Sentiment benefits from a double-dose of promising recovery news.

Stocks were solidly higher for much of the day despite losing momentum late in the session. Investors cheered a much stronger than expected May retail sales report here in the U.S., and the announcement of a “major breakthrough” by U.K. health officials in reducing the incidence of death amongst the sickest of COVID-19 patients. Individually, either report likely would have lifted market sentiment. But combined, they were a double-dose of good news for a market recently struggling against news of rising coronavirus case counts.

Well before U.S. markets opened, U.K. researchers reported the common, inexpensive, and widely available steroid, Dexamethasone, was shown to reduce mortality rates for very sick COVID-19 patients by as much as a third in a large-scale study. According to Reuters, scientists called the results a “major breakthrough” in the fight against the disease. Although the development does not reduce the virus’s ongoing spread, it’s certainly a positive development in reducing the negative outcomes for those that contract the disease. Until an effective vaccine is developed, available, and widely distributed, such therapeutics will be critical in efforts to efficiently restart economic activity.

Consumers seem ready to re-engage. Retail sales for the month of May grew at more than double the rate expected by forecasters, according to this morning’s report from the Commerce Department. Sales jumped a record 17.7% in the month, versus the 8.5% increase anticipated via a Bloomberg survey. April’s retail results were also revised to show a smaller decline than previously reported.

On the day.

Cyclical issues befitted the most from the improvement in perceived recovery prospects. However, every S&P 500 sector participated in the gains, as did 93% of the Index’s 505 constituents, according to Bloomberg. The energy sector led the way higher, adding 2.6%. A barrel of West Texas Intermediate crude oil posted a similar gain as it ended the day at $38.09. Health Care issues came next with a gain of 2.5%. Overall, the S&P 500 ended the session down 3.3% on the year (on a price only basis) and down 7.7% from its February 19th all-time high.

Committee View

Though today’s news was encouraging, the outlook remains highly uncertain, in our view. Financial markets also seem to have much of the good news that could come with a “V” shaped recovery already priced-in. We believe today’s exceptionally low interest rate environment provides solid support for the market’s elevated valuation multiples, any set-backs related to either alleviating the coronavirus threat, or restarting economic activity, could still result in material downside.

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**Today’s Market Action at a Glance**

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Index Level</th>
<th>Net Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index</td>
<td>3,125</td>
<td>+58.2</td>
<td>+1.9</td>
</tr>
<tr>
<td>Dow Jones Industrial Average</td>
<td>26,290</td>
<td>+526.8</td>
<td>+2.0</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>1,452</td>
<td>+32.7</td>
<td>+2.3</td>
</tr>
<tr>
<td>NASDAQ Composite</td>
<td>9,896</td>
<td>+169.8</td>
<td>+1.8</td>
</tr>
<tr>
<td><strong>Best Performing S&amp;P Sector:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td>+2.8</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td>+0.5</td>
<td></td>
</tr>
<tr>
<td><strong>10-year U.S. Treasury Yield:</strong></td>
<td>0.75%</td>
<td>+0.4 basis points</td>
<td></td>
</tr>
<tr>
<td>West Texas Intermediate (WTI) Oil</td>
<td>$38.09</td>
<td>+2.6% per barrel</td>
<td></td>
</tr>
<tr>
<td>Spot Gold</td>
<td>$1,735.10</td>
<td>+0.5% per troy oz</td>
<td></td>
</tr>
</tbody>
</table>

All data and charts via FactSet as of approximately 4 PM ET.

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Please ask your financial advisor for Before the Bell, which provides daily market insights and a more comprehensive assessment of our market and economic views.
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