



Weekly Market Review

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The Week Ending May 8, 2020

The S&P 500 Index reversed a couple of negative weeks and finished well into the green last week, pushing the index up more than 30% over the past seven weeks. The technology-dominated NASDAQ Index is now in positive territory for the year, as tech companies have led the market higher from its low in late March. This all occurred despite the April jobs report being the worst in history, and the unemployment rate jumping from under 5% in March to close to 15% in April.

Before last Friday, the highest jobs report on record was about two million people, and that was in 1945 after the end of World War II. Just like other economic reports in recent weeks, April's jobs report dwarfed all historical data points with a whopping 20.5 million jobs lost during the month. This, in turn, sent the unemployment rate from near 50-year lows to a new record, not accounting for the Great Depression-era numbers, of just under 15%. The prior high was almost 11% based on data going back to 1948. Two positives found among the devastating report were the number of people stating their unemployment was temporary, and that they expect to be back at work when the economy begins to reopen.

Being that the stock market is forward-looking, it rallied on the news that people viewed their unemployment as temporary. The market was fully expecting a horrendous unemployment number, and being that it came in less than expected, the market only took positives from the report. This continues to show the disconnect between the stock market and the current economic situation. It's hard to believe most of the economy remains shut down, but the S&P 500 is within 14% of the all-time high set in February.

As some southern U.S. states begin to reopen, we are getting a glimpse into how slow the process may be. Texas and Florida reopened in-person seating at restaurants, but consumers do not appear to be fully on board. According to data from OpenTable, restaurants are only attracting about 10% of the customers they were pre-COVID-19. We are most likely in for a slow rebound from the sharp downturn as it is going to take more than governments allowing businesses to open for consumers to feel comfortable to return to eating out, shopping, or any resemblance of a normal life. However, seeing how quickly the stock market sold off, and now rebounded, shows the importance of a long-term outlook, and not allowing short-term issues to interrupt your long-term plan.



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