

## Stocks Lose Ground Over Continuing Growth

Wall Street tumbled this week, with consumer discretionary and information technology stocks leading the retreat.



Concerns over peak earnings growth continued to linger, and a further breakdown in oil prices also weighed on investor sentiment. Brexit reentered the mix this week, and, as always, U.S.-China trade headlines were plentiful. The S&P 500 lost 1.6%, the Dow lost 2.2%, the Nasdaq lost 2.2%, and the Russell 200 lost 1.4%.

Within the tech space (-2.5%), Apple got off to a rough start after two more suppliers, Lumentum and Qorvo, cut their guidance. Disappointing guidance from chipmakers NVIDIA and Applied Materials also weighed on the sector, with NVIDIA plunging nearly 20% on Friday.

Meanwhile, a host of retailers reported earnings this week, including Walmart, Macy's, Home Depot, and Nordstrom to name a few. The reports generally showed better-than-expected profits, but shares sold off in

response nonetheless. The SPDR S&P Retail ETF lost 4.5%, while the consumer discretionary sector lost 3.8%.

The oil-sensitive energy space (-2.1%) fell in tandem with WTI crude, which dropped 6.1% to \$56.52/bbl and extended its losing streak to 12 sessions before bouncing back.

Saudi Arabia announced it would reduce its oil exports in December by 500,000 barrels a day due to a seasonal slowdown in demand, but President Trump rebuked that decision on Twitter. There were also reports that OPEC and non-OPEC allies could be entertaining a plan to cut production by 1.4 million barrels per day in 2019. However, OPEC cut its 2019 oil demand forecast for the fourth consecutive month.

In Washington, Congresswoman Maxine Waters, who is set to take over the House Financial Services Committee this January, vowed that the days of weakening bank regulations will be coming to an end. Ms. Waters' comments should not have been seen as a surprise as it was understood this would likely be the case following the midterm election results. However, a knee-jerk sell off in the financial space, which finished the week lower by 1.3%, suggested otherwise.

Conversely, outperforming the broader market were the lightly-weighted real estate (+0.8%), materials (+0.4%), and the heavily-weighted health care (-1.1%) spaces.

.Elsewhere, U.S. Treasuries saw heightened demand amid market turbulence and a softer-sounding perspective from Fed Vice Chair Richard Clarida. Mr. Clarida conceded on Friday that he thinks the Fed is getting closer to a neutral rate, which is a dovish stance compared to Fed Chair Jerome Powell's "long way from neutral" comments from last month. The 2-yr yield lost 13 basis points to close at 2.80%, and the 10-yr yield lost 12 basis points to close at 3.07%.

This week saw the market bounce on any U.S.-China trade development no matter if the news was new or repetitive.

A Financial Times report suggested China and the U.S. are trying to reach a trade truce ahead of the G-20 meeting at the end of the month, but clarification from the U.S. Trade Representative's office said that the next round of tariffs for China are not on hold. President Donald Trump chimed in that China is open to a trade deal, though a list of concessions reportedly presented from China before did not mention structural reforms that have been demanded by President Donald Trump.

At the very least, National Economic Council Director Larry Kudlow did confirm that the U.S. and China have resumed trade discussions.

Overseas, UK Prime Minister Theresa May received cabinet approval for her draft withdrawal statement for Brexit. However, Brexit secretary Dominic Raab, and several other ministers, resigned after the approval, and reports indicate that the 1922 Committee received 48 letters needed to trigger a vote of no-confidence in Prime Minister Theresa May. The vote could take place next week.

S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Indices are unmanaged and one cannot invest directly in an index. Each company's security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Data and rates used were indicative of market conditions as of the date shown and compiled by briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. Past performance is not a guarantee of future results. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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