THE WEEK IN REVIEW

Domestic stock indexes registered modest losses for the week after gaining over 15% in the previous two weeks and marking the biggest two-week rally since the 1930s. The S&P 500 fell close to 5% during the first two days of the week as the price of U.S. West Texas Intermediate (WTI) crude oil collapsed into negative territory for the first time ever. Stocks subsequently clawed back some of the week’s losses after oil prices rebounded, and Congress passed another spending package worth $484 billion to help small businesses and hospitals.

The price of WTI oil turned negative for the first time in history on April 20 as there was little demand for May 2020 oil futures contracts ahead of their expiration on April 21. Oil futures settle with physical delivery of the commodity in Cushing, OK. Excess supply at the time of delivery is put into storage facilities. However, Cushing’s oil storage facilities are running out of available space. The limited oil storage capacity and falling oil demand amid the COVID-19 outbreak led to WTI’s price turning negative because long positions in the May 2020 futures were trying to exit their positions amid low liquidity in order to avoid paying high storage expenses.

On Thursday, the Labor Department announced that an additional 4.4 million Americans filed for unemployment benefits in the week ending April 18. However, 43 states reported that claims declined relative to the number of claims filed for the week ending April 11. Cumulative jobless claims over the past five weeks have reached more than 26 million as a result of the COVID-19 crisis. Job losses associated with the pandemic have erased all of the 23 million jobs created since the 2007-2009 Great Recession.

The IHS Composite PMI surveys, which measure economic activity in the manufacturing and services sectors, signaled further deterioration in business activity in April across G4 developed nations as governments continue to battle the economic effects of COVID-19 induced shutdowns. The U.S. Composite PMI Index fell to 27.4 in April from 40.9 in March, marking the lowest reading since October 2009. Meanwhile, PMI levels in Europe, U.K., and Japan fell to historic lows in April. The surveys also show that industries which have effectively been shut down by governments mainly in service-based sectors, such as restaurants and travel, have been hit the hardest.

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

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