

Rollercoaster Monday July 13, 2020



The stock market fell at the end of the trading session with solidly positive mid-day returns ending negative. The S&P 500 moved into positive territory for the year as it reached 3,235 mid-day, only to fall into the red for the day as the index fell 30 points, or -0.94% closing at 3,155. The Dow Jones Industrial Average rose a scant 10 points, or 0.04% to close at 26,081. The Nasdaq Composite cratered 227 points, or -2.13%, closing at 10,391, and the Russell 2000 dropped 19 points, or -1.34% to close at 1,404.

The trading session began the day unambiguously strong but turned negative by the end of the day when California Governor Gavin announced a return to statewide restrictions on indoor dining and bars, theaters, zoos and museums. Governor Newsome's restrictions created a market rollercoaster as investors realized that California rollercoasters would not be opening up anytime soon. In addition, the Governor ordered gyms, churches, hair salons and malls and other businesses to close in 29 separate counties. Many stock swun wildly, as a result. For example, Tesla rose nearly \$250 per share from Friday's close only to then drop nearly \$300 per share by the close. Adding to the market drop was anxiousness about bank earnings that will begin on Tuesday. The market will watch closely at the level provisioning for loans that the banks expect to go bad.

Pfizer and BioNTech surged after two of their Covid-19 vaccine candidates received "Fast Track" designation from the Food and Drug Administration. The collective effort by Pfizer and BioNTech have vaccines candidates currently in clinical studies in the United States and Germany. Fast Track designation allows for more of a parallel process between the companies and the FDA in determining the safety and efficacy of their vaccine candidates. Current results from Pfizer/BioNTech' clinical trial showed that their vaccine produces 1.8 to 2.8 times the number of antibodies measured in patients wo had recovered from Covid-19. The company announced that if the vaccine proves effective and safe, then they could have 100 million vaccines ready by the end of the year and would have 1.2 billion vaccines ready for 2021. A government official indicated that the U.S. is aiming to deliver 300 milllion doses of a Covid-19 vaccine by early 2021. The manufacturing process is already underway even though they don't know which if any vaccine candidate will be approved.

Separately, a monthly survey of new homes sales by John Burns Real Estate Consulting (which usually closely tracks the official result that will be reported later in the month) indicated that June's new home sales jumped an impressive 55%.

A sharp decline in the supply of existing homes for sale, increasing customer preference for brand-new high tech homes with amenities for working and schooling from home, and an accelerated flight to the suburbs are combining for a very robust new housing market. Sales in distant comutting locations are the most robust which may signal some employers willingness to allow remote work even after the pandemic subsides.



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