

# Wentz Weekly

September 8, 2020

## August Rally, September Pause?



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According to the Department of Labor, the U.S. added 1.37 million payrolls in August, with 251,000 of those temporary census workers, bringing the total amount of job gains to 7.5 million since May. Data was in line with expectations, but below the pace of job gains in the prior months. The number of unemployed due to a temporary layoff decreased 3.1 million in August to 6.2 million, and off the highs of 18.1 million in April. Consequently, it appears more and more temporary layoffs are becoming permanent; the number of permanent job losers increase by half a million to 3.4 million and is up from 2.1 million in February. This is the highest since 2013, a sign that those unemployed have not been able to reclaim their jobs since the economy began to reopen. The unemployment rate surprised in August, falling to 8.4% from 10.2%, while the U-6 unemployment rate, which includes those wanting a job but not looking and those discouraged after looking and have stopped looking for a job, fell to 14.2% from 16.5% in July. There seems to be some flaws with how individuals are counted in the survey and how the unemployment rate is calculated due to the unprecedented shutdown and classification issues, but at the end of the day there are still 11.5 million more individuals without a job in August compared to before the pandemic.

Treasury Secretary Steven Mnuchin, who has been one of several Republicans in the Trump Administration to head negotiations with Democrats, urged Congress to appropriate more funds for a new relief bill. Mnuchin suggested \$1.5 trillion, which is above previous Republican offers, but less than the original \$3 trillion Democrats were targeting. House Speaker Nancy Pelosi has emphasized the Democrats will not go below \$2.2 trillion. Fiscal support will eventually matter but so far the impact has been small, due to consumers building up their savings from April to July when the average personal savings rate increased to 23%, or \$3,000 per person.

Separately, President Trump announced a national moratorium on evictions through the end of the year based on the 1944 Public Health Services Act. Tenants will have to certify they have lost "substantial" income, expect to make no more than \$99,000, are making their best efforts to pay as much rent as they can, and that an eviction would force them to be homeless or double up with others in close quarters. Recent estimates have shown up to 40 million could have been at risk for eviction. When the moratorium expires, missed payments will still need to be made up.

The Centers for Disease Control and Prevention has told states to prepare for distribution of a Covid vaccine by as early as November 1. Both Dr Anthony Fauci and Dr Stephen Hahn, head of the FDA, have said in recent interviews that a vaccine may be available for certain age groups before clinical trials are even complete, if the data is positive enough. The CDC's plan prepared states with technical specifications for two vaccine candidates, thought to be those being developed by Pfizer and Moderna. The plans outline scenarios for distributing the vaccines, including two doses, spread out 28 days apart, with public health officials, specifically long term care providers, among the first to receive the vaccine.

The sale of TikTok looks to be in the final stages, but still faces a major roadblock; how and if ByteDance, owner of TikTok, can sell its algorithms. A vast majority of the company's value lies within the algorithms of the popular social media app. The algorithms have always been part of a deal, but recently China implemented new restrictions on exporting its artificial intelligence technology. All sides are trying to figure out if that includes TikTok's algorithms, and if it does, what would be the value of the company. Reuters has reported TikTok's potential buyers have explored four options; acquiring TikTok without its software including the algorithms, requesting for Chinese approval, licensing the algorithms from ByteDance, or having a transition period by U.S. regulators.

## Company News

- Zoom Video blew away analyst estimates in its most recent quarter. Revenues were \$663 million, up 355% from a year ago, and beat expectations by 33% or \$163 million. The number of customers contributing more than \$100,000 in revenue more than doubled. Operating income increased from \$2.3 million to \$188 million, and free cash flow increased from \$17 million to \$373 million. Forward guidance was provided and was well above consensus estimates.
- Bloomberg reported Apple has asked its suppliers to prepare to produce at least 75 million 5G iPhones for this year's iPhone launch in the fall, which is approximately the same amount as last year's iPhone 11 lineup.
- In attempt to boost its bookings and become more competitive, United announced it will permanently end its \$200 change fee on economy and premium tickets for U.S. travel (will apply to tickets already booked through year-end 2020). Soon after United made the change, American and Delta announced they will follow and implement the same policy.

## The Week Ahead

It will be a holiday shortened week and a much quieter one on the economic calendar, with only inflation and employment data. On Wednesday we will see results from the Job Openings and Labor Turnover survey, indicating the amount of job openings, hires and separations. On Thursday we will see the weekly update on state unemployment claims. On the inflation front, the producer price index is released Thursday followed by the consumer price index on Friday. Core consumer prices are expected to have remained steady at 1.6% year-over-year pace. On the earnings calendar Lululemon and Slack report Tuesday after the close, followed by Chewy, Oracle, and Peleton on Thursday and ending the week with Kroger on Friday. Outside of the U.S., on Wednesday the Bank of Canada, and Thursday morning the European Central Bank, will announce their most updated monetary policy decision, where no changes are expected.

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 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. 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.