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Community Banking

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Weekly Economic News & Updates

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THE WEEK ON WALL STREET

Stocks advanced relentlessly last week on positive COVID-19 developments, encouraging economic data, and a supportive policy shift in the Fed's approach to its target inflation rate.

The Dow Jones Industrial Average increased by 2.59%, while the Standard & Poor's 500 jumped 3.26%. The Nasdaq Composite index leaped 3.39% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, rose 1.19%.¹⁻³

On Friday, along with the expected gain of 1.4M new jobs that the BLS is forecast to report, the Unemployment Rate is expected to fall to 9.8% from 10.2% as the Labor Force Participation Rate shows a much-desired rise to 61.7% from 61.4%. Average Hourly Earnings aren't expected to have changed at all for the month and that might bring the year-over-year growth rate down to 4.4% from 4.8%. More noisy numbers.

Stocks Power Higher

Investors pushed stock prices higher all week as hopeful news came with each new day, from the announcement of a potential treatment for COVID-19 to news that U.S. and China negotiators had met by videoconference. Despite another high new jobless claims number, other economic data released during the week indicated a continuing economic recovery, further supporting investor enthusiasm for stocks.⁴

The Fed's announcement of a shift in its inflation policy, which suggested that rates are likely to remain low for a long time, helped push the market higher. The momentum carried over into Friday, leaving the S&P 500 and NASDAQ Composite at new record highs and the Dow Jones in positive year-to-date territory.⁵

Changes in the Dow Industrials

It was announced last week that the Dow Jones Industrial Average will be undergoing some changes. Starting Monday, August 31,

Lobbies are open

WEEKLY QUOTE

"Wisdom is found only in truth."

JOHANN WOLFGANG VON
GOETHE

WEEKLY TIP

Establish a timeline for your financial goals. List what you want to achieve and when, and review your progress and the deadlines you have set semi-annually or annually.

WEEKLY RIDDLE

There is a kind of sweet bean that never grows in a garden. What is it?

Last week's answer:

The plane was parked on the ground.

Sources: MarketingPro, Financial Strategies Group, The Baker Group, wsj.com, bigcharts.com, treasury.gov, Randy Baker and Chris Low and Rebecca Kooshak FTN Financial
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Salesforce.com, Amgen, and Honeywell International will be added to the 30 stocks in the Dow Industrials and Exxon Mobil, Pfizer, and Raytheon Technologies will be removed.⁶

In part, these changes were prompted by Dow-component Apple, which plans a four-to-one stock split on Monday, August 31. The Dow Jones Industrial Average is a price-weighted index, and Apple's split reduces the impact of technology on the index. The new changes are an attempt to mitigate that issue.⁷

For now, Treasuries have recovered their slight early-morning sell-off with the Ten-Year's yield little changed at 71 basis points. The Long Bond has managed to slip back below 1.50%. Gold is up a few dollars to around \$1,969 with crude oil holding steady at just over \$43. Equity prices are still wandering around; probably hoping to stumble across the next stimulus or a successful vaccine. Either will suffice for now. Have a great week; be careful out there.