

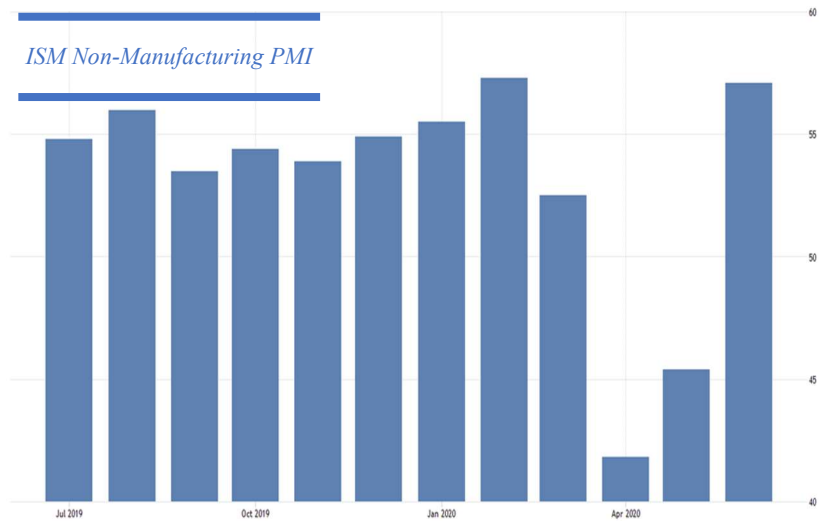
Services Rebound
July 6, 2020



The stock market rocketed forward on Monday after the long holiday weekend. The S&P 500 rose 50 points, or 1.59% to close at 3,180 while the Dow Jones Industrial Average surged 460 points, or 1.78% to close at 26,287. The Nasdaq Composite jumped 226 points, or 2.21%, closing at 10,434, (another record) and the Russell 2000 increased 11 points, or 0.77% to close at 1,443.

The U.S. economy has been moving toward services and away from manufacturing for decades. Therefore, in unambiguously positive news, Institute for Supply Management announced that the “economic activity in the non-manufacturing (services) sector grew in June after two consecutive months of contraction”.

The ISM Non-Manufacturing PMI for the US jumped to 57.1 in June from 45.4 in the previous month, beating market forecasts of 50.1. The



reading pointed to the biggest increase in services activity since February before the coronavirus crisis according to the ISM survey of 400 services businesses across the country.

The index is designed to show whether the services sector is expanding or contracting. A reading over 50 denotes an expanding service sector and a reading under 50 means the sector is contracting. June’s report is also the largest single-month percentage-point increase ever as businesses start to reopen after the lockdown. Business activity (66 vs 41 in May), new orders (61.6 vs 41.9), new export orders (58.9 vs 41.5) and inventories (60.7 vs 48) rebounded sharply. Also, employment fell at a slower pace (43.1 vs 31.8) and prices increased faster (62.4 vs 55.6) according to ISM.

On the coronavirus front, Pfizer and its German biotechnology partner reported that all 24 patients in an early-stage trial who got two doses showed neutralizing antibodies that were roughly two times the level present in recovered Covid-19 patients. The Pfizer results are similar to other vaccine early-stage trials lending credence to the proposition that a vaccine(s) will be successfully developed. Top U.S. infectious disease expert Anthony Fauci intimated that a vaccine will be developed but tempered enthusiasm for a vaccine by saying that it is likely “going to be finite”.... “We may need a boost to continue the protection, but right now we don’t know how long it lasts”