



Weekly Market Review

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The Week Ending October 2, 2020

Last week marked the close of the third quarter and September trading. While the quarter ended with a strong positive return, we experienced some weakness in the final month. September marked the first negative month since the COVID-19 pandemic began in March. Last week may have offered a turning point as Congress restarted negotiations for further stimulus amid a weakening employment picture.

The monthly jobs report was announced on Friday, showing another month of gains, but at a slower pace than prior months. Over half of the jobs added during September were in the leisure and hospitality sector, primarily driven by bars and restaurants rehiring workers. However, that sector is still 2.3 million workers below pre-pandemic levels. While it is positive to see restaurants continuing to bring back workers, this growth should be expected to slow as the weather will limit outdoor dining. Also, most states are not permitting full capacity for indoor dining.

The slowing job growth trend is not specific to the leisure and hospitality sector. The public sector reversed their positive trend, and even had layoffs during September. This was primarily focused on education as more schooling is taking place virtually; therefore, buildings need less staff. In the next couple of months, we could see other sectors joining the public sector's decline as Disney announced an upcoming 28,000 layoffs due to declining park attendance. The airline industry is also under pressure as their government aid ended September 30th. Additional support for the airline industry is to be included in the next fiscal stimulus bill from Congress. Still, as talks drag on with no sign of compromise, the airline industry is currently in limbo. House Speaker Nancy Pelosi asked the airlines to hold off on layoffs, but they cannot wait indefinitely, so the pressure is on Washington D.C., or layoffs will hit the airlines.

One factor leading to a positive week for the stock market was the resumption of negotiations between House Speaker Nancy Pelosi and Secretary of the Treasury Steven Mnuchin. While there is no indication that the two sides are moving closer to a deal, the stock market took this as a step in the right direction. Federal Reserve Chairperson Jerome Powell has been calling for additional stimulus to aid in the economic recovery. Powell is expected to continue that message this week, putting further pressure on a deal. There is no shortness of volatility and uncertainty among stimulus negotiations, upcoming corporate earnings season, new economic data, and the presidential election to make the final quarter of 2020 an exciting one.



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