

Taking Care of Main Street, Not Wall Street.

Community Banking

Here at Citizens FSB, we know the best investments yield a high return. That's why we're investing time and money into the communities we serve. We're a part of our communities as a neighbor, a friend, and as family.



Weekly Economic News & Updates

www.citizensfsb.bank

THE WEEK ON WALL STREET

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

The Dow Jones Industrial Average dropped 5.55%, while the Standard & Poor's 500 lost 4.78%. The Nasdaq Composite Index slipped 2.30% for the week. The MSCI EAFE Index, which tracks developed stock markets overseas, fell 3.10%.^{1,2,3}

Reality Bites

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 "re-opening" 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, with the S&P 500 losing 5.9% on Thursday.⁴ Amid a volatile week, big technology companies resumed their market leadership, with the NASDAQ Composite closing above 10,000 for the first time. Stocks pared their losses on Friday, but it wasn't enough.⁵

Fed Forecasts Economic Growth and 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 2022.⁶

Lobbies are open

WEEKLY QUOTE

"Character is much easier kept than recovered."

THOMAS PAINE

WEEKLY TIP

If you're trying to save money or track your spending, consider using cash. Cash is real. You can see it, and you know when you're out of it. Money becomes more abstract when you use a credit or debit card, leaving you more open to financial choices that you may later regret.

WEEKLY RIDDLE

The names of two U.S. state capital cities rhyme, but they share no vowels. Can you name the two cities?

Last week's answer:

The hourglass

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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