

## Economic highlights from the week ending on July 24, 2020

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While most economic data continue to show sequential improvement, the labor market has been slower to recover and the number of people seeking unemployment benefits remains very high. In the most recent week, initial jobless claims increased by 1.416 million, exceeding the prior week level of 1.307 million. In early July, the level of ongoing claims for regular state unemployment benefits remained elevated at more than 16 million. In addition, there were



also several million people seeking benefits through the Pandemic Unemployment Assistance program. Altogether, the total number of people seeking some form of unemployment benefits in early July were 31.8 million, or roughly 20% of the total labor force. Although the level of ongoing unemployment claims has been steadily declining over the past two months, the effects of the pandemic continue to weigh heavily on the labor market. With expanded pandemic-related unemployment benefits set to expire next week, the pressure to pass another round of fiscal relief is mounting.

The Federal Open Market Committee is scheduled to meet next week. We expect the Fed to stay the course with existing policies and maintain a relatively dovish tone. We also believe that the Federal Reserve will continue to use its balance sheet to support the flow of credit and stability of financial markets. The size of the Fed's balance sheet has actually decreased slightly from nearly \$7.17 trillion in early June to a current level of about \$6.97 trillion, but remains much higher than the pre-crisis level of about \$4.16 trillion at the end of February, and well above the post-financial crisis peak of \$4.5 trillion in 2015. We believe ongoing Treasury bond issuance to fund additional fiscal relief may drive the size of the Fed's balance sheet higher from here over the coming months.

Second quarter corporate earnings season kicked into full swing last week and roughly a quarter of S&P 500 companies have reported results so far. Sales and earnings results have largely surprised to the upside. Many companies scrapped their guidance for the year during the first quarter, and expectations for second quarter results were very low. The second quarter was expected to be the low point for corporate earnings, and although results have been largely better than expected, earnings growth in aggregate is down double-digits on a year-over-year basis.



### Next Week

*Durable Goods, S&P CoreLogic Case-Shiller HPI, Consumer Confidence, Pending Home Sales Index, FOMC Meeting, GDP, Personal Income & Outlays, Consumer Sentiment*

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