

Market Perspectives

Market related news for the week ending June 19, 2020

- Monday the Dow fell 500 points in early trade on fears of a coronavirus resurgence.
- Hertz shares fell 20% before the open Monday after filing for a \$500 million stock sale. The company warned that because it is bankrupt, the stock could be rendered "worthless."
- Federal Reserve Chairman Powell testified to lawmakers Tuesday, saying there's a "reasonable probability" that more help from both Congress and the Fed will be necessary.
- Thursday the French Finance Minister confirmed that the U.S. had pulled out of talks with European countries to create a new global tax framework. Led by the OECD, the discussions focused on an overhaul of the current system that would likely affect top U.S. tech firms such as Amazon and Google. France categorized the withdrawal as a "provocation" and said it would apply duties regardless, increasing the likelihood of a new trade and tariff dispute.
- Thursday Hertz shares fell around 10% after the company said it plans to terminate its controversial stock sale.
- Friday stocks began the day with strong gains after a report by Bloomberg News that China was set to increase its purchases of U.S. farm products to comply with the phase-one trade deal. The Dow then gave up these early gains on fears of a coronavirus resurgence. The Cruise Lines International Association announced it will suspend cruise operations from U.S. ports. Apple said it is reclosing stores in Florida, Arizona, South Carolina and North Carolina. Apple shares fell slightly on the news after hitting an all-time high earlier in the day.

Weekly equity markets snapshot

As of June 19, 2020

Market levels

| | 06/19/20 | 12/31/19 | Market Low |
|----------|----------|----------|--------------|
| Dow | 25,871 | 28,538 | 6,547 (3/09) |
| S&P 500® | 3,098 | 3,231 | 677 (3/09) |
| NASDAQ | 9,946 | 8,973 | 1,268 (3/09) |
| VIX | 35.12 | 13.78 | 56.7 (1/09) |

Market total returns

| | 1 Week | QTD | YTD | 2019 |
|-----------------|--------|--------|---------|--------|
| Dow | 1.07% | 18.78% | -8.22% | 25.34% |
| S&P 500® | 1.88% | 20.41% | -3.19% | 31.48% |
| NASDAQ | 3.74% | 29.46% | 11.46% | 36.74% |
| Russell Midcap® | 1.85% | 25.02% | -8.83% | 30.52% |
| Russell 2000® | 2.25% | 23.37% | -14.41% | 25.49% |
| MSCI EAFE (Net) | 2.05% | 16.27% | -10.27% | 22.01% |
| MSCI EM (Net) | 1.53% | 18.64% | -9.36% | 18.42% |
| REITS | -0.64% | 14.40% | -12.42% | 28.65% |

Global returns¹

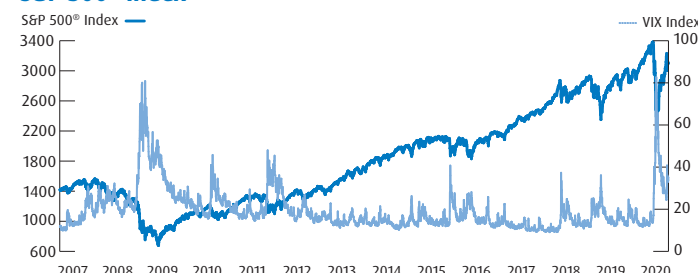
| EAFE countries | 1 Week | YTD | Emerging countries | 1 Week | YTD |
|----------------|--------|---------|--------------------|--------|---------|
| UK | 3.08% | -15.14% | MSCI BRIC | 2.43% | -7.21% |
| Germany | 3.19% | -6.93% | Brazil | 4.07% | -16.49% |
| France | 2.90% | -15.66% | Russia | 1.15% | -18.15% |
| Switzerland | 4.80% | -0.19% | India | 2.85% | -15.42% |
| Japan | 0.78% | -4.03% | China | 1.83% | -2.05% |
| Australia | 1.62% | -9.47% | S. Korea | 0.42% | -2.32% |

¹ See page 3 for global returns country-specific indices.

