

Market Takes a Breather

The S&P 500 took a breather this holiday-shortened trading week, losing 0.2%, amid pestering concerns over global growth prospects. Despite the week's minor setback, the benchmark index is still up 6.3% this month and 13.3% from its Dec. 24 low.



It was a mixed week with the Dow Jones Industrial Average (+0.1%), the Nasdaq Composite (+0.1%), and the Russell 2000 (unch) also closing near their unchanged marks. The respective indices are up 6.0%, 8.0%, and 10.0% this month.

The S&P 500 sectors also finished mixed this week. The energy (-1.5%), consumer staples (-1.4%), and health care (-1.3%) sectors underperformed, while the information technology (+1.0%) and real estate (+1.5%) sectors outperformed.

Contributing to lingering growth concerns were discouraging foreign data/outlooks; uncertainty surrounding a U.S-China trade deal; and a tense government shutdown, which came to a head on Friday

with news that there was an agreement on a continuing resolution to fund the government through Feb. 15.

While there was some selling interest during the week, the S&P 500's 50-day moving average proved to be an important level of technical support. Whenever the S&P 500 fell below its 50-day moving average, a wave of buyers would lift the index right back up, preventing selling from getting too out of hand.

Also, investors had some reason to remain assured with a round of better-than-feared corporate results.

Upbeat earnings reports and/or guidance from chip stocks helped lift the Philadelphia Semiconductor Index (+4.3%) this week, which featured one of its best sessions in nearly 10 years. Intel (INTC), however, was a trading exception as investors responded negatively to its disappointing first quarter revenue and EPS guidance. Intel's issues, though, had little effect on the semiconductor industry, reflecting a belief that they are more company-specific than anything else.

Airlines, too, pleased investors with their earnings results, namely American Airlines (AAL), Southwest (LUV), and JetBlue (JBLU).

Dow components IBM (IBM), Procter & Gamble (PG), United Technologies (UTX) also provided strong reports and saw their stock prices respond accordingly. Conversely, Johnson & Johnson (JNJ) and Travelers (TRV) underwhelmed.

Separately, a Wall Street Journal report on Friday indicated that the Fed may be getting close to the end of its balance sheet normalization effort. The report provided some comfort for the market, which rode the belief that the Fed's de facto tightening, by way of balance sheet normalization, could soon be over.

U.S. Treasuries finished slightly higher, pushing yields lower. The 2-yr yield decreased one basis point to 2.60%, and the 10-yr yield decreased three basis points to 2.75%. The U.S. Dollar Index fell 0.6% to 95.75. WTI crude lost 0.3% to \$53.62/bbl

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. Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

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