Weekly Market Recap

The week in review

• Consumer conf./sentim. at 86.6/72.3
• New home sales at 623k
• Jobless claims at 2,123k
• 1Q20 GDP at -5.0% q/q saar (2nd)
• Headline/Core PCE at 0.5%/1.0% y/y

The week ahead

• Markit/ISM mfg. and non-mfg. PMI
• Employment
• International trade

Thought of the week

Recently, a new round of U.S.-China disputes, focused on financial flows, technology and human rights, has raised concerns about a re-emergence of tensions between the two countries. The U.S. administration has taken steps such as pressuring a federal pension fund not to invest in Chinese equities and imposing further restrictions on companies doing business with Huawei. Most recently, the U.S. Senate passed the Holding Foreign Companies Accountable Act, which would require U.S.-listed foreign firms to provide audit details and certify that they are not government-owned or controlled. As for China, it approved a national security law in Hong Kong, triggering new street protests and the announcement that the U.S. administration intends to remove its special treatment. As a result of the re-escalation of U.S.-China tensions, downside risks for emerging markets have increased.

However, investors should recognize that the economic and political competition between the two countries will be one of the defining themes of this century. Indeed, we expect that the size of the Chinese economy will eclipse that of the U.S. by mid 2030s, as shown in this week’s chart. Moreover, the rising tensions will increase China’s desire for self-sufficiency. For investors who want to take advantage of strong long-run Chinese growth, it will be even more important to participate in Chinese domestic companies and not only in global multinationals.

Please see important disclosure on next page.
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Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor’s, Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI – EAFE; provided by: MSCI – gross official pricing. Index: MSCI – EM; provided by: MSCI – gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital, Index: Barclays Investment Grade Credit; provided by: Barclays Capital, Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital, Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers’ Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve. 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet. Crn, FactSet. Bloomberg Commodity Index (BCI), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Computstat and price information from FactSet's Pricing database as provided by Standard & Poor’s.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Computstat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor’s. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the performance of those Russell 1000 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), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

Past performance does not guarantee future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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Unless otherwise stated, all data is as of June 1, 2020 or as of most recently available. 0903c02a818dbcab80