Real assets

| | 06/19/20 | 12/31/19 | YTD |
|-------------------|------------|------------|---------|
| Gold | \$1,743.87 | \$1,517.27 | 14.93% |
| Oil | \$39.75 | \$58.87 | -32.48% |
| Nat Gas | \$1.67 | \$2.30 | -27.53% |
| Bloomberg Commod. | \$64.57 | \$80.89 | -20.17% |
| USD Index | \$97.62 | \$96.39 | 1.28% |
| USD/EUR | \$1.12 | \$1.12 | -0.31% |

Featured chart: Implied stock market volatility and the S&P 500® Index



Style returns

One week

| | Large | Mid | Small |
|---|-------|-------|-------|
| V | 0.53% | 0.38% | 0.42% |
| G | 3.11% | 3.65% | 3.67% |

Year-to-date

| | Large | Mid | Small |
|---|---------|---------|---------|
| V | -15.23% | -17.44% | -24.55% |
| G | 8.67% | 4.21% | -4.68% |

Russell Value and Growth Indices

Index characteristics

| | Trlg P/E | Fwd P/E | Div Yield | Earn Yield |
|---------------|----------|---------|-----------|------------|
| S&P 500® | 20.91 | 19.17 | 1.91 | 4.78 |
| MSCI EAFE | 16.36 | 15.16 | 2.95 | 6.11 |
| MSCI EM | 14.64 | 12.47 | 2.55 | 6.83 |
| Russell 1000® | 20.92 | 19.68 | 1.84 | 4.78 |
| Russell 2000® | 15.77 | 29.61 | 1.18 | 6.34 |

S&P sector performance

| | Weight | 1 Week | QTD | YTD |
|------------------------|--------|--------|-------|--------|
| Information technology | 27.1% | 2.8% | 27.2% | 12.1% |
| Health care | 14.5% | 3.2% | 13.8% | -0.7% |
| Telecommunications | 10.9% | 2.0% | 22.5% | 1.7% |
| Consumer discretionary | 10.7% | 2.3% | 31.4% | 6.0% |
| Financials | 10.3% | 0.7% | 15.4% | -21.5% |
| Industrials | 8.0% | 0.6% | 17.3% | -14.4% |
| Consumer staples | 7.0% | 2.5% | 8.9% | -4.9% |
| Utilities | 3.1% | -2.4% | 3.4% | -10.6% |
| Energy | 2.9% | -1.0% | 34.5% | -33.3% |
| REITS | 2.8% | -0.6% | 13.8% | -7.5% |
| Materials | 2.5% | 2.0% | 24.9% | -7.8% |

Source: Bloomberg.

For general information only.

Market conditions and trends will vary. Past performance is no guarantee of future results.

Market Perspectives

Weekly fixed income markets snapshot As of June 19, 2020

Economic news for the week ending June 19, 2020

- Monday: Empire State Index for June was -0.2, up from -48.5 in May, and much better than expected.
- Tuesday: Retail Sales for May grew 17.7%, far more than estimates. Ex-autos the number was 12.4%.
- Tuesday: Industrial Production for May was 1.4%, less than expected but up from April's -12.5%.
- Tuesday: Homebuilders' Index for June came in at 58, up from May's 37. A reading above 50 indicates improving confidence.
- Wednesday: Housing Starts for May were 974,000, less than expected but up from April's 934,000.
- Wednesday: Building Permits for May were 1.22million, less than expected but up from April's 1.07 million.
- Thursday: Initial Jobless Claims for week 6/13 were 1.51 million, higher than expected.
- Thursday: Philly Fed Manufacturing Index for June came in at 27.5, much better than expected and far from May's -43.1.
- Thursday: Leading Economic Index for May was up 2.8% to 99.8, following a 6.1% drop in April and a 7.5% drop in March.

