CHANDLER ASSET MANAGEMENT

Economic highlights from the week ending on September 25, 2020

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The S&P 500 index is down nearly 9% from its early September peak. Likewise, the Dow Jones Industrials and the Nasdaq Composite indices are down roughly 8% and 10% from their highs, respectively. In our view, the recent pullback in US equities has been rational and consistent with the government's ongoing stalemate over Phase 4 fiscal stimulus negotiations. The pace of the economic recovery is slowing, and we anticipate the near-term data may soften in the absence of additional stimulus. While we have a high degree of confidence that another round of fiscal stimulus will ultimately be passed, the timeline has been pushed out and the chances of getting something done before the November election have dimmed. Nevertheless, we believe both political parties are motivated to pass additional stimulus and the variables will be the size and timing of a deal. We expect something to come to fruition before year-end.

Next week, the economic calendar will be full, including key reports on consumer confidence, manufacturing, and employment. The consensus forecast currently calls for a 900,000 increase in September nonfarm payrolls (following a 1,371,000 increase in August), and a decline in the unemployment rate to 8.2% from 8.4%. The consensus forecast also calls for an increase in the Consumer Confidence index to 89.8 in September from 84.8 in August. If these reports are consistent with or better than expectations, we believe it would be supportive of risk assets. Nevertheless, in the absence of additional near-term fiscal relief and the potential for escalated chaos surrounding the Presidential election, we believe the financial markets may be choppy over the next few months.

Next Week

Case-Shiller House Price Index, Consumer Confidence, GDP, Pending Home Sales, Personal Income & Outlays, ISM Manufacturing, Construction Spending, Consumer Sentiment, Factory Orders, Employment