JOBS VS. VIRUS, ROUND II

The U.S. economy regained 4.8 million jobs in June, besting economists' expectations by over 1.5 million. In addition, April's surprising gain of 2.5 million payrolls was revised up to 2.7 million, bringing the total two-month rebound to +7.5 million. The unemployment rate dropped from its April high of 14.7% to 11.1% in today's Bureau of Labor Statistics report. Also notable in the underlying data was the fact that the number of people in the labor force jumped by 1.7 million, and more of the slack from temporary closures improved as evidenced by a decline in people "unemployed by on temporary layoff."

Construction and manufacturing sectors had strong employment growth in the month, but retail and leisure/hospitality were the big winners in June, adding 740,000 and 2.1 million payrolls, respectively. The leisure/hospitality sector bore the brunt of the damage of reduced mobility, losing 8.3 million of the sector's prior 16.9 million payrolls. The sector has gained back 3.5 million jobs in May and June combined.

Sadly, though, there remain 14.7 million lost payrolls from the virus. And new unemployment claims continue, reported at 1.43 million for the week of June 27. There remains a lot of work to regain the majority of the lost jobs during the virus outbreak. And the pace of recovery may slow going forward, particularly with re-openings slowing thanks to further virus spread.

On the virus, Arizona, California, and Texas all reported a new record for daily infections, with California closing down indoor dining in 19 counties across the state. Texas Medical Center reported another increase in ICU utilization to 102% of normal capacity. Citigroup said it was postponing plans to bring some workers back into the office and Apple closed more stores, taking the total tally of stores closed for a second time to 77. With the school year quickly approaching, Yale announced that it plans to hold almost all classes remotely for the fall semester. The debate on masks continued to heat up with Miami-Dade, the state of Pennsylvania, and the Dallas/Fort Worth International Airport all announcing mask mandates.

And yet, the markets continue to rise, seeing good news as good and bad news as good because it keeps the stimulus flowing from the Fed and the federal government. As recently as last night, the House passed a bill to extend the Paycheck Protection Program, until August 8, which originally expired at the end of June with more than $130 billion in allocated funds still unused. With the Senate having passed the measure the day before, the bill will head to the White House for the President's signature.

In these weekly notes, we have reiterated time and again that markets look forward, so that even when the economic data shows significant challenges still remain, market action may not connect to the experience of the economy from a boots-on-the-ground perspective. In just over a week, we will kick off earnings season, which may bring back to reality some of the stellar recent performance we have seen from stocks, for which we are grateful but cautious. We believe this next earnings season will demonstrate that good companies with enduring business models, sound financial positioning, flexible supply chains, and which are run by strong management teams will show their excellence, while other less well governed companies without these attributes may have their weaknesses exposed. We strive to invest in strong businesses in the securities we select on your behalf, and while they are not immune to periods of economic challenges like this one, they will see through it, and perhaps be stronger for the experience. Hopefully just like all of us.

Thank you for your interest in our weekly investment commentary. If you would like to speak personally with a member of our team at any time, please click here.

HAPPY 4TH OF JULY!

We wish all of our clients, their families, our vendors, partners, and friends a very festive and happy holiday. Stay safe, be well, and cherish each other.

Going forward, we will send a monthly version of this newsletter which you can expect to receive in early August.

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