The Week in Review

This week started off on a strong note with the S&P 500 rising 3.2% on Monday, propelled in part by biotechnology company Moderna’s (MRNA) announcement of favorable results from a phase 1 clinical trial of its developmental COVID-19 vaccine. The market also got a boost from Federal Reserve Chairman Jerome Powell, implying that the central bank may increase its purchases of mortgage-backed securities to help the economy. Stocks’ momentum faded throughout the week, however, after U.S.-China tensions rose and vaccine experts cautioned against getting too optimistic about Moderna’s vaccine given the limited information released by the company.

On the U.S.-China front, President Trump accused the Chinese government of being behind a “disinformation and propaganda attack” on the U.S. and Europe, and Trump’s office issued a report criticizing China’s economic and military policies. In addition, a bipartisan group of U.S. Senators said they are working on legislation to sanction Chinese officials for imposing new national security laws on Hong Kong. Some members of Congress view the security laws as an attempt to reduce Hong Kong’s partial autonomy.

On Thursday, initial unemployment claims were reported in line with economists’ expectations at 2.44 million as the effects of prolonged shutdowns across the United States continued. Over the past nine weeks, more than 38 million Americans have filed claims for unemployment insurance. However, the data excludes workers who were self-employed and workers in the gig economy. Continuing jobless claims, a metric measuring how many people are collecting unemployment benefits, hit 25.07 million versus economists’ projection of 24.76 million.

The IHS Markit U.S. Composite PMI showed further output reductions in May for the service and manufacturing industries. The May reading of 36.4 indicated a slower rate of contraction versus April’s reading of 27.0, but was still the second steepest contraction in the survey’s history. Notably, both input costs and output charges fell in May, which indicates weak demand at the current rate. The survey’s reading was below zero for the fourth straight month.

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