WEEK IN PERSPECTIVE

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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 (DWDP), 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.

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