



Client resources & news, continued

June 15, 2020

Markets React to Fed Report

The Week on Wall Street

Investor sentiment turned negative last week, amid an increasing number of COVID-19 cases in states where reopening has been underway as well as a subdued economic forecast from the Federal Reserve.

Reality Strikes

The optimism that drove stock prices higher these past several weeks slipped away on reports of a jump in COVID-19 cases, which sparked worries of a second wave slowing the economic recovery. A sober forecast for the economy by the Federal Reserve further dampened investor sentiment.

The week started upbeat with “reopening” stocks, e.g., financials, transportation, retailers, travel and leisure, and industrials, leading the way higher. But the momentum was soon lost as stocks turned mixed on Tuesday and Wednesday and then moved decidedly downward on Thursday.¹

Fed Forecasts Economic Growth & Interest Rates

On Wednesday, the Federal Reserve said that it would keep the federal funds rate near zero and maintain its monthly purchases of Treasury bonds and mortgage-backed securities.

The Fed also issued its forecasts for 2020-2022, indicating that it saw its benchmark federal funds rate remaining at zero, with inflation at 0.8% for 2020, increasing to 1.6% in 2021, then to 1.7% in 2022. Fed officials also expect the economy to shrink by 6.5% this year, with Gross Domestic Product growing 5% and 3.5% in 2021 and 2022, respectively. Their forecast for unemployment predicts a steady decline over the next 2½ years, from 9.3% by the end of 2020 to 5.5% in 2022.² [Read more from the Federal Reserve Board.](#)

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Sources: [\(1\) The Wall Street Journal, June 11, 2020](#) . [\(2\) CNBC, June 10, 2020](#).

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