

## Stock Market Finds a Friend in the Fed

The S&P 500 overcame a slow start to the week to finish higher by 1.6% with earnings coming in better than feared and a dovish-minded Federal Reserve easing the market. In the process, the benchmark index also notched its best January since 1987.



The Dow Jones Industrial Average gained 1.3%, the Nasdaq Composite gained 1.4%, and the Russell 2000 gained 1.3%.

The S&P 500 energy (+3.2%), real estate (+2.9%), consumer staples (+2.9%), and industrial (+2.6%) sectors led this week's advance. On the other hand, the consumer discretionary (-0.1%), financials (+0.1%), and materials (+0.8%) sectors underperformed.

What proved to be a rallying cry for the market this week was the Fed. In particular, the idea that the Fed has pivoted from being a foe to a friend with its monetary policy outlook sparked broad-based buying interest and allowed the S&P 500 to break above its 2700 level for the first time since Dec. 7.

Specifically, the Federal Open Market Committee and Fed Chair Powell on Wednesday indicated the Fed is content with being patient with its policy approach and is open to curtailing its balance sheet normalization effort if necessary.

Also, the FOMC voted unanimously to keep the fed funds target rate range unchanged at 2.25% to 2.50%, as expected.

This week also saw the U.S. and China resuming trade talks in Washington and a host of earnings reports that were generally mixed but were not as bad as anticipated.

Regarding earnings, Dow components Apple (AAPL), Boeing (BA), 3M (MMM), Pfizer (PFE), Exxon Mobil (XOM), Chevron (CVX), and Merck (MRK) pleased investors with their results. On the other hand, Caterpillar (CAT), Microsoft (MSFT), Visa (V), DowDuPont (DWD), McDonald's (MCD), and Verizon (VZ) underwhelmed.

In addition, widely-held shares of Facebook (FB) and General Electric (GE) surged following their reports, while Amazon (AMZN) fell on disappointing guidance.

U.S. Treasuries saw increased buying interest following Wednesday's FOMC decision and Fed Chair Powell's press conference. Treasuries pulled back on Friday, though, after a stronger-than-expected Employment Situation Report for January, which showed that nonfarm payrolls increased by 304,000 (Briefing.com consensus 160,000).

The 2-yr yield finished the week down 11 basis points to 2.50%, and the 10-yr yield fell nine basis points to 2.69%. The U.S. Dollar Index fell 0.2% to 95.66. WTI crude rose 3.0% to \$55.28/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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