

## Economic highlights from the week ending on October 16, 2020

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Consumer spending trends were unexpectedly strong in September. Retail sales increased 1.9% in September and were up 5.4% on a year-over-year basis. Excluding vehicles and gas, retail sales were up 1.5% in the month, well ahead of expectations for a 0.4% increase. On an adjusted basis, sales picked up in every major category in September on a month-over-month basis, with the exception of electronics & appliances.



We believe the timing of expanded unemployment benefit payouts provided a boost to consumer income and spending levels in September. Recall that the extra \$600/week in expanded pandemic-related unemployment benefits through the Coronavirus Aid, Relief, and Economic Security (CARES) Act lapsed at the end of July. In early August, President Trump signed an executive order creating the Lost Wages Assistance (LWA) program. A few states began sending out an additional \$300/week in unemployment benefits in August through the LWA program. However, implementation of the program was slow and many states did not start paying out the additional weekly benefits until September, with benefits for August paid retroactively.

With jobless claims remaining elevated and the prospect of additional fiscal relief waning in the near-term, we believe the underlying fundamentals of the economy remain vulnerable and economic data may soften in the current quarter. Though the economy experienced a strong rebound in the third quarter, following a steep decline in activity in the second quarter, we believe GDP still remains well below its pre-pandemic peak and we anticipate the path to a full economic recovery may be uneven. However, we remain optimistic about the progress toward a vaccine and therapeutic treatments for the virus, which we will believe will help propel the economic recovery next year.



### Next Week

*Housing Market Index, Housing Starts, Beige Book, Existing Home Sales, Leading Indicators*

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*decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.*