

GDP Q3 Rebound
October 29, 2020

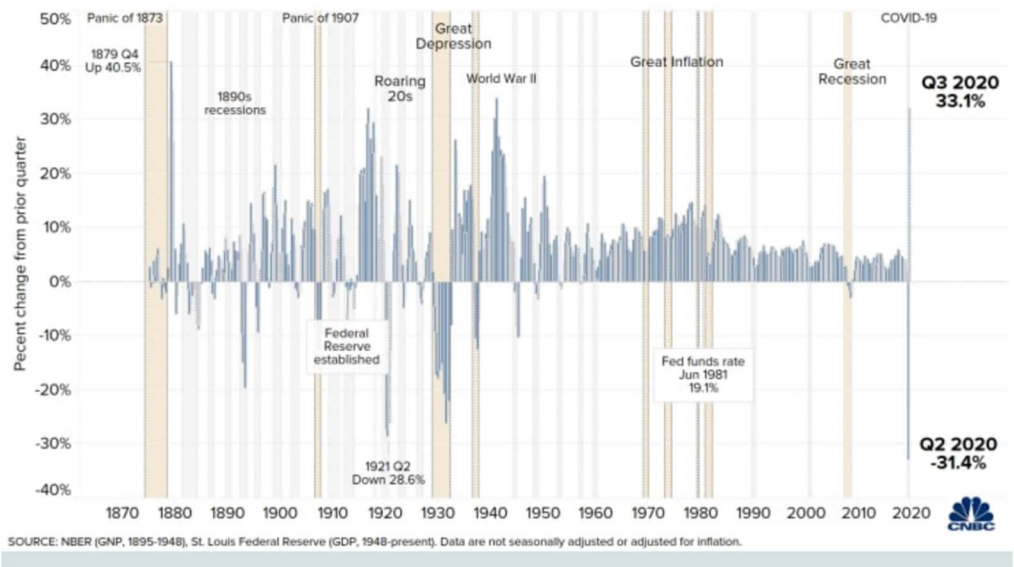


Stocks rebounded Thursday after a sharp selloff yesterday. The S&P 500 gained 39 points, or 1.19% closing at 3,310. The Dow Jones Industrial Average rose 139 points, or 0.52% to close at 26,659. The Nasdaq Composite jumped 180 points, or 1.64%, closing at 11,185. Finally, the Russell 2000 rose 14 points, or 0.90% to close at 1,558.

Headlining the days economic reports was the record setting rise in third quarter GDP.

According to the Bureau of Economic Analysis (BEA), the US economy expanded by a record breaking annualized 33.1% in Q3, beating forecasts of a 31% increase. It is the biggest quarterly expansion ever. However, this GDP surge follows another broken record – this one for the largest quarterly drop (31.4%) in Q2. Clearly the economy is rebounding in a very robust way (if only the Utah Jazz could rebound like this!). The increase in real GDP reflected increases in personal consumption expenditures (PCE), private inventory investment, exports, nonresidential fixed investment, and residential fixed investment that were partly offset by decreases in federal, state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased, according to the BEA.

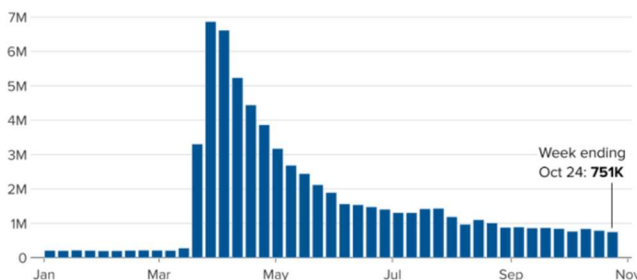
U.S. economic booms and busts



Additionally, weekly unemployment claims dropped to their lowest level since March with 751,000 Americans filing for first time unemployment benefits.

Initial claims for unemployment insurance

Weekly in 2020, seasonally adjusted



SOURCE: Dept. of Labor. Data is seasonally adjusted and through Oct 24, 2020. The DOL began using a new seasonal adjustment methodology the week of August 29.

Continuing claims of unemployment, which we believe is a more reliable indicator of the jobs market also fell dramatically to 7.76 million Americans, a decrease of 709,000 from the prior week. Notable, with 751,000 new unemployment claims, and continuing claims dropping 709,000, the new job creation must account for much of the nearly 1.5 million job swing. As we mentioned above, clearly the economy is rebounding robustly. While new covid-19 cases are rising significantly, fatality rates are not. Continued improvement on the health care front will keep the economy moving forward.

