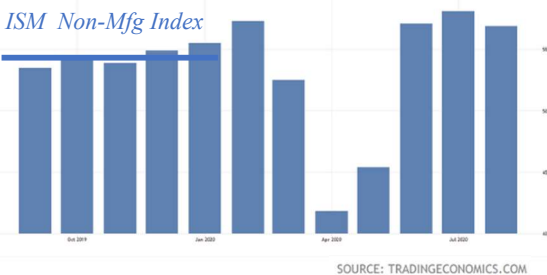


**Stocks Sell Off Amid Positive Economic Reports**  
**September 3, 2020**



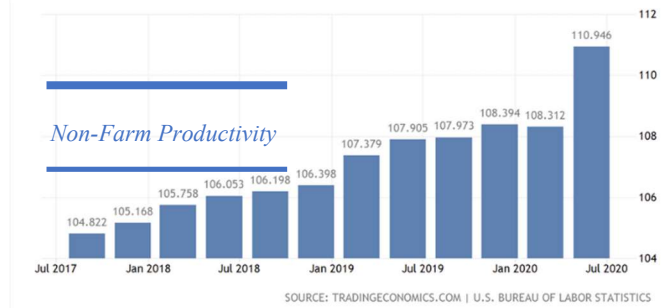
Thursday's stock market session was a rout. The S&P 500 lost 126 points, or -3.51% closing at 3,455, and giving up the rally of the past eight trading days. The Dow Jones Industrial Average tumbled 808 points, or -2.78% to close at 28,293. The Nasdaq Composite dropped 598 points, or -4.96%, closing at 11,458. Finally, the Russell 2000 fell 48 points, or -2.99% to close at 1,545. The selloff came in the absence of a clear catalyst with reasonably good economic reports and constructive news regarding a coronavirus vaccine. However, investors were taking profits in sectors/stocks that had run up recently.

The Labor Department reported that the number of Americans filling for unemployment benefits fell to 881K in the week ended August 29<sup>th</sup>. This is the lowest level of initial weekly unemployment claims since March. The Labor Department did change its methodology to smooth the swings in employment reporting; however, the number today is below market expectations of 950K. While there is continual improvement, the reported number is still well above the peak filing during the Great recession of 2008. US continuing jobless claims, decreased to 13.25 million Americans in the week ended August 22<sup>nd</sup>, which represents the lowest level since the beginning of April and was well below the market expectation of 14.0 million individuals. Notwithstanding the changes in methodology, the trend is clearly improving.



Importantly, the services sector slowed in August but is still showing expansion. The ISM Non-Manufacturing PMI for the US fell, in line with expectations to 56.9 in August from 58.1 in July (any reading over 50 indicates expansion). This is the third consecutive month of expansion in the services sector. Slowing from July was seen in business activity and new orders.

Labor productivity in the US non-farm business sector rose by an impressive 10.1 percent annualized during the second quarter of 2020 -- well above a preliminary estimate of a 7.3 percent increase. Productivity was enhanced by a 1.8 percentage point upward revision to output in the quarter.



These reports are important to be sure; however, the market is clearly focused on the August jobs report that will come out Friday. As we have noted, key to the recovery is to have the jobs market heal.