no serious adverse events expect some mild fevers after the second dose. Keep in mind this is a very small sample size, however very encouraging news. The next phase includes a study in over 30,000 patients. Any positive announcement regarding a vaccine will likely lift the markets this year as positive news on the vaccine front is the most likely thing that will get the economy 100% opened and markets back to where they were prior to the pandemic.

Another bill to extend the Paycheck Protection Program was passed last week, extending the program to August 8. There is still over \$100 billion in the fund to lend to businesses. On a related note, in an interview President Trump discussed what his priorities are for the next stimulus bill. Details include another round of direct payments to individuals, along with some sort of incentive for individuals to go back to work and less of an "enhanced" unemployment benefit. It was recently reported by Reuters that Democrats are trying to extend the \$600 extra weekly unemployment benefit.

The second quarter of 2020 came to a close last week and looked like a complete reversal from what we witnessed in the first quarter. A voluntarily economic shutdown caused a 35.4% pullback in the S&P 500 from peak to trough and resulted in a 20% decline for the first quarter of the year. Since the market bottom on March 23rd, stocks may feel like they have gone straight up. The second quarter ended up being the best quarter since 1998 and the fourth best quarter ever, with the S&P 500 up 19.95%. The tech-heavy NASDAQ was even better, up 30.6% in the quarter, while the Dow rose 17.8%. Over the first half of the year the S&P is down just 4.01%.

## Company News

- The WSJ is reporting Uber has made an offer to buy Postmates, not long after its deal to buy Grubhub fell apart. Postmates last valuation was \$2.4 billion last year. Updated this morning, Uber made the official announcement they will acquire Postmates in a \$2.65 billion all-stock deal.
- Tesla delivered 90,650 vehicles in the second quarter, roughly 7,000 more vehicles than expected. The news sent Tesla's stock higher, with its market cap increasing \$18 billion, or roughly the market cap of Ford.
- Test crew members at Boeing and the FAA began a three-day certification for the MAX 737, an important step in the recertification of the jet that has been grounded since last March. If everything goes as expected, the next step would be pilot trainings and certification by non-U.S. authorities.

## The Week Ahead

It will be a much quieter week on both economic data and company earnings reports. Key economic data reports include the Job Openings and Labor Turnover survey on Tuesday, which reports the amount of jobs available and turnover in the labor market indicating the strength of the market. Outside of the survey we will see jobless claims on Thursday followed by the producer price index on Friday, where prices at the producer level are expected to remain muted. On the earnings calendar we have Bed Bath & Beyond Wednesday, and Walgreens and Delta on Thursday. With a lack of corporate and economic events, virus numbers are sure to keep the headline.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Information contained herein was received from sources believed to be reliable, but accuracy is not guaranteed. Information provided is general in nature and is not a complete statement of all information necessary for making an investment decision and is not a recommendation or a solicitation to buy or sell any security. Investing always involves risk and you may incur a profit or loss. Keep in mind that individuals cannot invest directly in any index. Past performance does not guarantee future results. There is no assurance these trends will continue, or forecasts will occur.