



O2 Wealth Economic Update 1-31-2020

Wealth Economic Update: January 31, 2020

U.S. and World News

- Wall Street sold off to end the week and month, as investors grew increasingly fearful about the potential global economic impact of China's spreading coronavirus. Worries were exacerbated by increasing reports of worldwide cases, with 9800 confirmed cases and 200 people dead. Delta, United and American Airlines are suspending U.S.-China flights, and the U.S. Centers for Disease Control and Prevention saying it would quarantine Americans evacuated from Wuhan, the epicenter of the outbreak.
- After more than three years of economic uncertainty, political division and missed deadlines, the U.K. is set to leave the EU at the stroke of midnight Brussels time. A potentially volatile new chapter lies ahead: London and Brussels will try to hash out a trade deal by the end of the year as Britain enters a transition phase. On the eve of Brexit, the Bank of England opted to leave interest rates on hold at 0.75%, citing a pickup in business activity since the election of Boris Johnson and defying some market speculation that a cut was in the cards.
- Five Katyusha rockets were fired at the fortified Green Zone in Baghdad last night, one directly hitting the U.S. Embassy building. The rare direct targeting of the

compound wounded three people, adding to the bearish market turn being seen around the world. News reports also suggested that Iraqi security forces in Baghdad killed an anti-government protester, adding to the months-long civil unrest that has seen the death of 500 people since Oct. 1.

Markets

- Markets pulled back again this week over concerns about the coronavirus. The S&P 500 lost **2.1%** and closed at **3,225**. The Dow Jones fell **2.5%** and closed at **28,256**. Year-to-date, the S&P is about flat, down **0.04%** and the Dow Jones is down **0.9%**.
- Yields fell noticeably this week. The 5 year and 10 year U.S. Treasury Notes are yielding **1.31%** and **1.42%**, respectively.
- The spot price of WTI Crude fell this week. Prices fell **4.8%** and closed at **\$51.59** per barrel. Year to date, Oil prices are down **15.5%**.
- The spot price of Gold rose by 1.1% and closed at **\$1,589.16** per ounce. Year to date, Gold prices are up 4.7%.

Economic Data

- Real GDP rose by 2.1% in the fourth quarter, one tenth above expectations.
- Initial jobless claims declined to 216k, roughly as expected, and continuing claims fell by 44k further to 1,703k.
- New home sales decreased by 0.4% to 696k in December, and the levels of home sales in prior months were revised down.
- Pending home sales fell 4.9% in December, mirroring the pullback in new homes sales and perhaps influenced by storms in the South region.

Fact of the Week

- Only 1 out of every 222 individual tax returns (0.45%) was subject to an audit during the US government's fiscal year that ended 9/30/19. (source: Internal Revenue Service)

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