Economic events for the week ending June 26, 2020

(all times listed are Eastern)

- Monday: Chicago Fed National Activity Index for May at 8.30am.
- Monday: Existing Home Sales for May at 10.00am.
- Tuesday: Markit Manufacturing Index (flash) for June at 9.45am.
- Tuesday: Markit Services Index (flash) for June at 9.45am.
- Tuesday: New Home Sales for May at 10.00am.
- Wednesday: FHFA Home Price Index for April at 9.00am.
- Thursday: Initial Jobless Claims for week 6/20 at 8.30am.
- Thursday: GDP Q1 (revision) at 8.30am.
- Thursday: Durable Goods Orders for May at 8.30am.
- Friday: Consumer Spending for May at 8.30am.
- Friday: Core Inflation for May at 8.30am.
- Friday: Consumer Sentiment Index (final) for June at 10.00am.

Bond market returns

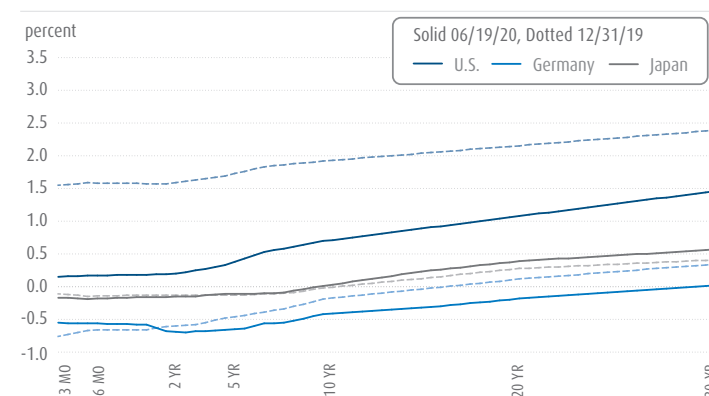
| | U.S. Aggregate | Intermediate Gov't/Credit | U.S. Treasury | Inv. Grade Corporates | MBS | 1-10-Yr Municipals | High Yield | EM Corporates |
|---------------------------------|----------------|---------------------------|---------------|-----------------------|--------|--------------------|------------|---------------|
| 1-Week Total Return | 0.20% | 0.28% | -0.04% | 0.95% | -0.25% | 0.02% | 0.87% | 0.52% |
| MTD Total Return | 0.43% | 0.47% | -0.28% | 1.92% | -0.17% | 0.31% | 2.55% | 2.51% |
| 3-Month Total Return | 6.29% | 4.75% | 4.08% | 14.26% | 2.75% | 4.45% | 15.47% | 11.79% |
| YTD Total Return | 5.92% | 5.13% | 8.31% | 4.98% | 3.42% | 1.99% | -2.30% | 0.80% |
| 12-Month Total Return | 8.92% | 7.24% | 10.22% | 10.55% | 5.73% | 3.90% | 2.14% | 5.71% |
| Effective Duration (years) | 6.09 | 4.11 | 7.14 | 8.55 | 2.22 | 3.82 | 3.80 | 4.65 |
| Effective Maturity (years) | 8.18 | 4.48 | 8.46 | 12.09 | 3.88 | 5.93 | 6.28 | 6.46 |
| Yield to Worst | 1.30% | 0.78% | 0.54% | 2.16% | 1.46% | 1.02% | 6.44% | 4.90% |
| OAS (basis points) | 68 | 43 | NA | 146 | 75 | NA | 578 | 447 |
| Average OAS (from January 1997) | 63 | 55 | NA | 153 | 55 | NA | 550 | 491 |

Key rates

| | This week | Prior week | Most recent quarter-end | 2019 year-end |
|---------------------|-----------|------------|-------------------------|---------------|
| 2-Year Treasury | 0.19 | 0.19 | 0.25 | 1.57 |
| 5-Year Treasury | 0.33 | 0.33 | 0.38 | 1.69 |
| 10-Year Treasury | 0.70 | 0.71 | 0.67 | 1.92 |
| 2-Year AAA Muni | 0.25 | 0.22 | 1.09 | 1.05 |
| 5-Year AAA Muni | 0.45 | 0.43 | 1.17 | 1.13 |
| 10-Year AAA Muni | 0.84 | 0.81 | 1.44 | 1.48 |
| 2-Year A Corporate | 0.54 | 0.62 | 1.94 | 1.86 |
| 5-Year A Corporate | 0.99 | 1.09 | 2.19 | 2.15 |
| 10-Year A Corporate | 1.82 | 1.91 | 2.67 | 2.67 |

Fixed income markets

Developed markets | Government Bond yield curves



Source: Barclays Capital, Bloomberg.

