



U.S. Market Commentary

The Markets

The major stock indices continued to move higher in June, boosted by the reopening of the economy.

Market Indices	June 2020	Year-to-Date
Dow Jones Industrial Average	1.7%	-9.6%
S&P 500 Index	1.8%	-4.0%
NASDAQ Composite	6.0%	12.1%

The Economy

Signaling the resumption of growth in production activity as pandemic-related lockdowns ended, the Institute of Supply Management's factory index jumped in June to the highest level in more than a year. This closely watched measure of manufacturing rose 9.5 points, the most since August 1980, to 52.6 as both new orders and production grew. This marks a turnaround from two months earlier when the gauge tumbled into contraction territory, recording an 11-year low as States closed most non-essential business in an attempt to contain the Coronavirus. Similarly, June's data showed a marked improvement in the labour picture with 4.8 million jobs added to corporate payrolls, pushing the unemployment rate down to 11.1 percent, from 13.7 percent in the prior month.

Reports from the housing market were also mostly positive confirming more recent data that point to a pickup in housing demand. Residential starts rose 4.3 percent to a 974,000 annualized rate, the second lowest level since 2015. At the same time, applications to build climbed 14.4 percent to a 1.22 million rate and new homes sales rose 16.6 percent to a 676,000 annualized pace. Weakness was noted however in sales of previously owned homes which dropped in May to the lowest level since October 2010 as demand remained muted by the Coronavirus pandemic. Closing transactions for existing homes decreased 9.7 percent from the prior month to an annualized 3.91 million pace.

In line with the improvement in economic data, consumer confidence rose in June on growing optimism that the economy will recover as jobs are restored and slowly rekindle the demand needed for the U.S. to emerge from the recession. The Conference Board's Consumer Confidence Index jumped by 12.2 points to 98.1, the biggest one-month gain since late 2011. The sub-index of expectations, based on consumers' outlook for income, business and labour market conditions, rose to a four-month high of 106.0, up from 97.6 in the previous month, while attitudes about the present situation gained 17.8 points to 86.2, the largest one month gain since 1974. In like manner, the University of Michigan's final sentiment index reading climbed to 78.1, up from 72.3 in the previous month as optimism increased amid business re-openings, though sentiment remained below pre-pandemic levels. The index's gauge of current conditions rose to 87.1, up from 82.3 in May, while the expectations index climbed to 72.3 from 65.9.

Finally, inflationary pressures remained in check with consumer prices declining in May for a third straight month as the Coronavirus induced recession continued to depress demand. The Consumer Price Index (CPI) fell 0.1 percent from the prior month; the core CPI, which exclude volatile food and fuel costs, also fell 0.1 percent. On the other hand, wholesale prices as measured by the Producer Price Index (PPI) rose 0.4 percent; its core prices fell 0.1 percent.

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