

Wentz Weekly

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Uptick in Covid Cases Sparks Second Wave Fears



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Virus-sensitive names led the markets lower to start the week, after a renewed fear that a second wave coronavirus cases would sweep through the globe. Last week was the first week since July when both the U.S. and Europe saw a week-over-week acceleration in new cases. In addition, three of the seven days of the same week global cases increased by more than 300,000 (India contributed 1/3 of those cases). Keep in mind this also coincides with an increase in testing, easing restrictions, and grade school and college students returning to school. Covid-19 cases have been rising at a faster pace in some parts of Europe, prompting officials to order new restrictions. Some of the countries at the forefront of the increase, such as Spain, France, and the U.K., are relying on targeted local restrictions to avoid further spread. Certain parts of Madrid are under a lockdown and only allow citizens to leave home for work, take children to school or go to the doctors. Trying to avoid a full shutdown again, in the U.K. PM Boris Johnson announced new restrictions including earlier close times for pubs, limiting certain events to less than 15 people, requiring masks in certain places, and urging individuals to work from home.

Fed Chair Powell and Treasury Secretary Mnuchin told lawmakers the emergency loan programs to support the economy after being shutdown were largely working as intended in their testimony before the House Financial Services Committee. Powell reiterated the Fed will do whatever it can to help and “we remain committed to using our full range of tools to support the economy for as long as needed.” Powell also said household spending has recovered three-fourths of its decline, but at the end of the day the path forward “will depend on keeping the virus under control” and called on Congress again to take action saying the recovery will also rely on “policy actions taken at all levels of government.” Mnuchin said Trump and Congress will continue their efforts on passing a Phase 4 relief package.

About \$21 billion to help farmers by stabilizing farm incomes and about \$8 billion in additional food assistance – that is what was needed for Republicans and Democrats to pass a continuing resolution to keep the government funded through December 11 this year. The bill was reached between Pelosi and Mnuchin and passed in the House on Tuesday and avoids a partial government shutdown when funding runs out this Thursday. The Senate will vote on the bill this week and is expected to pass.

House Speaker Nancy Pelosi introduced a new scaled-down coronavirus related financial aid bill in attempt to kickstart negotiations with Republicans that would include funding for governments, assistance to airlines, other small businesses, and individuals. Pelosi and Democrats are aiming for \$2.4 trillion, which is much lower than the original \$3.4 HEROES Act introduced several months ago. This is likely seen as a political move to make it appear Democrats are taking action prior to the election. The number is most likely still too high to satisfy Republicans, who have been vocal about not agreeing on anything over \$1.5 trillion. However, Treasury Secretary Steven Mnuchin said during his testimony before the Senate Banking Committee he and Pelosi have agreed to continue discussions, and there are areas of support but “let’s pass things that we agree on quickly and we can always come back.”

The housing market boom continued through the late summer months according to the latest data. The sales of new and existing homes rose to the quickest pace since December of 2006. The National Association of Realtors data shows sales of existing homes rose 2.4% in August, and 10.5% from the same period a year ago, to an annualized sales rate of 6.000 million homes. The Census Bureau reported new home sales rose to an annualized pace of 1.011 million, up 4.8% in the month and 43.2% higher than a year ago. The high sales pace is mainly a result from ultralow interest rates and is having a large impact of supply and median price of homes. There are now just 3 months supply of existing homes on the market, compared to a balanced market that is typically considered to have 6 months of supply. Consequently, the median sales price of an existing home was \$310,600 in August and up 11.4% from a year ago.

Company News

- Johnson & Johnson announced it initiated a Phase 3 clinical trial with 60,000 subjects for its single-shot Covid vaccine candidate. It is the first single-shot vaccine candidate entering a Phase 3 clinical trial.
- Nike executed a great quarter where its results beat analyst expectations. Sales were \$10.6 billion, down just 1% from a year ago and well above the expectation of \$9.1 billion, with growth driven by digital sales that were up 82%. Helping drive the earnings beat was higher than expected gross margins at 44.8%.
- American Airlines said it agreed to a Treasury Department loan of \$5.48 billion, using its frequent flier program as collateral and expects the loan amount to increase to \$7.5 billion. Airlines have until the end of the month to decide whether to tap into the funds offered under the CARES Act. Southwest and Delta have so far declined.

The Week Ahead

The corporate calendar will remain light this week. There will be several notable companies reporting their quarterly results – McCormick and Micron will report Tuesday, while Bed Bath & Beyond, Conagra Brands, Constellation Brands, and PepsiCo report on Thursday. Google will hold an event on Wednesday announcing its latest lineup of new products. The economic calendar is much busier. The first reports of the week will be the Conference Board’s consumer confidence report on Tuesday followed by the final revision on second quarter GDP and ADP’s payroll report for September. The most recent read on weekly jobless claims is released Thursday morning along with beginning of the month reports such as personal income and spending, construction spending, and results of the PMI and ISM manufacturing surveys. Finally, on Friday the Department of Labor’s employment report is released where another 810,000 payrolls are expected to have been added in September, down from 1.371 million in August. It will be the last employment report before the November 3rd election. Also on the calendar is the first Presidential debate, held in Cleveland at the Cleveland Clinic campus on Tuesday evening.

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 Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Every investor’s situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. 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.