

MML Investors Services

Weekly Market Review

August 10, 2020

History will write that 2020 was the year of the COVID-19 pandemic, but financial history will write that 2020 was the year of an incredible bounce back in U.S. stocks coupled with historically low interest rates. The S&P 500 suffered through a 34% bear market drop (total return) from 2/19/20 to 3/23/20 but has since rallied +51% (total return) through the close of stock trading last Friday (8/07/20). The yields on almost all durations of Treasury debt are at record lows or just above them, e.g., the yield on the U.S. 10-year Treasury note closed at 0.514% last Tuesday 8/04/20, within 0.013 percentage points of its all-time record low close of 0.501%. The demand for U.S. Treasuries has never been greater, fortuitous for the United States as we anticipate issuing \$4.5 trillion of Treasury debt during fiscal year 2020 (source: Treasury Department).

The federal eviction moratorium that went into effect on 3/27/20 protected rental tenants for 120 days, i.e., through 7/25/20. Unless the executive orders from the White House hold up, landlords that own rental properties backed by federally backed mortgages (impacting 12 million households and 30 million people) may give delinquent tenants a 30-day notice to vacate, then followed by an eviction notice (source: CARES Act).

The mainstays of summer activity in America – hotels and restaurants – have been devastated by the COVID-19 pandemic. However, a comeback in these industries is taking place. The number of American workers in the “leisure and hospitality” business was 16.9 million as of 2/29/20, dropped to 8.5 million as of 4/30/20, and now has rebounded to 12.5 million as of 7/31/20 (source: Department of Labor).

Notable Numbers for the Week:

1. **COUNTING ALL OF THEM** - After peaking at **\$36.1 trillion** on 2/19/20, the **total market capitalization** of all U.S. equities **fell \$12.7 trillion** to **\$23.4 trillion** as of 3/23/20 but has since **added back \$12.4 trillion** to close last Friday 8/07/20 at **\$35.8 trillion** (source: Wilshire).
2. **REDUCING YOUR MONTHLY COST** - 64% of **mortgage applications** filed during the week ending Friday 7/31/20 were current homeowners **refinancing existing mortgage debt** as opposed to **new home purchases** (source: Mortgage Bankers Association).
3. **GET IT AND SPEND IT** - 74% of Americans spent their **\$1,200 per person stimulus payment** from the 3/27/20 CARES Act **within four weeks of receipt**. **159 million Americans** received the one-time nontaxable cash payment (source: Money/Morning Consult survey).
4. **MIGHT AS WELL STAY** - Only 7% of workers “**auto-enrolled**” in an employer’s 401(k) plan elect to “**opt-out**” of the plan, i.e., 93% of all employees **remain in the plan** (source: Vanguard Research).

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