

## The Markets & the Economy - What We're Watching

### Key Takeaways from the Week:

- > Earnings are showing better results than expected
- > Weekly jobless claims fell more than expected - 1.8M jobs added ahead of expectations
- > Congress struggling to secure coronavirus relief bill deal
- > New Coronavirus cases seeing a decline after recent rise

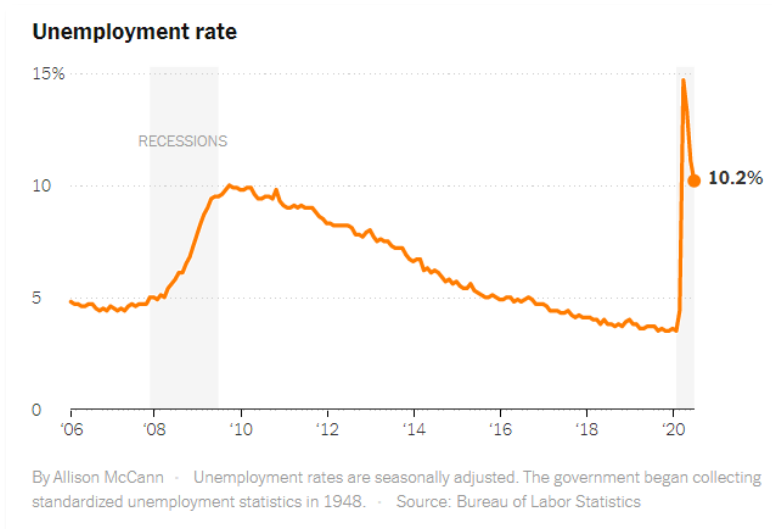
Earnings continue to be reported (roughly 75% of S&P 500 thus far) with US companies beating expectations. In aggregate, companies are reporting earnings 21.8% above expectations, which is set to be the highest on record since 1994. Upside earnings surprises can be attributed to the positive impact of at-home trends (work, learn, play), fiscal stimulus cushion, and cost cutting. Additional factors include results from companies less impacted by the pandemic and estimates that were lowered ahead of earnings reporting season.

Filings for jobless benefits fell last week to the lowest level since March, but continue to be well above pre-pandemic trends. This improvement is a good indicator of job growth. July nonfarm payrolls confirmed that trend with an additional 1.763 million jobs added today, well above consensus estimates of 1.578 million. As a result, the unemployment rate dropped to 10.2%, well ahead of consensus.

The hardest hit areas of our economy benefitted from re-opening with leisure/hospitality, retail and healthcare accounting for the strongest gains, but it was also encouraging to see signs of job growth in manufacturing and construction. Controlling the spread of the coronavirus will be vital in keeping these numbers strong and growing. Jobless claims and the nonfarm payroll report remain important because their levels could impact the additional

fiscal stimulus that is currently being debated. While it's encouraging that our economy is making progress on the labor market front the ongoing elevated level of claims and double digit unemployment lends support to the argument that our economy still needs support as it continues to heal.

Negotiations over a fifth coronavirus relief bill continue with debate between both parties over the size and scope of the package. Specifically, both parties are trying to come to an agreement around unemployment insurance, state and local government relief, and school funding. By way of size, Democrats are at \$2.5 trillion, while Republicans at \$1 trillion – a \$1.5 trillion gap in size. If the debate doesn't improve, President Trump is considering an executive order to extend benefits, prevent rental evictions, and a possible payroll tax holiday.



New coronavirus cases are seeing a slowdown in the US over the last three days from an average of nearly 73,000 new cases per day in late July to roughly 50,000 per day, which is a 28% decline from the peak. Fortunately, increased efforts to social distance and wear masks has helped this slight improvement and has given hope that some states are effectively reacting and preventing additional spread of the virus. Optimism remains in a shortened timeframe for the development and global distribution of a vaccine, but it is important to note that abundant supplies are expected to fall short of that timeline. According to a recent CDC presentation, there may be 10 million -20 million doses at first. Public-health officials estimate that more than 100 million Americans, including doctors, nurses and other essential workers should be vaccinated before the general public.<sup>1</sup> Additionally, there is work to be done to increase rapid testing especially as we enter the flu season and fears of increased pressure on the healthcare system.

For questions or more information, please reach out to your Relationship Manager. For additional insights from IMG experts, please visit our website's [Stock Market Insights](#) page.

*Commentary is reflective as of the close Thursday, August 06, 2020.*

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<sup>1</sup> WSJ