

THE WEEK IN REVIEW

The twists and turns of discussions in Washington surrounding a new congressional stimulus package to combat the economic effects of the COVID-19 pandemic dominated this week's market headlines. After being released from Walter Reed Medical Center for COVID-19 treatment early in the week, President Trump cut off negotiations with Democrats on a fresh aid package until after the November election. On Thursday and Friday, however, momentum toward a deal seemed to build after President Trump said talks with congressional Democrats had restarted and reports surfaced that the White House increased the size of its preferred stimulus package to \$1.8 trillion.

The positive direction of stimulus discussions toward the end of the week enabled the S&P 500 Index, Dow Jones Industrial Average and Nasdaq to post weekly gains of 3.8%, 3.3% and 4.6%, respectively. Several of the most cyclical areas of the market, including the materials, energy and industrials sectors, were among the week's top performing S&P 500 sectors. U.S. Treasury yields moved higher this week amid bond market concerns about further deficit spending and after minutes from the Federal Reserve's September policy meeting showed policymakers did not plan to make further purchases of longer dated bonds.

Encouragingly, in September, U.S. services sector activity rose above pre-pandemic levels. The Institute for Supply Management (ISM) said on Monday its non-manufacturing activity index rose to a reading of 57.8 last month from 56.9 in August, and just above its 57.3 level in February. A reading above 50 indicates an expansion of activity in the services sector, which accounts for roughly two-thirds of U.S. GDP. Weekly initial jobless claims declined slightly to a seasonally adjusted 840,000 for the week ended October 3 compared to 849,000 the previous week. The pace of declines in weekly claims has decelerated in recent weeks after breaking below the 1 million mark in August. In regulatory news, in a new report, the House Judiciary subcommittee accused large tech companies Alphabet (GOOGL), Facebook (FB) and Amazon.com (AMZN) of abusing their market power. The report calls for reform, but did not indicate that any of these companies should be broken up. Elsewhere in the technology sector, shares of International Business Machines (IBM) advanced 6.0% on the week after announcing a forthcoming spin-off of its IT infrastructure unit in order to focus more on cloud computing.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Non-Manufacturing	57.8	57.1	▲
JOLTS Job Openings (Millions)	6.5	5.4	▲
Consumer Credit (\$ billion)	-7.2	-12.0	▲
Initial Jobless Claims (Thousands)	840	1310	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28586.90	3.27%	0.17%	8.51%
NASDAQ	11579.95	4.56%	29.06%	46.51%
S&P 500	3477.14	3.84%	7.63%	19.10%
MSCI EAFE	1896.55	2.23%	-6.89%	2.34%
Bbg Barclays Aggregate US	2371.27	-0.15%	6.57%	6.33%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.09%	0.10%	1.67%
10-Year Treasury	0.77%	0.70%	1.58%

REPORTS DUE NEXT WEEK	LATEST
Consumer Price Index (Y/Y)	0.0
NFIB Small Business Optimism	100.20
Retail Sales (M/M)	0.0
U. of Mich. Consumer Sentiment	80

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.