

Last Week's Economic/Market Summary – May 25, 2020

Data

- U.S. equity benchmarks were positive on the week, led by the Russell 2000.
 - S&P 500 +3.3% Dow +3.3%, Russell 2000 +7.9%, Nasdaq +3.5%¹
 - The All-Country World Index rose 0.53%.¹
 - S&P 500 sub-sectors were almost all positive last week.
 - Healthcare was the only negative sector at -0.80%.¹
 - Industrials & Energy led to the upside with gains over 6.5%.¹
 - The CBOE Volatility Index (VIX) decreased by 4.5% to end at 28.16.¹
- US Treasury bonds saw yields move higher last week.
 - US 2yr +0.02% to 0.17%, 10yr +0.02% to 0.66%, 30yr +0.04% to 1.37%.¹
 - Bond yields should be in focus over the next several months as Fed purchases ramp up.
- Commodities as an aggregate asset class gained 4.5%.
 - WTI Crude gained 13%.¹
 - Gold dropped over 1%.¹
 - The US Dollar index weakened 0.62%.¹
- In our opinion, U.S. economic data was depressed again last week.
 - Unemployment claims increased 2.4 million bringing the 9 week total to 38.6 million.¹
 - While jobless claims fell vs the previous week, continuing claims rose suggesting jobs aren't coming back at the pace they were lost as states reopen.¹
- An index of equities outside the US (MSCI EFA) were up 3.25%.¹

¹ Source: Bloomberg – 5/22/20

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370

Conclusion

- US equity markets had a great week in the face of virus uncertainty & a flare up in US/China tensions.
 - Optimism over possible Covid-19 vaccines by the end of the year seemed to increase investors' risk appetite.
 - The small-cap tracking Russell 2000 led to the upside with a gain of almost 8%.²
- Global stocks followed US market higher and finished the week up 3.25%.²
 - This is in the face of Chinese leaders scrapping their 2020 GDP growth target for the first time in modern history.²
 - Additionally, China set their currency peg at the weakest level since 2008.²
- S&P 500 sub-sectors were mostly positive last week.
 - Energy & Industrials led to the upside.²
 - Energy seemed to bounce higher on hopes for renewed demand as the rig count of producing US co's sank to its lowest level since 2009.²
 - Additionally, institutions betting on rising crude prices in the futures market has risen notably in the last several weeks.²
- The volatility index declined 4.5% last week to enter the weekend at 28.16.²
 - More interesting is the forward curve implies a potential risk-on set-up for systematic institutional strategies.
 - Additionally, the breadth of companies participating in the rise of the markets has increased which could also bring volatility under pressure.
 - With breadth starting to rise and volatility on the verge of possibly falling into a lower medium-term regime, we continue to closely watch for relative strength of financials vs. the S&P 500.
- As expected, global trade took its biggest hit in more than a decade in March as the spread of the coronavirus began to take a heavy toll on businesses.
 - World trade volumes fell 4.3% from a year earlier, the most since 2009.²
 - In the latest month, they fell an additional 1.4% for the 3rd straight decline.²
 - We believe these numbers are only an initial sign of the damage lockdowns had on economic activity and data suggests a deep recession is already underway.
- The difference between stock index price levels and underlying earnings expectations has continued to widen notably since March.²
 - We believe this is a direct result of the massive amount of stimulus that has been injected into the global financial system by various gov'ts and central banks.
 - Interesting to note, that since the beginning of 2018, despite all the news and volatility, most global equity indices have gone nowhere and many are negative over that time frame.²

Ryan A. Mummy, CFP®, AIF® - Chief Investment Officer

Contact: 828/855-9400 or info@CIASonline.com or rmummy@bloomberg.net

² Bloomberg – 5/22/20

Disclosures: The information provided in this paper is for general informational purposes only and should not be considered an individualized recommendation of any particular security, strategy or investment product, and should not be construed as investment, legal or tax advice. Capital Investment Advisory Services, LLC makes no warranties with regard to the information or results obtained by third parties and its use and disclaim any liability arising out of or reliance on the information. This information is subject to change and, although based on information that Capital Investment Advisory Services, LLC considers reliable, it is not guaranteed as to accuracy or completeness. Source information is obtained from independent financial data suppliers. For investment related terms definitions, please visit: www.investopedia.com Past performance is no guarantee of future results. Additional information about CIAS and its Form ADV Part 2A are available on the SEC's website at www.adviserinfo.sec.gov Advisory services through Capital Investment Advisory Services, LLC Securities may be offered through Capital Investment Group, Inc. Member FINRA/SIPC Both firms located at 100 E. Six Forks Rd. Suite 200, Raleigh, NC 27609 919-831-2370