1435 River Park Drive, Suite 504
Sacramento, CA 95815
Office: 916-891-2557
Fax: 916-891-5907
sierraridgewealth.com

Capital Market Outlook

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MARKETS THIS WEEK

- **Markets opened with optimism this week** as Federal Reserve Chairman Jay Powell projected positive, yet cautious, sentiment in his semiannual testimony to Congress on the state of the U.S. economy. While he expressed significant concerns about historic unemployment and the threat of permanent job loss, Powell announced that the Fed plans to further support market liquidity by including existing, single debt issues in its corporate bond purchasing program. In theory, this move will support corporate growth by keeping borrowing costs low into the foreseeable future, and it will likely incentivize investors to seek greater returns in the equity markets.
- **Reports surfaced Tuesday** that the Trump administration is preparing a $1 trillion spending plan to revitalize public infrastructure in the United States. In this proposal, the U.S. Department of Transportation would facilitate the widespread improvement of roads and bridges while also supporting expansion of 5G wireless infrastructure and broadband access in rural communities. With considerable uncertainty of a spending bill being passed during an election year, let alone a global crisis, markets nonetheless welcomed the notion of national investment and job creation with positivity through Tuesday's closing bell.
- **Recent Market index performance** has proven that today's corporate fundamentals are not the drivers of financial markets that they have been in the past. Despite record declines in quarterly revenues, historic levels of unemployment, compressed demand and uncertainty in the rebounding of global output, the major composite indexes tell a different story: the NASDAQ technology index is trading at an all-time high of +8.8% YTD, the S&P 500 is unchanged since January of this year and the Dow Jones Industrial average is lagging slightly at -8.9% YTD[1]. We can credit swift action by the Federal Reserve and Congress for supporting the free-falling markets just three months ago, however this only addressed instability in the financial economy while leaving the flailing real economy out of mind for the average investor. Buoyed asset pricing can only keep investors happy for so long – the real indicator of long-term financial growth remains rooted in restoring our globalized, consumer driven economy with maximized national employment and reasonable levels of inflation. Until then, manage your financial risks wisely and plan to weather further economic volatility.

1. https://www.marketwatch.com/tools/marketsummary/indices/indices.asp?indexid=1&groupid=37
2. 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
3. The Dow Jones Industrial Average is a price weighted index comprised of 30 large-cap companies
4. The NASDAQ Composite is a market-cap weighted index comprised of 2500 information technology companies