

Mega caps and semiconductor shares lead declines

The stock market logged another downbeat week. The Russell 2000 fell 2.8%, the S&P 500 declined 3.1%, and the Nasdaq Composite registered a 5.5% loss.



The price-weighted Dow Jones Industrial Average settled unchanged on the week.

With Friday's action, the S&P 500 and Nasdaq Composite saw their sixth consecutive loss. Ongoing weakness in mega cap stocks and semiconductor shares, which have led the market higher so far this year, had a disproportionate impact on index performance.

ASML and TSMC were standout losers in the SOX, declining 10.6% and 10.4%, respectively, this week after reporting quarterly results. ASML reported weaker-than-expected Q1 bookings and TSMC reported better than expected earnings, but warned that the chip industry is enduring a more gradual recovery than

expected.

NVIDIA was another top laggard from the space, dropping 13.6% on no specific news. Shares of NVDA are still 53.9% higher since the start of 2024.

Some of the sessions this week featured buy-the-dip action at the open that faded as the session progressed. The lack of strong conviction from buyers became its own downside catalyst and many stocks settled lower this week. The equal-weighted S&P 500 logged a 1.3% decline.

The downside bias in stocks was also related to rising interest rates with Fed officials suggesting they are in no hurry to cut rates because recent inflation reports have not given them enough confidence that inflation is on a sustainable path to the 2% target.

The 2-yr note yield settled nine basis points higher at 4.97% and the 10-yr note yield settled 12 basis points higher at 4.62%.

Geopolitical uncertainty related to events in the Middle East also contributed to the negative bias this week in equities. Israel attacked Iranian territory, though like Iran's attack over the last weekend, Israel's response did not produce significant damage.

Many stocks participated in this week's retreat. Eight of the 11 S&P 500 sectors declined. The information technology (-7.3%), consumer discretionary (-4.5%), and communication services (-3.2%) sectors logged some of the largest declines, clipped by weakness in their mega cap constituents. The rate-sensitive real estate sector was also a top laggard, falling 3.6%.

The consumer staples (+1.4%), utilities (+1.9%), and financial (+0.8%) sectors were the only sectors that logged gains.

- S&P 500: -3.1% for the week / +4.1% YTD
- S&P Midcap 400: -2.2% for the week / +2.0% YTD
- Nasdaq Composite: -5.2% for the week / +1.8% YTD
- Dow Jones Industrial Average: UNCH for the week / +0.8% YTD
- Russell 2000: -2.8% for the week / -3.9% YTD

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