

WEEK IN REVIEW

Friday, June 5th 2020

- U.S. STOCKS CONTINUED THE WEEKS UPWARD ASCENT, after Friday's non-farm payroll reported a surprise increase in jobs creation of 2.5 million, where the unemployment rate fell to 13.3% from 14.7%. Economists had predicted the official unemployment rate would climb to 19% in May, in conjunction with a job loss of 7.25 million. The unemployment rate declined within White and Hispanic Americans, but grew slightly for African Americans. Manufacturing payrolls climbed by 225,000 following April's decline of 1.32 million.
- IN THE CASE AGAINST FORMER POLICE OFFICER DEREK CHAUVIN, the Minnesota Attorney General added the charge of second-degree murder in addition to the charge of third-degree murder of George Floyd. Additionally, three other former officers were charged with aiding and abetting the murder.
- TRUMP ADMINISTRATION OFFICIALS debated whether to invoke the 1807 Insurrection Act, which would have been one step in deploying upwards of 1,600 active duty military troops into the streets of Washington, D.C. Many defense officials and military officers opposed the action and Defense Secretary Mark Esper voiced that "the option to use active duty forces in a law enforcement role should only be used as a matter of last resort, and only in the most urgent and dire of situations. We are not in one of those situations now."
- LESSONS FROM KOREA suggest that normalization in services and consumption will likely lag behind that of the industrial sector due to the impact of declining sentiment. Final demand will likely depend on the labor market and recovery of household income. With the latest job losses concentrated around the services sector and a sharp increase in people opting out of the work force globally, scarring from the labor market is likely to weigh on the recovery trajectory at least into this year.
- CREDIT CARD SPENDING in the US has recovered substantially from the March lows that witnessed a decline of -40% YOY. Data towards the tail end of May shows that number is -10% YOY over the 7-day period ending May 23rd. The most recent data include the start of the Memorial Day holiday, making the YOY comparison more challenging given that people celebrated the holiday differently this year, including fewer social events and less travel relative to last year.
- ALL 50 STATES AND WASHINGTON D.C. ARE IN THE PROCESS OF REOPENING. States that are further along in the reopening are seeing stronger spending, particularly for activities that were most impacted by the lockdowns. For the group of states that were the earliest to reopen, spending at restaurants has recovered to 70% of February levels. For those that have reopened later, the recovery has been slower, but has been steadily increasing to 55% of prior levels.

- WARNER MUSIC GROUP raised \$1.93 billion in an IPO, which represents the biggest US offering this year. The company's catalog includes songs from current stars such as Lizzo, Dua Lipa and Ed Sheeran, as well as classics from Prince and Neil Young. Warner is now the only one of the three major music companies to trade publicly as a stand-alone. Shares initially priced at \$25, climbed as much as 23% to \$30.85 after the first days open. Warner generates roughly 70% of its revenue from digital sources. A recent roadshow presentation included screenshots of quarantine concerts via live-streaming.

THINKING AHEAD

As protests around the country conclude day ten, much of this week's news flow has centered on the racial inequality that continues to persist within the US. The conversation has expanded beyond the policy and vision of local and national political leaders, and into the realm of corporate America. An online gathering of more than 300 executives and government officials has opened the doors to conversations about race relations and social justice. We have begun to see involvement of private sector leaders where past hesitation has been the norm. While many of the participants stayed silent during this week's event, executives from American Airlines, GM, Johnson and Johnson, IBM, and Merck have voiced their acknowledgement that words from business leadership not only impact their economic standing, but also cultural views inside and outside their organization.

The historic tendency within the business leadership has been to sidestep controversies that relate to political, moral, and social issues to avoid risk of angering constituents, be it shareholders, customers, board members, or employees. This began to change in recent years as these same constituents have begun to expect corporate leadership to articulate values that are most important their organization. The conversation marks an interesting and important internal shift where crucial discussions, albeit uncomfortable, came to the forefront.

While no immediate answers were drawn from this conversation and the ones that preceded, we are starting to see that companies are best poised to navigate these uncertain times by not only conveying a meaningful value structure to stakeholders, but also practicing those words.

We will continue to provide weekly market updates. In the meantime, you can access our thought leadership pieces on our [Insights](#) page and by following us on [LinkedIn](#).

You can access a recording of all prior weekly webinars [here](#).

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