For general information only.

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¹ Global returns shown on page one represent the following indices: FTSE 100 Index (UK), Deutsche Borse AG German Stock Index (Germany), CAC 40 Index (France), Swiss Market Index (Switzerland), Nikkei-225 Stock Average (Japan), S&P/ASX 200 (Australia), MSCI BRIC Index, Ibovespa Brasil Sao Paulo Stock Exchange Index (Brazil), Russian Trading System Cash Index (Russia), S&P BSE Sensex Index (India), Korea Stock Exchange KOSPI Index (South Korea), The Shanghai Stock Exchange Composite Index (China).

Equity indices

S&P 500® Index (S&P 500®) is an unmanaged index of large-cap common stocks.

Dow Jones Industrial Average (Dow) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 1000® Index (Russell 1000®) consists of approximately 1,000 of the largest companies in the U.S. equity markets.

Russell 1000® Growth Index measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index (Russell Midcap®) measures the performance of the smallest 800 U.S. companies in the Russell 1000 Index.

Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

Russell 2000® Growth Index measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index measures the performance of those Russell 2000 Companies with lower price-to-book ratios and lower forecasted growth values.

MSCI EAFE Index (NDDUEAFE) (Developed Markets)—MSCI EAFE Index Europe, Australasia, and Far East Index (EAFE)

is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International.

MSCI Emerging Markets Index (NDUEEGF) is a market capitalization weighted index comprised of over 800 companies representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

VIX Index—The Chicago Board Options Exchange Market Volatility Index is a measure of implied volatility of S&P 500 index options, often referred to as the “fear” index.

MSCI BRIC Index (NDUEBRIC) is a free float weighted equity index designed to measure performance of the following four emerging market country indices: Brazil, Russia, India and China.

NIKKEI 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

KOSPI Index is a capitalization-weighted index of all common shares on the Korean Stock Exchanges.

FTSE NAREIT All Eq REITs Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation.

Deutsche Borse AG German Stock Index (DAX) is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CAC 40 Index is a modified cap-weighted index of 40 companies on the Paris Bourse.

Swiss Market Index is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basle Stock Exchanges.

S&P/ASX 200 measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization. Representative liquid and tradable, it is widely considered Australia's preeminent benchmark index. The index is float-adjusted.

Ibovespa Brasil Sao Paulo Stock Exchange Index is a gross total return index weighted by market value to the free float & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

Russian Trading System Cash (RTS) Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange.

S&P BSE Sensex Index is a cap-weighted index. The index members have been selected on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation.

Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Contact

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Fixed income indices

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged index comprised of government and corporate bonds rated BBB or higher with maturities between 1-10 years.

Bloomberg Barclays U.S. Corporate Bond Index is designed to measure the performance of the U.S. corporate bond market.

Bloomberg Barclays U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg Barclays U.S. MBS Index is an index that includes 15- and 30-year fixed-rate securities backed by mortgage pools of GinnieMae, FreddieMac and FannieMae.

Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Barclays Emerging Markets Corporate Index is a component of the Barclays US Emerging Markets Index which is made up of debt issued by corporations.

Other Definitions

Duration: incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Effective duration can also be defined as the approximate percentage change in a security's price that will result from a 1% (100-basis-point) change in its yield.

Yield to Worst: lowest potential yield that can be received on a bond without the issuer defaulting. This yield measure takes in to account any bond calls or sinking funds.

OAS: acronym for "option adjusted spread" which is the spread that has to be added to the Treasury yield curve in a pricing model (including embedded options) to discount a security to match its market price.

Investments cannot be made in an index.

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