



Capital Market Outlook

6/1/2020

MARKETS THIS WEEK

- **Civil unrest unfolded over the weekend** as protests surrounding the killing of George Floyd, an unarmed African American man, by Minneapolis police evolved into cases of looting and rioting across the nation. As major cities implemented curfews and states issued responses to bouts of associated violence, President Trump threatened, likely rhetorically, on Monday to deploy armed military forces on U.S. soil to quell the public disobedience.

Although the outcry has continued to escalate since late last week, history tells us that equity markets are not likely to reflect this same sentiment. Periods of significant protest following events such as the assault of Rodney King and the assassinations of John F. Kennedy and Martin Luther King reflected significant annual gains in the S&P 500 ranging from 4% to 20%.¹ There is some economic theory to support this expectation - market prices are determined by investors betting on sustained future cash flows of public companies, and they likely see protests as fleeting events. We will continue to monitor this breaking story.

- **The space tourism industry** reached a major milestone this past Saturday as SpaceX, led by Tesla's Elon Musk, partnered with NASA to shuttle their first passengers to the International Space Station aboard their Falcon 9 rocket. The success of this launch marks a pivotal win for the rocket company, further legitimizing itself as a leader in the future of commercial space-faring endeavors. One of their projects, named Starlink, aims to provide world-wide internet access through the deployment of thousands of microsatellites into earth's atmosphere, and Musk expects live beta testing within this calendar year.² We see this technology significantly catalyzing market growth across many communications-dependent markets, including the 5G, satellite communication and cloud computing technology segments.
- **Businesses reopening plans** continue to be announced across the United States, and markets have rewarded investors for adding additional risk to their portfolios. The NASDAQ index returned 6.75% in the month of May³, placing it within 3.4% of its 2020 high in February.

1. <https://www.barrons.com/articles/how-does-the-stock-market-react-to-protests-51591049565>

2. <https://www.businessinsider.com/elon-musk-spacex-starlink-will-launch-beta-test-six-months-2020-4>

3. <https://www.marketwatch.com/investing/index/>

4. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy

5. The Dow Jones Industrial Average is a market-cap weighted index comprised of 2500 information technology companies