THE WEEK IN REVIEW

Stocks rallied to end the week after a historic and surprising gain in U.S. jobs raised hope the economy is starting to recover from the COVID-19 pandemic. The Dow Jones Industrial Average climbed 1,727.87 points, or 6.8%, to 27,110.98 for the week. The Nasdaq Composite gained 3.4%, to record a fresh closing high of 9,814.08 and the S&P 500 advanced 4.9%, putting the index down just 1.1% for 2020. At one point this year, the broader market index was down 30.3%.

The U.S. Labor Department released initial jobless claims and May unemployment data this past week. For the prior week ended May 30, the United States saw an additional 1.88 million people apply for unemployment benefits. This number roughly met the median economists’ expectation of 1.83 million claims. Notably, this is the first reading under 2 million since the COVID-19 related layoffs began in mid-March. The May jobless rate fell to 13.3%, down from April’s 14.7% number, as businesses added 2.5 million jobs during the month. Economists originally forecasted that the unemployment number would reach 19.7% as a result of widespread COVID-19 lockdowns. A broader measure of unemployment, the U6, which includes part-time workers and those who gave up looking for jobs or are “underemployed,” fell to 21.2% from 22.8% a month earlier. Net hiring was largely broad based, with the retail, health care, and restaurant industries showing the largest jumps as states began to reopen for business. However, state and local governments experienced net layoffs of 571,000 jobs during the period.

The U.S. services sector shrank in May, for a second month, as the COVID-19 pandemic triggered shutdowns and layoffs around the country. The Institute for Supply Management (ISM) announced that its service sector index stood at 45.4 last month, up slightly from an April reading of 41.8. However, any reading below 50 signals that the service sector, where the majority of Americans work, is in contraction. U.S. manufacturing activity eased off an 11-year low in May as the ISM said its index of national factory activity rose to a reading of 43.1 last month from 41.5 in April, which was the lowest level since April 2009.

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